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STATE GOVERNMENT

Karnataka Capex Grew at 10.5% CAGR

Karnataka's capital expenditure grew at a compound annual growth rate (CAGR) of 10.5 per cent during the financial year 2010-2017 (BE) and was 18.5 per cent of the total expenditure.

The state government's expenditure priorities — a higher proportion and faster growth of developmental expenditure — are in line with its requirements, said India Ratings and Research (Ind-Ra).

Revenue expenditure increased at a CAGR of 15.5 per cent while interest payment grew at a CAGR of 13.5 per cent during FY2010-FY2017BE.

According to Ind-Ra, committed expenditure (salary, pension and interest payment) as a percentage of revenue expenditure is projected at 35.43 per cent for FY2017 (RE) as against 36.30 per cent in FY2016.

Capital expenditure as a percentage of total expenditure marginally increased to 16.2 per cent in FY2017(RE) as against 15.4 per cent in FY2016.

As per the state government's revised estimates, outstanding debt to GSDP ratio is projected to moderate further to 18 per cent in FY2017(RE) from 23.86 per cent and 23.14 per cent in FY2016 and FY2015, respectively, which lends strength to the state's credit profile.

Source: The Hindu Businessline, April 5, 2017

Government to Set up Company for Wooing Investors

Minister for Large and Medium Industries and Infrastructure Development R?V Deshpande has said that industrialists themselves would be made ambassadors for the 'Invest in Karnataka' initiative by floating a professionally managed not-for-profit company, for the first time in India, to attract investors.

He said a chief executive officer would be appointed to promote Karnataka as a destination for investors from India and abroad. “The industries minister will be the chairman of the board of directors of the company and the board will not have more than two bureaucrats. It will have at least five industrialists from various sectors,” he said.

“Applications had been invited for the post of the CEO. The applications are being scrutinised. The company will start functioning once the CEO is appointed,” he said.

When asked about the industrial scenario in the state, he said, overall, the industrial sector, mainly the manufacturing sector, was dull.

“However, Karnataka is in the first place in attracting investors. Jobs are being cut in most of the companies due to various reasons. But, still there are jobs, which need specially trained people. For this purpose, the government has formed the Skill Development department, which is under the chief minister himself,” he added.

Source: Deccan Herald, April 7, 2017

Karnataka to Frame Green Policy Soon to Conserve Environment

The state government will soon launch a green policy to promote and conserve the environment, said Priyank Kharge, tourism and IT- BT minister.

"We are involving all stakeholders in formulating the green policy to ensure that it is comprehensive and ensures that the environment is protected from future plunder. The proposed green policy is in the final stages of completion," he said at a conference on Sustainable Tourism: Road Map for Karnataka, organised by Bangalore Chambers of Industry and Commerce.

Kharge said the state government was also working towards creating a cultural hub on the lines of the one in Goa, where travellers would be able to experience the local flavours of the city like its food, lifestyle, culture and tradition. He said Freedom Park was being explored as a probable location for the cultural hub. He added that the government also proposes to showcase the state's history through a concisely curated module of around 45 minutes.

He said there is a need to spread more awareness about sustainable tourism which is often confused with eco-tourism. The latter is only one part of sustainable tourism. The concept is not to hide the local culture, but to understand the local way of life, which leads to conservation, he said.

Reacting to the Supreme Court ban on liquor shops along national and state highways, he said he was personally against it. He said the idea does not serve any purpose. Instead, the government should frame stricter laws and slap hefty fines like revoking driving licences at the very first instance of drunken driving.

Source: Deccan Herald, April 22, 2017

Government to Levy Higher Tax on Urban Land Transactions in Bengaluru and Other Cities

The State Government has changed the way it taxes transactions involving large plots of urban land. The new methods of levying stamp duty apply to parcels of land converted for non-agriculture use such as housing, industrial, or commercial.

The new rule has come into effect from April 1, and is expected to push up the cost of transactions in places such as Bengaluru where land prices are steep. The rule, however, is not applicable to transactions in rural areas.

Until March end, the department of Stamps and Registration used to calculate stamp duty in square feet (site rate) for plots up to 10 guntas, and levied duty for undeveloped plots above 10 guntas at rates applicable to agriculture lands regardless of the status of the land. This was beneficial to real estate developers, companies and businessmen buying land from aggregators. Private businesses, unlike government projects, buy from aggregators who buy converted land in small parcels from many landowners, and accumulate them.

The way urban land transactions being taxed came under the flak from auditors who illustrated with example how the government was losing revenue in cases involving sale of converted land in urban areas. The government levies a stamp duty of 5.6% and a registration charge of 1% in urban areas.

Manoj Kumar Meena, Inspector General of Registration and Commissioner of Stamps, clarified that it was not a new rule, but is already there in the Karnataka Stamp Rules. “We have not done this not as any revenue mobilisation measure, but to comply with our own rule as pointed out by the auditors,” he said.

The government has now come up with five slabs, fixing different rates. The value of plots measuring between 5 and 7.5 guntas will now be assessed at 70% of prevailing market rate for sites or of farmlands in the area, whichever is higher. The registration authorities will assess the value based on the nature of the plot -- residential, industrial or commercial -- and calculate the stamp duty. The percentage will drop as the area increases: 7.5 and 10 guntas (60%), 10-20 guntas (40%), 20-40 guntas (35%) and one acre & above (30%), which, according to Bhojya Naik, Deputy Inspector General, will soften transaction costs.

The real estate market in Bengaluru witnessed a slump in 2016-17, and the government had to scale down the revenue target from land transactions for the year from Rs 9100 crore to Rs 7750 crore. A series of factors such as drought followed by demonetization dampened buying sentiments in Bengaluru, and other cities, says senior government officials.

The government has set a target of Rs 9000 crore from stamp duty and registration fee this year.

Source: Economic Times, April 9, 2017

Udan Scheme: State to Provide Free Land, Tax Sop to Airlines To sign MoU with Centre soon to implement scheme in K'taka

The Karnataka Cabinet on Wednesday gave approval to a proposal to extend sales tax concession of 1% on aviation fuel and provide land free of cost for implementing the Centre's Udan (Ude Desh Ka Aam Nagrik) scheme in the state.

The Cabinet meeting chaired by Chief Minister Siddaramaiah also agreed to provide security and supply water as well as power free of cost to airlines that operate flights under the scheme, which envisages providing regional connectivity. Besides, the Cabinet has agreed to bear 20% of Viability Gap Funding (VGF) to be extended to airlines.

The state government will soon sign a Memorandum of Understanding (MoU) with the Civil Aviation Ministry to implement the scheme in Karnataka. Four airports – Bengaluru, Bidar, Mysuru and Vidyanagar (Ballari) – have been taken up for bidding under the scheme by the Ministry. Under “Ude Desh Ka Aam Nagrik” (Let the Common Man Fly) or Udan scheme, airlines that qualify in the bidding will be provided with VGF to operate flights to under-served airports. Airfares would be capped at Rs 2,500 for a one-hour flight.

Civil Aviation Policy

Briefing reporters about decisions taken by Cabinet, Law Minister T B Jayachandra said the National Civil Aviation Policy-2016 has been approved by the Cabinet.

This apart, the Cabinet approved implementation of Karnataka State Wide Area Network (KSWAN) project 2.0 which envisages bridging digital divide in the state, Jayachandra said.

All 10,000 government offices up to gram panchayat level will be inter-connected by providing LAN and WAN services so that citizens from anywhere in Karnataka can access the government services and information irrespective of geographical location.

KSWAN 2.0 project will be implemented under National Information Infrastructure project at a cost of Rs 615 crores. The Centre for e-governance has entered into an agreement with Wipro to implement the project, the minister added.

Source: Deccan Herald, April 13, 2017

Govt to Team up with IT Firms to Set up Cyber Security Centre
Talks on with companies to offer industry-specific courses

The proposal is to offer both short and long-term industry-specific job certification courses for engineering students and practising engineers as an add-on to their careers.

The Karnataka government is in touch with various information?technology companies for collaboration to set up a Centre for Excellence in Cyber Security in Bengaluru. The proposal is to offer both short and long-term industry-specific job certification courses for engineering students and practising engineers as an add-on to their careers.

Besides protecting computers, networks and data from unauthorised access, cyber security has become more relevant in the current scenario as there has been a substantial rise in the volume of digital payments and the use of instruments such as mobile wallets.

“We are looking at multiple partners with each specialising in a particular facet of cyber security. A few companies specialise in data protection and others have expertise in firewalls and curbing online hacking. We have started the process of talking to companies,” Minister of State for Information Technology and Biotechnology Priyank Kharge said.

The government is keen to replicate the 'Centre of Excellence in Aerospace and Defence' model for cyber security too. The state government has entered into an agreement with French multinational software company Dassault Systemes to impart courses in aerospace and defence sectors using 3D design and 3D digital mock-up software programmes.

The course content is being worked out by Visvesvaraya Technological University in association with Dassault Systemes. The total cost of the project is Rs 288 crore with Dassault Systemes contributing Rs 250 crore in the form of software package, software updation, licence charges, faculty and training.

“The cost-sharing factor works out for the government. The companies for their part get skilled professionals with hands-on training to work in their field of expertise,” the minister said.

The government is also planning to set up a “Centre of Excellence in Data Sciences and Artificial Intelligence”. Kharge said IBM?has shown interest in the venture. “I recently visited IBM where a demonstration was given on their Watson Analytics, their advanced super computer that combines artificial intelligence and data analytics. We will continue our interaction with IBM,” Kharge said.

Source: Deccan Herald, April 23, 2017.

Work on 420 Km of State Highways to Begin in June

The Rs 5,300-crore project to develop 420 km of state highways with the help of the Asian Development Bank (ADB) will start in June this year.

ADB will fund Rs 2,250 crore for developing highways in different parts of the state. The rest of the money will be raised through toll. The project will be implemented in three packages for which global competitive bidding will be called. The companies executing the project will have to complete the roads in 24 months and have to maintain them for seven years. The roads could be tolled, said sources associated with the project.

KSHIP-2: The state highway development project pertaining to Karnataka State Highway Improvement Project-2 (KSHIP-2) will be completed by 2018. Under this project, development of 1,192 km of roads has been taken up. The cost of the project is Rs 4,522 crore of which Rs 1,575 crore is being funded by the ADB.

By October 2016, 510 km roads at an expenditure of Rs 953 crore has already been completed. Rest of the road work of 682 km is in progress and will be completed by December 2018, said sources.

The projects Package 1: Two-lane highway from Kollegal to Hanur (23.8 km). Two-lane highway from Chintamani to Andhra Pradesh border (39.8 km). Four-lane road from Bengaluru NICE Road to Magadi, linking National Highway-75 (50.7 km). Package 2: Magadi to Somwarpet in Kodagu (166 km) Package 3: Two-lane road from Honnali to Gadag (138.2 km).

Source: Deccan Herald, April 8, 2017

Bangalore Metro rush to continue till June 2018

BENGALURU: Metro rides during peak hours will continue to be the crowded affair that it now is, at least till the middle of next year.

The three-car trains, despite running at four-minute intervals during peak hours, are too small to accommodate the growing rush. And with the Bangalore Metro Rail Corporation expecting a 195% increase in ridership after the entire Phase-1 becomes operational, a Metro ride will mean a tighter squeeze.

Call it short-sight or what you will, the BMRCL placed orders for six-coach trains only last week. Bharath Earth Movers, a PSU under the Ministry of Defence, which made the three-car trains earlier won a Rs 1,421-crore contract to supply 150 sets of cars.

The problem period will be the months between the opening of the underground section on the North South corridor and the arrival of sixcar trains. “The supply of Metro cars to BMRCL would commence from June 2018 and would be completed by December 2019,“ BEML's official release said.

“This is nothing but being penny wise and pound foolish,“ Prashanth Srinivas, a regular metro commuter, said. “Rs 14,000 crore is spent on Namma Metro but when it comes to providing services, a lot needs to be done. Senior citizens, women and children find it difficult to travel in the peak hours as coaches are fully packed. BMRCL should learn from Delhi Metro, which is operating a train every 90 seconds," he added.

Extension of services is also another demand. "Metro should be available to the public from 5 am to 12 midnight. There are a lot of long-distance buses and trains services that start and arrive in the early and late hours," he pointed out.

MRCL Managing Director Pradeep Singh Kharola said the corporation is prepared to manage the increasing ridership by providing trains with higher frequency. "During the peak hours, we will run a train every three minutes. The train timings are getting revised based on passenger demand," he added.

There are now 50 three-car Metro trains doing duty on the Green Line (29 trains) and the Purple Line (21 trains). "All these trains are used on a rotational basis. We will not be short of trains even if the passenger load goes up," said a Metro official.

Source: Economic Times, April 5, 2017

AGRICULTURE & FOOD PROCESSING

FSSAI
FDA Bhawan near Bal Bhavan,
Kotla Road, New Delhi

Press note

Food Safety and Standards (Import) Regulation, 2017

A number of food products are being imported into India from the various countries. As per the mandate for providing safe and wholesome food to public, FSSAI made its presence at various port to check and clearance of safe food. Authorized officers appointed by the FSSAI on these port performing their duties through FICS.

As provided in the Act, and for the purpose of streamlining the process of clearance of imported food in an efficient and transparent manner, the FSSAI has notified Food Safety and Standards (Import) Regulation, 2017 after due consultation with stakeholders.

These regulations lay down the procedure for clearance of food products imported into India and include various provisions related to licensing of food importer; clearance of imported food by the Food Authority; food import clearance for specific purposes; storage, inspection and sampling of imported food; laboratory analysis of samples of imported food article, and prohibition & restriction on food imports, amenable food labelling provision for ease of trade, and privilege for importer to get their concerns, if any, address in respect of the clearance of their food products.

Along with the above said provision, it also specifies the scheme for risk based sampling imported food articles, which facilitate ease of doing business while not compromising the health of Indian public.

These regulations will come into force from the date of its notification in the Official Gazette of India.

For Complete Gazette Notification log on
file:///C:/Users/shekhar/Downloads/Gazette_Notification_Food_Import_20_03_2017%20(2).pdf

ECONOMIC & CORPORATE AFFAIRS

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/MRD/DRMNP/CIR/P/2017/31 April 13, 2017

All recognized Stock Exchanges and Clearing Corporations in International Financial Services Centres

Dear Sir/Madam

Inclusion of "Derivatives on Equity shares"-IFSC

Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015 were notified by SEBI on March 27, 2015, which came into force on April 01, 2015.

2. Clause 7 of SEBI (IFSC) Guidelines, 2015 specifies the types of securities in which dealing may be permitted by stock exchanges operating in IFSC. Based on the recommendations of the Risk Management Review Committee of SEBI, it has been decided to specify "Derivatives on equity shares of a company incorporated in India" (hereinafter referred to as 'Derivatives on equity shares') as permissible security under sub-clause (vi) of Clause 7 of SEBI (IFSC) Guidelines, 2015. Accordingly, the recognized stock exchanges operating in IFSC may permit dealing in 'Derivatives on equity shares', subject to prior approval of SEBI.

3. SEBI registered Foreign Portfolio Investors (FPIs), operating in IFSC, in terms of SEBI Circular IMD/HO/FPIC/CIR/P/2017/003 dated January 04, 2017, and eligible entities which are incorporated and operating in IFSC shall be eligible to trade in 'derivatives on equity shares'.

4. The applicable position limits for eligible participants shall be as stipulated vide SEBI circulars SMDRP/DC/CIR-10/01 dated November 02, 2001, DNPD/Cir-30-2006 dated January 20, 2006 and SEBI/HO/MRD/DP/CIR/P/2016/143 dated December 27, 2016.

5. The Market Wide Position Limit (MWPL) for 'derivatives on equity shares' shall be equal to ten percent of the number of shares held by non-promoters in the relevant underlying security (i.e. free-float holding). Further, the MWPL for 'derivatives on equity shares' in recognized stock exchanges in IFSC shall be reckoned separately from that in recognized stock exchanges in domestic market and the MWPL (in value terms), in no circumstances, shall exceed the fifty percent of the MWPL (in value terms) in recognized stock exchanges in domestic market.

6. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully

(Sanjay Purao)
Deputy General Manager
Division of Risk Management and New Products
Market Regulation Department
Email: sanjayp@sebi.gov.in

General Circular No 02/2017

No.05/05/2016-IEPF
Government of India
Ministry of Corporate Affairs

5th Floor, "A" Wing,
Shastri Bhawan, Dr. R.P. Road
New Delhi-110001
Dated: 20/04/2017

To
All Stakeholders,
Nodal Officer's (IEPF) of Concerned Companies
All Regional Director's & Registrar of Companies of Min of Corp. Affairs

Subject: Clarification regarding online generation of Challans for Offline payment cases.

Sir/Madam,

In terms of Investors Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016 as notified on 05.09.2016, and as per the prerequisites of e-form IEPF-1, the companies are required to transfer the amounts to Investor Education and Protection Fund (IEPF) through Challans generated on MCA 21 portal. Attention is also drawn to circular No. 13/2016 dated 05.12.2016 issued by this office, communicating that Challans which are not generated on MCA 21 portal will not be accepted after 15.12.2016.

2. However it has been noticed that there are companies, which have transferred the amount to IEPF prior to 15.12.2016, through Challans not generated on MCA-21 portal and these companies were/are unable to file IEPF-1.

3. To facilitate filing of e-form IEPF-1 by such companies, following two step processes is suggested:-

Step-I

Company concerned is required to submit details of the challans in prescribed format (enclosed) to IEPF Authority on email id challan.iepfa@mca.gov.in. The copy of challans and certificate for authentication of the details submitted are required to be obtained from practicing professionals' viz. Chartered Accountants, Company Secretaries and Cost Accountants. This information will be accepted by IEPF Authority up to 20th May, 2017 only and no further relaxation shall be granted.

Step II

The submitted data shall be processed by the IEPF Authority and a Front Office service will be made available on IEPF website-www.iepf.gov.in from 5th June, 2017 for a period of 30 days i.e. up to 5th July, 2017 to enable the companies to submit the required data online. An automated generated number will be provided by the MCA21 system on validation of entries and using this automated generated number as SRN, companies may file e-form IEPF-1 online & upload investor details without requirement of filing additional fees.

4. This issues with the approval of the Competent Authority.

Yours Sincerely,
Monika
(Monika Gupta)
Deputy Director

FINANCE

Circular No. 16/2017

F.No. 279/Misc./140/2015/ITJ
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, 25th April, 2017

SUBJECT: Lease rent from letting out buildings/developed space along with other amenities in an Industrial Park/SEZ– to be treated as business income.

The issue whether income arising from letting out of premises /developed space along with other amenities in an Industrial Park/SEZ is to be charged under head 'Profits and Gains of Business' or under the head 'Income from House Property' has been subject matter of litigation in recent years. Assessees claim the letting out as business activity, the income arising from which to be charged to tax under the head 'Profits and Gains of Business', whereas the Assessing Officers hold it to be chargeable under the head 'Income from House Property'.

2. The matter has been considered by the Board. Income from the Industrial Parks/ SEZ established under various schemes framed and notified under section 80IA(4)(iii) of the Income-tax Act, 1961 ('Act') is liable to be treated as income from business provided the conditions prescribed under the schemes are met.

In the case of *Velankani Information Systems Pvt Ltd*[1], the Hon'ble Karnataka High Court observed that any other interpretation would defeat the object of section 80IA of the Act and government schemes for development of Industrial Parks in the country. SLPs filed in this case by the Department have been dismissed by the Hon'ble Supreme Court.

In a subsequent judgment dated 30.04.2014 in ITA No 76 & 78/2012 in the case of *CIT vs. Information Technology Park Ltd.*[2], the Karnataka High Court has reaffirmed its earlier views. It has held that, since the assessee-company was engaged in the business of developing, operating and maintaining an Industrial Park and providing infrastructure facilities to different companies as its business, the lease rent received by the assessee from letting out buildings along with other amenities in a software technology park would be chargeable to tax under the head "Income from Business" and not under the head "Income from House Property". The judgement has been accepted by the Board.

3. In view of the above, it is now a settled position that in the case of an undertaking which develops, develops and operates or maintains and operates an industrial park/SEZ notified in accordance with the scheme framed and notified by the Government, the income from letting out of premises/ developed space along with other facilities in an industrial park/SEZ is to be charged to tax under the head 'Profits and Gains of Business'.

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[1] NJRS Citation [2013-LL-0402-44]
[2] NJRS Citation [2014-LL-0430-141]

4. Accordingly, henceforth, appeals may not be filed by the Department on the above settled issue and those already filed may be withdrawn/ not pressed upon.

5. The above may be brought to the notice of all concerned.

sd.
(D.S. Chaudhry),
CIT (A&J), CBDT,
New Delhi.

Seeks to Amend CENVAT Credit Rules, 2004

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
NOTIFICATION
New Delhi, the 13th April, 2017
No. 10/2017-Central Excise (N.T.),

G.S.R.---(E).-In exercise of the powers conferred by section 37 of the Central Excise Act, 1944 (1 of 1944) and section 94 of the Finance Act, 1994 (32 of 1994), the Central Government hereby makes the following rules further to amend the CENVAT Credit Rules, 2004, namely : –

1. (1) These rules may be called the CENVAT Credit (Second Amendment) Rules, 2017.

(2) They shall come into force on the 23rd day of April, 2017.

2. In the CENVAT Credit Rules, 2004,–

(1) in rule 2, in clause (*l*), for the words starting with '"input service" means' and ending with "clearance of final products upto the place of removal," following shall be substituted, namely,-

'"input service" means,-

(*i*) services provided or agreed to be provided by a person located in non-taxable territory to a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India where service tax is paid by the manufacturer or the provider of output service being importer of goods as the person liable for paying service tax for the said taxable services and the said imported goods are his inputs or capital goods; or

(*ii*) any service used by a provider of output service for providing an output service; or

(iii) any service used by a manufacturer, whether directly or indirectly, in or in relation to the manufacture of final products and clearance of final products upto the place of removal,';

(2) in rule 4, in sub-rule (7), after the second proviso, following shall be inserted namely,-

"Provided also that in respect of services provided or agreed to be provided by a person located in non-taxable territory to a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India where service tax is paid by the manufacturer or the provider of output service being importer of goods as the person liable for paying service tax for the said taxable services, credit of service tax paid by the person liable for paying service tax shall be allowed after such service tax is paid:";

(3) in rule 9, in sub-rule (1), after clause (e), following shall be inserted, namely,-

"(ea) a challan evidencing payment of service tax by the manufacturer or the provider of output service being importer of goods as the person liable for paying service tax for the services provided or agreed to be provided by a person located in non-taxable territory to a person located in non-taxable territory by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India; or".

[F. No. 354/42/2016-TRU]

(Mohit Tewari)
Under Secretary to the Government of India

Note.- The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), *vide* notification No. 23/2004 - Central Excise (N.T.) dated the 10th September, 2004 *vide* number G.S.R. 600(E), dated the 10th September, 2004 and last amended *vide* notification No. 4/2017 - Central Excise (N.T.) dated 2nd February, 2017 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), *vide* number G.S.R. 98 (E), dated the 2nd February, 2017.

Press Information Bureau
Government of India
Ministry of Finance

11-April-2017

Introduction of GST

Tax on sale or purchase of goods within a State as per Entry List II of Seventh Schedule of the Constitution is a State subject, and accordingly, VAT was being introduced by the concerned States, in place of turnover taxes. The introduction of VAT ensured that credit of taxes paid on the inputs were available to a tax payer while discharging his output tax liability. This helped in minimizing cascading of taxes at the State level and in increasing compliance because of the in-built mechanism of transfer of input tax credit. VAT led to a simplification of taxes at the State level.

Presently, the Constitution empowers the Central Government to levy excise duty on manufacturing and service tax on the supply of services. Similarly, it empowers the State Governments to levy sales tax or value added tax (VAT) on the sale of goods. This exclusive division of fiscal powers has led to a multiplicity of indirect taxes in the country. Further, central sales tax (CST) is levied on intra-State sale of goods by the Central Government, but collected and retained by the exporting States. In addition, many States also levy an entry tax on the entry of goods in local areas.

This multiplicity of taxes at the State and Central levels has resulted in a complex indirect tax structure in the country that is ridden with hidden costs for the trade and industry. Firstly, there is no uniformity of tax rates and structure across States. Secondly, there is cascading of taxes due to 'tax on tax'. No credit of excise duty and service tax paid at the stage of manufacture is available to the traders while paying the State level sales tax or VAT, and vice-versa. Further, no credit of State taxes paid in one State can be availed in other States. Hence, the prices of goods and services get artificially inflated to the extent of this 'tax on tax'.

The introduction of GST would mark a clear departure from the scheme of distribution of fiscal powers envisaged in the Constitution. The proposed dual GST envisages taxation of the same taxable event, i.e., supply of goods and services, simultaneously by both the Centre and the States. Therefore, both Centre and States will be empowered to levy GST across the value chain from the stage of manufacture to consumption. The credit of GST paid on inputs at every stage of value addition would be available for the discharge of GST liability on the output, thereby ensuring GST is charged only on the component of value addition at each stage. This would ensure that there is no 'tax on tax' in the country.

GST will simplify and harmonise the indirect tax regime in the country. It is expected to reduce cost of production and inflation in the economy, thereby making the Indian trade and industry more competitive, domestically as well as internationally. It is also expected that introduction of GST will foster a common or seamless Indian market and contribute significantly to the growth of the economy.

Further, GST will broaden the tax base, and result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.

Press Information Bureau
Government of India
Ministry of Finance

11-April-2017

CBDT issues PAN and TAN within 1 day to Improve Ease of Doing Business

In order to improve the Ease of Doing Business for newly incorporated corporates, CBDT has tied up with Ministry of Corporate Affairs (MCA) to issue Permanent Account Number (PAN) and Tax Deduction Account Number (TAN) in 1 day.

Applicant companies submit a common application form SPICe (INC 32) on MCA portal and once the data of incorporation is sent to CBDT by MCA, the PAN and TAN are issued immediately without any further intervention of the applicant. The Certificate of Incorporation (COI) of newly incorporated companies includes the PAN in addition to the Corporate Identity Number (CIN). TAN is also allotted simultaneously and communicated to the Company.

Till 31st March 2017, 19,704 newly incorporated Companies were allotted PAN in this manner. During March, 2017, of the 10,894 newly incorporated companies, PAN was allotted within 4 hrs in 95.63% cases and within 1 day in all cases. Similarly, TAN was allotted to all such companies within 4 hrs in 94.7 % cases and within 1 day in 99.73% cases.

CBDT's initiative in starting of a business is expected to significantly improve the ranking of India in the Ease of Doing Business Study conducted by World Bank by reducing the number of processes of registration before various authorities under law, reducing the time taken for allotment of the registration number (CIN, PAN, TAN) and making the entire registration process for new companies much simpler.

CBDT has also introduced the Electronic PAN Card (E-PAN) which is sent by email, in addition to issue of the physical PAN Card, to all applicants including individuals where PAN is allotted. Applicant would be benefited by having a digitally signed E-PAN card which they can submit as proof of identity to other agency electronically directly or by storing in the Digital Locker (https://digilocker.gov.in).

*****

MONETARY POLICY

PRESS RELEASE

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, मुंबई-400001
DEPARTMENT OF COMMUNICATION, Central Office, S.B.S.Marg, Mumbai-400001
/Phone: 91 22 2266 0502 /Fax: 91 22 22660358

RESERVE BANK OF INDIA
www.rbi.org.in/hindi
Website : www.rbi.org.in
email: helpdoc@rbi.org.in

April 06, 2017

First Bi-monthly Monetary Policy Statement, 2017-18
Resolution of the Monetary Policy Committee (MPC)
Reserve Bank of India

On the basis of an assessment of the current and evolving macroeconomic situation at its meeting today, the Monetary Policy Committee (MPC) decided to:

• keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.25 per cent.

Consequent upon the narrowing of the LAF corridor as elaborated in the accompanying Statement on Developmental and Regulatory Policies, the reverse repo rate under the LAF is at 6.0 per cent, and the marginal standing facility (MSF) rate and the Bank Rate are at 6.50 per cent.

The decision of the MPC is consistent with a neutral stance of monetary policy in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth. The main considerations underlying the decision are set out in the statement below.

Assessment

2. Since the MPC met in February 2017, indicators of global growth suggest signs of stronger activity in most advanced economies (AEs) and easing of recessionary conditions in commodity exporting large emerging market economies (EMEs). In the US, high frequency data indicate that the labour market, industrial production and retail sales are catalysing a recovery in Q1 of 2017 from a relatively subdued performance in the preceding quarter. Nonetheless, risks to higher growth have arisen from non-realisation or under-achievement of macroeconomic policies. In the Euro area, the manufacturing purchasing managers' index (PMI) rose to a six-year high in March amidst improving consumer confidence and steadily strengthening employment conditions. In the Japanese economy, nascent signs of revival are evident in the form of falling unemployment, improving business sentiment on fixed investment, and rising exports helped by the depreciation of the yen; however, deflation risks linger.

3. For EMEs, the outlook is gradually improving, with indications that the slowdown characterising 2016 could be bottoming out. In China, supportive macroeconomic policies, surging credit growth and a booming property market have held up the momentum of growth albeit amidst concerns about financial stability and capital outflows. In Brazil, hardening commodity prices are providing tailwinds to reforms undertaken by the authorities to pull the economy out of recession, although financial fragilities remain a risk. Russia is benefiting from the firming up of crude prices and it is widely expected that growth will return to positive territory in 2017.

4. Inflation is edging up in AEs to or above target levels on the back of slowly diminishing slack, tighter labour markets and rising commodity prices. Among EMEs, Turkey and South Africa remain outliers in an otherwise generalised softening of inflation pressures. Global trade volumes are finally showing signs of improvement amidst shifts in terms of trade, with exports rising strongly in several EMEs as well as in some AEs whose currencies have depreciated.

5. International financial markets have been impacted by policy announcements in major AEs, geo-political events and country-specific factors. Equity markets in AEs were driven up by reflation trade, stronger incoming data and currency movements. Equity markets in EMEs had a mixed performance, reflecting domestic factors amidst a cautious return of investor appetite and capital flows. In the second half of March, dovish guidance on US monetary policy lifted equities across jurisdictions, especially in Asia, as the reach for EME assets resumed strongly, although doubts about the realisation of US policies, Brexit and softer crude prices tempered sentiments. Bond markets have mirrored the uncertainty surrounding the commitment to fiscal stimulus in the US and yields traded sideways in AEs, while they generally eased across EMEs. In the currency markets, the US dollar's bull run lost steam by mid-March. EME currencies initially rose on optimism on the global outlook, but some of them have weakened in recent days with the fall in commodity prices. Crude prices touched a three-month low in March on rising shale output and US inventories. Food prices have been firming up globally, driven by cereals.

6. On the domestic front, the Central Statistics Office (CSO) released its second advance estimates for 2016-17 on February 28, placing India's real GVA growth at 6.7 per cent for the year, down from 7 per cent in the first advance estimates released on January 6. Agriculture expanded robustly year-on-year after two consecutive years of sub-one per cent growth. In the industrial sector, there was a significant loss of momentum across all categories, barring electricity generation. The services sector also slowed, pulled down by trade, hotels, transport and communication as well as financial, real estate and professional services. Public administration, defence and other services cushioned this slowdown. To some extent, government expenditure made up for weakness in private consumption and capital formation.

7. Several indicators are pointing to a modest improvement in the macroeconomic outlook. Foodgrains production has touched an all-time high of 272 million tonnes, with record production of rice, wheat and pulses. The record production of wheat should boost procurement operations and economise on imports, which had recently surged. Rice stocks, which had depleted to close to the minimum buffer norm, have picked up with kharif procurement. The bumper production of pulses has helped in building up to the intended buffer stock (i.e., 20 lakh tonnes) and this will keep the price of pulses under check – the domestic price of pulses has already fallen below the minimum support price (MSP).

8. Industrial output, measured by the index of industrial production (IIP), recovered in January from a contraction in the previous month, helped by a broad-based turnaround in manufacturing as well as mining and quarrying. Capital goods production improved appreciably, although this largely reflected the waning of unfavourable base effects. Consumer non-durables continued, however, to contract for the second successive month in spite of supportive base effects. Thus, investment and rural consumption demand remain muted. The output of core industries moderated in February due to slowdown in production of all the components except coal. The manufacturing purchasing managers' index (PMI) remained in expansion mode in February and rose to a five month high in March on the back of growth of new orders and output. The future output index also rose strongly on forecasts of pick-up in demand and the launch of new product lines. The 77th round of the Reserve Bank's industrial outlook survey indicates that overall business sentiment is expected to improve in Q1 of 2017-18 on the back of a sharp pick up in both domestic and external demand. Coincident indicators such as exports and non-oil non-gold imports are indicative of a brighter outlook for industry, although

the sizable under-utilisation of capacity in several industries could operate as a drag on investment.

9. Activity in the services sector appears to be improving as the constraining effects of demonetisation wear off. On the one hand, rural demand remains depressed as reflected in lower sales of two- and three-wheelers and fertiliser. On the other hand, high frequency indicators relating to railway traffic, telephone subscribers, foreign tourist arrivals, passenger car and commercial vehicles are regaining pace, thereby positioning the services sector on a rising trajectory. After three consecutive months of contraction, the services PMI for February and March emerged into the expansion zone on improvement in new business.

10. After moderating continuously over the last six months to a historic low, retail inflation measured by year-on-year changes in the consumer price index (CPI) turned up in February to 3.7 per cent. While food prices bottomed out at the preceding month's level, base effects pushed up inflation in this category. Prices of sugar, fruits, meat, fish, milk and processed foods increased, generating a sizable jump in the momentum in the food group. In the fuel group, inflation increased as the continuous hardening of international prices lifted domestic prices of liquefied petroleum gas during December 2016 – February 2017. Kerosene prices have also been increasing since July with the programmed reduction of the subsidy. Adapting to the movements in these salient prices, both three months ahead and a year ahead households' inflation expectations, which had dipped in the December round of the Reserve Bank's survey, reversed in the latest round. Moreover, the survey reveals hardening of price expectations across product groups. The 77th round of the Reserve Bank's industrial outlook survey indicates that pricing power is returning to corporates as profit margins get squeezed by input costs.

11. Excluding food and fuel, inflation moderated in February by 20 basis points to 4.8 per cent, essentially on transient and item-specific factors. In February, favourable base effects were at work in the clothing and bedding sub-group as well as in personal care and effects, the latter also influenced by the disinflation in gold prices. The volatility in crude oil prices and its lagged pass-through are impacting the trajectory of CPI inflation excluding food and fuel. Much of the impact of the fall of US $4.5 per barrel in international prices of crude since early February would feed into the CPI print in April as its cumulative pass-through occurred with a lag in the first week of this month. Importantly, inflation excluding food and fuel has exhibited persistence and has been significantly above headline inflation since September 2016.

12. With progressive remonetisation, the surplus liquidity in the banking system declined from a peak of `7,956 billion on January 4, 2017 to an average of `6,014 billion in February and further down to `4,806 billion in March. Currency in circulation expanded steadily during this period. Its impact on the liquidity overhang was, however, partly offset by a significant decline in cash balances of the Government up to mid-March which released liquidity into the system. Thereafter, the build-up of Government cash balances on account of advance tax payments and balance sheet adjustment by banks reduced surplus liquidity to `3,141 billion by end-March. Issuances of cash management bills (CMBs) under the market stabilisation scheme (MSS) ceased in mid-January and existing issues matured, with the consequent release of liquidity being absorbed primarily through variable rate reverse repo auctions of varying tenors. Accordingly, the average net absorption by the Reserve Bank increased from `2,002 billion in January to `4,483 billion in March. The weighted average call money rate (WACR) remained within the LAF corridor. The maturing of CMBs and reduced issuance of Treasury bills leading up to end-March has also contributed to Treasury bill rates being substantially below the policy rate.

13. Merchandise exports rose strongly in February 2017 from a subdued profile in the preceding months. Growth impulses were broad-based, with major contributors being engineering goods, petroleum products, iron ore, rice and chemicals. The surge in imports in January and February 2017 largely reflected the effect of the hardening of commodity prices such as crude oil and coal. Non-oil

non-gold imports continued to grow at a modest pace, though capital goods imports remained sluggish. With imports outpacing exports, the trade deficit widened in January and February from its level a year ago, though it was lower on a cumulative basis for the period April-February 2016-17.

14. Balance of payments data for Q3 indicate that the current account deficit for the first three quarters of the financial year narrowed to 0.7 per cent of GDP, half of its level a year ago. For the year as a whole, the current account deficit is likely to remain muted at less than 1 per cent of GDP. Foreign direct investment (FDI) has dominated net capital inflows during April-December, with manufacturing, communication and financial services being the preferred sectors. Turbulence in global financial markets set off a bout of global risk aversion and flight to safe haven that caused net outflows of foreign portfolio investment (FPI) during November 2016 to January 2017. The tide reversed with the pricing in of the Fed's normalisation path and improvement in global growth prospects. FPI flows turned positive in February and welled up into a surge in March, especially in debt markets relative to equity markets (which had been the dominant recipient until February). This reversal appears to have been driven by stable domestic inflation, better than expected domestic growth, encouraging corporate earnings, clarity on FPI taxation, pro-reform budget proposals and state election results. The level of foreign exchange reserves was US$ 369.9 billion on March 31, 2017.

Outlook

15. Since the February bi-monthly monetary policy statement, inflation has been quiescent. Headline CPI inflation is set to undershoot the target of 5.0 per cent for Q4 of 2016-17 in view of the sub-4 per cent readings for January and February. For 2017-18, inflation is projected to average 4.5 per cent in the first half of the year and 5 per cent in the second half (Chart 1).

16. Risks are evenly balanced around the inflation trajectory at the current juncture. There are upside risks to the baseline projection. The main one stems from the uncertainty surrounding the outcome of the south west monsoon in view of the rising probability of an El Niño event around July-August, and its implications for food inflation. Proactive supply management will play a critical role in staving off pressures on headline inflation. A prominent risk could emanate from managing the implementation of the allowances recommended by the 7th CPC. In case the increase in house rent allowance as recommended by the 7th CPC is awarded, it will push up the baseline trajectory by an estimated 100-150 basis points over a period of 12-18 months, with this initial statistical impact on the CPI followed up by second-order effects. Another upside risk arises from the one-off effects of the GST. The general government deficit, which is high by international comparison, poses yet another risk for the path of inflation, which is likely to be exacerbated by farm loan waivers. Recent global developments entail a reflation risk which may lift commodity prices further and pass through into domestic inflation. Moreover, geopolitical risks may induce global financial market volatility with attendant spillovers. On the downside, international crude prices have been easing recently and their pass-through to domestic prices of petroleum products should alleviate pressure on headline inflation. Also, stepped-up procurement operations in the wake of the record production of foodgrains will rebuild buffer stocks and mitigate food price stress, if it materialises.

17. GVA growth is projected to strengthen to 7.4 per cent in 2017-18 from 6.7 per cent in 2016-17, with risks evenly balanced (Chart 2).

18. Several favourable domestic factors are expected to drive this acceleration. First, the pace of remonetisation will continue to trigger a rebound in discretionary consumer spending. Activity in cash-intensive retail trade, hotels and restaurants, transportation and unorganised segments has largely been restored. Second, significant improvement in transmission of past policy rate reductions into banks' lending rates post demonetisation should help encourage both consumption and investment demand of healthy corporations. Third, various proposals in the Union Budget should

stimulate capital expenditure, rural demand, and social and physical infrastructure all of which would invigorate economic activity. Fourth, the imminent materialisation of structural reforms in the form of the roll-out of the GST, the institution of the Insolvency and Bankruptcy Code, and the abolition of the Foreign Investment Promotion Board will boost investor confidence and bring in efficiency gains. Fifth, the upsurge in initial public offerings in the primary capital market augurs well for investment and growth.

19. The global environment is improving, with global output and trade projected by multilateral agencies to gather momentum in 2017. Accordingly, external demand should support domestic growth. Downside risks to the projected growth path stem from the outturn of the south west monsoon; ebbing consumer optimism on the outlook for income, the general economic situation and employment as polled in the March 2017 round of the Reserve Bank's consumer confidence survey; and, commodity prices, other than crude, hardening further.

Chart 1: Quarterly Projection of CPI Inflation (y-o-y) for Q4:2016-17 to Q4:2017-18

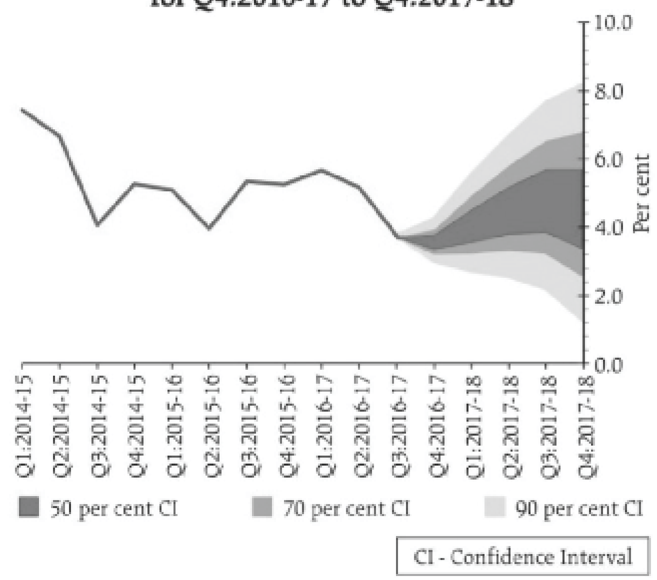
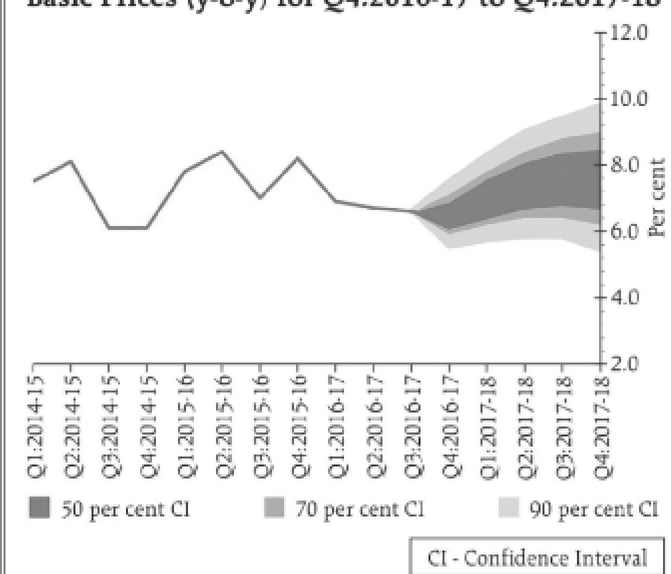


Chart 2: Quarterly Projection of Growth in GVA at Basic Prices (y-o-y) for Q4:2016-17 to Q4:2017-18



20. Overall, the MPC's considered judgement call to wait out the unravelling of the transitory effects of demonetisation has been broadly borne out. While these effects are still playing out, they are distinctly on the wane and should fade away by the Q4 of 2016-17. While inflation has ticked up in its latest reading, its path through 2017-18 appears uneven and challenged by upside risks and unfavourable base effects towards the second half of the year. Moreover, underlying inflation pressures persist, especially in prices of services. Input cost pressures are gradually bringing back pricing power to enterprises as demand conditions improve. The MPC remains committed to bringing headline inflation closer to 4.0 per cent on a durable basis and in a calibrated manner. Accordingly, inflation developments have to be closely and continuously monitored, with food price pressures kept in check so that inflation expectations can be re-anchored. At the same time, the output gap is gradually closing. Consequently, aggregate demand pressures could build up, with implications for the inflation trajectory.

21. Against this backdrop, the MPC decided to keep the policy rate unchanged in this review while persevering with a neutral stance. The future course of monetary policy will largely depend on

incoming data on how macroeconomic conditions are evolving. Banks have reduced lending rates, although further scope for a more complete transmission of policy impulses remains, including for small savings/administered rates1. It is in this context that greater clarity about liquidity management is being provided, even as surplus liquidity is being steadily drained out. Along with rebalancing liquidity conditions, it will be the Reserve Bank's endeavour to put the resolution of banks' stressed assets on a firm footing and create congenial conditions for bank credit to revive and flow to productive sectors of the economy.

22. Six members voted in favour of the monetary policy decision. The minutes of the MPC's meeting will be published by April 20, 2017.

23. The next meeting of the MPC is scheduled on June 6 and 7, 2017.

Jose J. Kattoor
Chief General Manager

Press Release: 2016-2017/2689

1 Since the introduction of the formula in April 2016, interest rates on small savings are about 61-95 basis points higher, depending on tenor, compared to what they should be if the formula is followed. If the spread between small savings rates and bond yields remains wide, the diversion of deposits to small savings would impede a full transmission to bank lending rates.

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LABOUR / COMMERCE AND INDUSTRY / TOURISM

Press Information Bureau
Government of India
Ministry of Commerce & Industry

24-April-2017

Commerce Minister reiterates that GeM is the most Transparent, Accountable and Efficient Public Procurement Portal

Commerce and Industry Minister Smt. Nirmala Sitharaman has reiterated that GeM is the most transparent, accountable and efficient public procurement portal and has already resulted in savings of crores of Rupees to the Government. In a press conference today she strongly denied the charges levelled against GeM by the Congress Party.

In the Press conference held on 21st April 2017 by Congress spokesperson Sh. Randeep Surjewala, he levelled charges of irregularities against the Government e-Marketplace (GeM). The basis of Sh. Surjewala's allegations were the alleged letters written by a Union Minister and few BJP MPs to the Hon'ble Union Commerce & Industry Minister.

Department of Commerce strongly denies the baseless, motivated and malafide charges levelled by Sh Surjewala against GeM.

Sh Ajay Nishad, Hon'ble MP(LS) has already denied in writing for having written the said letter to Hon'ble Commerce & Industry Minister and has instead complimented her for setting up a transparent portal for public procurement. It is pertinent to mention that the letters of Sh. Nishad and Sh. Ashok M Nete (MP)(LS) are exactly similar. In addition, the letters written by 6 Hon'ble MPs (LS), Sh Harish Dwivedi, Sh Arjun Lal Meena, Sh Alok Sanjar, Sh Rajesh Verma, Sh Radheshyam Biswas and Sh Kaushal Kishore, have all put in the similar request of extension of Software, Storage, Networking, Security items on DGS&D Rate Contract. Shri Faggan Singh Kulaste, Hon'ble MoS Health and Family welfare, in his letter to Hon'ble Commerce and Industry Minister has just forwarded the representation of a company which lost out a big order due to timely intervention by GeM.

The above-mentioned facts clearly indicate that there are vested interest operating behind this malicious campaign against GeM and in all likelihood, it appears to be the handiwork of certain interested group who have been badly hit owing to discontinuation of RC and development of a transparent platform. It is unfortunate that the Congress Party is supporting an opaque system and is against transparency in public procurement and good governance and has allowed its spokesperson to speak against GeM without verifying facts.

The items for which Sh. Surjewala has given GeM rates and e-Commerce portal rates are different items and they cannot be compared. On the contrary, GeM rates are much lower than the market rates and it has been worked out that Government has made a saving of over Rs 100 Crore in the total procurement of about Rs 450 Crore that has so far taken place through GeM. Government as a policy is reducing the items on RC and bringing them on GeM which is a transparent portal. RC system has a number of limitations.

The processes on GeM are completely transparent and GeM is the first Government portal that places all the procurements- big or small- by Government organizations in public domain, with details about the buyer, seller, item, quantity and price.

GeM has removed all the registration restrictions on businesses for supplying to the Government. For the first time, vendors from small towns are getting an opportunity to do business with the Government, in contrast to the erstwhile RC system where not more than 2500-3500 suppliers were holding monopoly to supply to the Government at fixed rates. There are adequate checks and balances in place on GeM which do not allow suppliers to get away with supplying at a higher price to the Government, than the prevailing market or Last Procurement Price (LPP). A number of advisories issued by GeM in this regard to Government buyers along with action taken against a few delinquent suppliers speak volumes about the high transparency and accountability standards on GeM.

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Press Information Bureau

Government of India

Ministry of Tourism

10-April-2017

Comprehensive Sustainable Tourism Criteria for India (STCI)

The Comprehensive Sustainable Tourism Criteria for India (STCI) for Accommodation, Tour Operators and Beaches, Backwaters, Lakes & Rivers sectors were launched in August 2014 and has been accepted by the stakeholders. No issues/problem in this regard have surfaced.

Further, the Ministry has guidelines for approval of Hotel Projects at the implementation stage and also guidelines for classification/re-classification of operational hotels under various categories. As per these guidelines, hotels at the project stage itself are required to incorporate various eco-friendly measures like Sewage Treatment Plant (STP), Rain Water Harvesting System, waste management system, pollution control, introduction of non-Chlorofluorocarbon (CFC) equipment for refrigeration and air conditioning, measures for energy and water conservation etc. Under the guidelines for project level & classification/re-classification of operational hotels, it has been prescribed that the architecture of the hotel buildings in hilly and ecologically fragile areas should be sustainable and energy efficient and as far as possible be in conformity with the local ethos and make use of local designs and material.

The tour operators approved by Ministry of Tourism have to sign a pledge for commitment towards Safe & Honourable Tourism and Sustainable Tourism to fully implement Sustainable Tourism practices, consistent with the best environment and heritage protection standards, such that the present tourism resource requirements optimize both local community benefit and future sustainable uses.

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