2017

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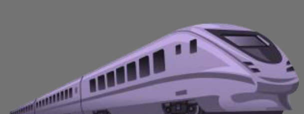
April 1st week Newsletter

Weekly E-Bulletin

Indian Institute of Export Management



Compiled By Mr. Sathish B R

Indian Institute of Export Management

INDIA OPENS BULK EXPORT OF EDIBLE OILS

In a major policy shift, the Modi Government on Monday opened up the exports of edible oils such as groundnut oil, soyabean oil, sesame oil and maize oil in bulk quantity. So far, export of edible oils was allowed under branded consumer packs of up to 5 kg. The latest move comes on the back of an anticipated record oilseed output of 33.60 mt in 2016-17, up from 25.30 mt in the previous year and exporters feel that China could emerge as a major destination for the Indian groundnut oil. The Directorate General of Foreign Trade on Monday issued a notification amending the export policy for edible oils.

B/L/27/3/2017

NEW GOLD EXPORT RULE CAN BE MISUSED

MUMBAI: Has an amended government rule unwittingly opened the room for misuse by a few jewellery exporters? Some in bullion and jewellery trade think so.

Sections within the trade have said that a recent commerce ministry note extending the export obligation to 120 days by jewellery exporters who directly import gold bars duty free in the domestic tariff area (DTA) could be misused by a few. This has drawn sharp retorts from a star export house and a nodal export body .

Earlier, jewellery exporters in DTA who imported bullion duty free under advance authorisation were obliged to export jewellery and other value-added items manufactured from the bars in 90 days. Those importing gold or silver bars for domestic sale are obliged to pay a 10% import duty plus a 1%

value added tax on sale at the state level.

A gold refiner and a jeweller claimed that the extension could increase the room for “misuse".“Let's assume export house X imports gold duty free under the scheme, makes jewellery in a week or two and sells the same in the local market inclusive of 10% import duty and 1% VAT," said the refiner. “He thus imports duty free and gets an 11% profit on sale of jewellery . The funds can be deployed to earn interest till the company has to meet its export obligation.
At such time, it buys the gold domestically by paying 11% tax and exports it by the mandated time. Interest earned on the funds in the interim is the profit." However, Rajesh Mehta, chairman of Rajesh ExportsBSE -1.25 %, said not everybody could be painted with the same brush.
E/T/ 28

INDIA, VIETNAM CALL TRUCE IN TRADE SPAT; DELHI PLEDGES PEST-FREE GOODS

India has decided to extend the hand of reconciliation to Vietnam to avoid a repetition of a recent spat which both countries banning each other’s farm products, including coffee beans and peanuts.Agriculture Ministry officials have assured their Vietnamese counterparts that India will take corrective action to ensure that Vietnam’s concerns relating to the presence of live pests in farm consignments from India are addressed, an Agriculture Ministry official told *BusinessLine.*Vietnam recently banned the import of five agriculture products from India, which would have been effective from June 2017, but after New Delhi retaliated by placing an immediate ban on six Vietnamese products, including coffee, on March 7, it revoked its order.
B/L/29/3/2017

INDUSTRY LOBBY WELCOMES ORDER ALLOWING BULK EXPORT OF EDIBLE OIL

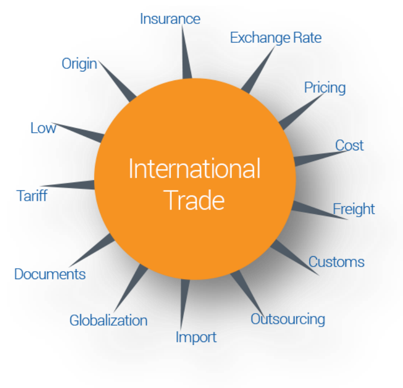
Welcoming the Government of India’s order allowing bulk exports of edible oils from India, the Indian Oilseeds and Produce Export Promotion Council (IOPEPC) termed it a positive step for Indian farmers engaged in oilseeds cultivation.“There was a long pending demand from Indian exporters of edible oils. This will support Indian farmers engaged in oilseed crops in addition to higher export of premium edible oils such as sesame oil, groundnut oil, etc," said Sanjiv Sawla, Chairman, IOPEPC .Sawla mentioned that the move provides a much-needed level playing field to exporters to compete with playersfrom Sudan, Ethiopia, China, Myanmar, Bangladesh etc, where such restrictions on bulk packing don't exist.The Directorate General of Foreign Trade (DGFT) issued a notification allowing bulk export of edible oils such as Groundnut oil, Sesame seed oil, Soyabean oil and corn oil. Earlier export was allowed in branded consumer pack of 5 kg. **B/L/30/3/2017**

PHARMEXCIL ISSUES ALERT ON DRUG EXPORTS TO PAKISTAN

The Pharmaceuticals Exports Promotion Council (Pharmexcil) has issued an alert for Indian drug-makers who are exporting their products to Pakistan.The trade alert has been issued against Islamabad-based firms, Medizan Laboratories Pvt Ltd and Siam Pharmaceuticals, according to a communication sent to pharma companies by the council.Following complaints from few Indian exporters (whose names have not been disclosed) that the two Pakistan pharma companies "own huge amounts'' to them and were not responding to requests for payment, the council too, had written to them."As there was no response from the companies, the Council had taken up this issue with the Ministry of Commerce, Pakistan, but our efforts have not helped the members to recover the dues so far,'' Uday Bhaskar, Director General (Pharmexcil), said in a circular.The alert has been issued to some other drug-makers who continue to cater to orders from these firms as a precautionary measure.As per the information obtained from its portal, Medizan Laboratories manufactures and markets generic drugs and has been operating in all most all cities of Pakistan under licence from the Ministry of Health, Pakistan. Siam Pharma is also a generic player. **B/L/31/3/2017**

FUMIGATION AT PORTS: CENTRE EXTENDS PERMISSION FOR AGRI IMPORTS TILL JUNE

The Centre has extended by three months the permission given to its trading partners to fumigate consignments of pulses, lentils and other farm products at Indian ports with methyl bromide.The fumigant is banned in several countries because of its detrimental impact on the ozone layer.The relaxation of fumigation regulations, which would have expired on March 31, has now been extended till June 30.It is informed that the competent authority in this Department has decided that consignments of all imported agricultural commodities, whose date of bill of landing in the country of export is June 30, 2017 or before, and for which treatment with methyl bromide fumigation is stipulated in Plant Quarantine Order, will be allowed without offshore fumigation from those countries, which certify discontinuance of this chemical for phytosanitary measure," a notification from the Agriculture Ministry on Thursday stated. **B/L/1/4/2017**



COMMERCE MINISTRY TO MAKE CHANGES IN EXPORT SCHEMES DUE TO IMPLEMENTATION OF GST: DGFT

The commerce ministry may have to make certain changes in the export related schemes due to the implementation of the Goods and Services Tax (GST), a senior official said. Director General of Foreign Trade (DGFT) also said that the ministry is currently undertaking the stakeholders' consultation for the mid-term review of the Foreign Trade Policy (FTP). "There is going to be certain changes (in the FTP)" due to the implementation of GST, DGFT said at the FIEO's Regional Award function at New Delhi. "Government has (to) re-write some of the schemes," DGFT added. The GST will subsume excise, service tax and other local levies. DGFT also sought views of FIEO members for the review of the FTP. Speaking on the occasion, MSME

Secretary said that exports are crucial for country to boost growth and create employment. Secretary said exporters should also take advantage of the MSME schemes. The commerce ministry can think of extending more incentives to the exporting sectors which create more employment, MSME Secretary added. FIEO President said that exports are growing since the last five months and it has recorded double digit growth in February. "Going by this trend, India's exports may reach USD 270 billion by end of this fiscal." **~FIEO**

US EXPORTS TO INDIA ENCOUNTER BARRIERS: US ADMINISTRATION

US exports to India continue to face barriers as its customs officials generally require extensive documentation, leading to frequent and lengthy processing delays, the Trump administration said. Despite the Indian government's efforts to pursue economic reforms, the structure of India's customs tariff and fees system are "complex and characterised by a lack of transparency" in determining net effective rates of customs tariffs, excise duties, and other duties and charges, the US Trade Representative (USTR) said it its annual report. Noting that US exporters have raised concerns regarding India's application of customs valuation criteria to import transactions, it said India's customs officials generally require extensive documentation, inhibiting the free flow of trade and leading to frequent and lengthy processing delays. This is a consequence of India's complex tariff structure, including the provision of multiple exemptions, which vary according to product, user, or intended use, it said. India, it said, lacks an overarching government procurement policy and, as a result, its government procurement practices and procedures vary among the states, between the states and the central government, and among different ministries within the central government. In its annual 2017 National Trade Estimate, the first under US President Donald Trump, the US goods and trade deficit with India was USD 24.3 billion, a 4.2 per cent increase (USD 970 million) last year, the USTR said. The report came hours before Trump was expected to sign an executive order instructing his administration to examine the cause of trade imbalances with over 15 countries, including China and India. According to the report, US goods exports to India were USD 21.7 billion, up 1.1 per cent (USD 237 million) from the previous year. Corresponding US imports from India were USD 46.0 billion, up 2.7 per cent. India was the US' 18th largest goods export market last year, the report said. On the other hand, US exports of services to India were an estimated USD 18.1 billion in 2015 (latest data available) and US imports were USD 24.7 billion. Sales of services in India by majority US-owned affiliates were USD 22.7 billion in 2014 (latest data available), while sales of services in the US by majority India-owned firms were USD 13.4 billion, it said. Further, the US Foreign Direct Investment (FDI) in India (stock) was USD 28.3 billion in 2015 (latest data available), a 4.4 per cent increase from 2014. The US FDI in India is led by professional, scientific, and technical services, manufacturing, and wholesale trade, USTR said. Taking note of the national Goods and Services Tax (GST), the report said it would replace most indirect taxes, including various charges on imports. The GST is designed to simplify the movement of goods within India, it said. In 2015, the Indian government introduced the GST Bill in Parliament and it was passed in July last year. India is working on the implementation of the GST law, which would put in place a twopart system. The first part of the system are the State and Central GST that will be levied simultaneously on every transaction of goods and services within a state. The second part is an "Integrated GST" that covers goods and services sold between all Indian states. The Integrated GST would apply to imports. India intends to implement GST by July, the report said. **~FIEO**

INDIA'S EXPORTS MAY CROSS $300 BILLION IN FY17, SAYS FIEO

India's merchandise export is expected to cross $300 billion during the current fiscal, said a top official of Federation of India Export Organisations (FIEO). FIEO expects India's shipments for fiscal 2016- 17 to close at $272 billion against $262 billion in the previous year – a growth of 3-4%. This fiscal, the exporters' body expects manufacturing shipments to be in the region of $300-310 billion and services to be between $175 billion and $180 billion "This (export) growth for 2016-17 is encouraging as global trade is down and many economies are still in red," said Director General & CEO, FIEO. "China's February figure shows that exports have declined. The Indian exports figures are not only of low base, but they are nowhere near our potential. "We had already touched $300 billion in exports in the past and from here on we should look at more promising exports. We expect the current year exports shipment to be between $300 billion and $310 billion." Though last year's export growth was minimal, DG & CEO, FIEO said one must look at the outcome in the context of global scenario. "If you look at it in isolation, I may not be happy. But, if you look how my competitors have performed and how the world economy has moved, I am happy. "But, we have to give a greater push to exports, because I am not looking at foreign exchange realisation alone, I am looking at exports and economic activity which creates employment generation. Sectors such as handicrafts can be pushed only through exports," FIEO said. Asked whether it was possible to reach an exports target of $900 billion by 2019-20, DG & CEO, FIEO said: "During the current year, we might touch $480 billion. To reach the target, we should have a compounded growth of 29%." **~FIEO**

INDIA RECEIVES PROPOSAL FROM GEORGIA TO NEGOTIATE FTA: COMMERCE MINISTER

The government said it has received a proposal from Georgia to negotiate a free trade agreements (FTA). Commerce and Industry Minister said that the Joint Feasibility Study with Georgia will be conducted to examine the feasibility of the proposed FTA. Minister also said that the joint feasibility study group report between the Eurasian Economic Union and its member states and India has been accepted and the first meeting of Trade Negotiation Committee will held after mutual consent. These "agreements are likely to provide opportunities for generating economic growth and employment as well as increase mutual investment flows," Commerce Minister said in a written reply to the Rajya Sabha. Replying to a separate question Minister said India continues to engage the the US administration for better access of its professionals in America. "H-1B and L-1 visa issues, including increase in visa processing fees, high rejection rates and other difficulties faced by the Indian services companies, have been raised with the US at various levels," Minister added. India has also taken up the matter on US visa fee hike in the Dispute Settlement Body of the World Trade Organisation (WTO). On a separate question on exports, Minister said there were 36 alerts received for export of fresh fruits and vegetables to EU and 41 number of shipments of these agri-commodities to the US were issued import refusal. "The rejections were imposed on the charge of adulteration, pesticide residue, contamination, misbranding and product forbidden or restricted for sale," it said.

~FIEO

INDIA, MALAYSIA INK SEVEN PACTS

India and Malaysia inked seven pacts, including an air services agreement and a mutual recognition of educational qualifications of the two nations. The pacts were exchanged in the presence of Prime Minister and his Malaysian counterpart. Apart from the air services agreement, the two nations signed an MoU on cooperation in the development of the proposed 2.5 MT per annum urea and ammonia manufacturing plant in Malaysia. India has also proposed to offtake the existing surplus urea from Malaysia. Agreements were also inked for cooperation in the field of sports and mutual recognition of the educational qualifications of the two nations. A pact was also inked wherein Entrepreneurship Development Institute of India (EDII), Ahmedabad will carry out training and other capacity building programmes on behalf of the Human Resource Development, Malaysia. An agreement was also signed for technology development in the field of palm oil and implementation of fourth generation technology park in Andhra Pradesh.

~FIEO

CHEMICAL INDUSTRY WILL GROW TO $226 BN BY 2020: COMMERCE MINISTER

The domestic chemical industry is expected to grow to $226 billion by 2020, Union Minister of State (independent charge) for Commerce and Industry said. The global chemical industry is estimated at $4.3 trillion, with Indian chemical industry accounting for $147 billion in 2015. The Indian chemical industry is expected to grow to $226 billion by 2020, Commerce Minister said, after presenting awards to leading chemical exporters at a function. "While exports have shown a decline of 7.8 per cent from $12.66

billion in 2014-15 to $11.67 billion in 2015-16, that is in terms of value, in terms of volume the exports have shown a remarkable growth of 7.51 per cent from 52.9 lakh tonnes in 2014-15 to 56.9 lakh tonnes in 2015-16, which is a positive sign," Minister said. The Budget 2017-18 focuses on boosting the industry, and reduction in corporate tax for MSMEs by 5 per cent and the new Trade Infrastructure Export Scheme will help exporters reduce transaction costs and become globally competitive, Minister said. Also, initiatives such as CBEC's Single Window Interface for Facilitating Trade (SWIFT), Make in India, relaxation of environmental norms for the chemical industry and the expected GST roll-out would spur the growth of chemical sector, it added. The domestic chemical industry, 3rd largest producer in Asia and 12th in the world, is a key constituent of Indian economy, Minister said. India is the fourth largest producer of agrochemicals. The Basic Chemicals and Dyes Export Promotion Council (Chemexcil) has played a key role in promoting exports of the products in its basket by showcasing the capabilities of Indian chemical industry to the world, the Minister said. **~FIEO**

INDIA OFFERING 'FAR DEEPER' PROPOSALS IN RCEP: COMMERCE SECRETARY

Pitching for liberalisation of trade in services, India today said it is offering "far deeper" proposals in the proposed mega deal RCEP than most of the other member nations of the grouping. The Regional Comprehensive Economic Partnership (RCEP) is a mega trade agreement being negotiated among 16 countries including ASEAN, India, China, Japan, South Korea, Australia and New Zealand. Commerce Secretary also said India will give more concessions in RCEP than any other country will do. "In RCEP and several negotiations in terms of investments and services, India is able to offer far deeper offers and proposals than most of the counterpart countries," Commerce Secretary said. Secretary said that in RCEP, "The difficulty is that, while we see countries able to match the breadth of India's offers, so far it is very hard for countries to match the depth". The statement assumes significance as India is pressing for greater market access in the services sector, particularly easy movement of professionals, in the RCEP negotiations. The mega trade deal aims to cover goods, services, investments, economic and technical cooperation, competition and intellectual property rights. Emphasising on the importance of trade in services, she said the sector holds huge potential to boost economic growth and create employment in all economies. Further talking about the second review of India-Singapore free trade agreement, the secretary said there have been difficulties in concluding this review because of certain "small" issues. India and Singapore implemented the comprehensive economic cooperation agreement (CECA) in August 2005. Timely reviews are part of these pacts. Citing certain issues, she said the asset management ratio for Indian banks has tended to be higher than it is for counterpart banks from other nationalities. In India, this ratio is same for both foreign or Indian banks, "but in Singapore, it is hard to know on exactly what premise the asset management ratio is based and therefore it leads to worries and concerns in the industry". The other issue, Commerce Secretary said, is the restrictions in the movement of professionals. Meanwhile a report released by Research and Information System for Developing Countries on India-Singapore CECA has suggested certain steps to further increase bilateral trade. It suggested early action for mutual recognition agreements to be reached in the areas of accounting, architecture, dental and medical services with in a year. "It would be very important to bring more predictability in the regulatory aspect regarding employment passes particularly in relation to Indian banks and IT companies in Singapore," the report said.

~FIEO

US WANTS 'CONCRETE COMMITMENTS' FROM INDIA ON IMPORT TARIFFS, IP REGIME

Prime Minister's meeting with US President later this year will lean heavily on strategic and commercial issues. Both the sides are already working on a mutually beneficial heavy-duty agenda. Prime Minister is expected to visit the US in September, but before that a series of high-level official exchanges is expected to take place between the two governments. The US wants India to come up with a "real agenda" this time instead of a regular all-encompassing one, diplomatic sources said. The PM has already dispatched some of his top officials to Washington to facilitate a "fruitful visit" — his first since Trump took over. National Security Advisor and Foreign Secretary have visited the US twice to firm up PM's meeting with US President. According to sources, the US government has made it clear that this time India has to make some “concrete commitments” in terms of reduction in import tariffs and greater ease of doing business before the US can commit to a “hefty investment package.” Earlier this month, during a meeting with Jaishankar, who was accompanied by Commerce Secretary, the US officials said India has to import more from America and make its intellectual property rights regime more favourable for the US firms operating here, the sources added. The third India-US Strategic and Commercial Dialogue (S&CD) is expected to take place in May-June, in Delhi. From the US side, Deputy Assistant to the President for International Economic Affairs and Deputy Director of the National Economic Council, and Commerce Secretary, are expected to attend the S&CD.

~FIEO

INDIA BECOMES NET EXPORTER OF ELECTRICITY FOR THE FIRST TIME

India has turned from a net importer of electricity to a net exporter for the first time, according to the Central Electricity Authority. According to an official statement, "During the current year 2016-17 (April to February 2017), India has exported around 5,798 million units to Nepal, Bangladesh, and Myanmar, which is 213 million units more than the import of around 5,585 million units from Bhutan. Export to Nepal and Bangladesh increased 2.5 and 2.8 times respectively in last three years." India has been importing power from Bhutan and marginally exporting to Nepal in radial mode at 33 kV and 132 kV from Bihar and Uttar Pradesh. On an average Bhutan has been supplying 5,000-5,500 million units to India since crossborder trade of electricity started in the mid- 1980s. India had also been exporting around 190 MW to Nepal over 12 cross-border inter-connections at 11kV, 33kV and 132 kV levels. The export of power to Nepal further increased by around 145 MW with the commissioning of the Muzaffarpur (India)-Dhalkhebar (Nepal) 400 kV line (operated at 132 kV) in 2016. Export of power to Bangladesh got a boost with the commissioning of the first cross- border inter-connection between Baharampur (India) and Bheramara (Bangladesh) at 400 kV in September 2013. It was further augmented by commissioning of the second cross-border Interconnection between Surjyamaninagar (Tripura) in India and South Comilla in Bangladesh. At present, around 600 MW power is being exported to Bangladesh. The government expects the export of power to Nepal to increase by around 145 MW shortly over 132 kV Katiya (Bihar)-Kusaha (Nepal) and 132 kV Raxaul (Bihar)-Parwanipur (Nepal) lines.

~FIEO

INDIA TURNS NET EXPORTER OF STEEL; COS LOOK TO RAISE CAPACITY USAGE

The capacity utilisation of steel manufacturers is set to increase with strong export demand and signs of a revival in domestic sales. Steel companies have already seen a sharp rise in steel production in the last two months. After a gap of three years, India turned a net exporter, aided by stiff tariff barriers restricting imports. In the last nine months, steel exports from

India increased 77 per cent to 6.62 mt while imports fell by 65 per cent to 6.59 mt. With many importers restricting shipments from China with high duties, exports from India are set to continue rising for a few months, said a steel company official. However, the profit margins of the steel industry are set to come under pressure in the March quarter with rising iron ore prices and high-cost coal inventory. In the last seven months, NMDC has increased the price of iron ore lumps from its Chhattisgarh mines by 43 per cent in line with the global trend. Coking coal prices, which peaked to $309 a tonne in November, softened to $157 a tonne in February, but most steel companies are now using the high-cost coal booked in the December quarter, said an analyst. Domestic steel demand has just started showing signs of a revival from the impact of currency demonetisation. The government push on infrastructure spending has also helped revive demand. In the last 11 months, steel output was up nine per cent at 89 mt, while consumption grew 3.4 per cent to 76.22 mt due to continued weakness in key end-user industries.

~FIEO

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In a major policy shift, the Government opened up the exports of edible oils such as groundnut oil, soyabean oil, sesame oil and maize oil in bulk quantity. So far, export of edible oils was allowed under branded consumer packs of up to 5 kg. The latest move comes on the back of an anticipated record oilseed output of 33.60 mt in 2016-17, up from 25.30 mt in the previous year and exporters feel that China could emerge as a major destination for the Indian groundnut oil. The Directorate General of Foreign Trade issued a notification amending the export policy for edible oils. Till now the export of edible oils such as coconut oil and rice bran oil was allowed freely in bulk, while other edible oils were allowed only under the branded consumer packs of up to 5 kg with minimum export price (MEP) of US $ 900 per tonne. Major oils exported in consumer packs are groundnut oil, sesame oil, sunflower oil and mustard oil. "The decision of allowing other edible oils such as groundnut oil, sesame oil, soyabean oil and maize oil will boost the overall edible oil export and improve the utilisation of the domestic oil millers. This is a welcome step for the industry," said president, the Solvent Extractors'

Association of India (SEA). SEA said the move will encourage bulk exports of groundnut oils to countries such as China and Europe. Additionally, India's non-GMO soyabean will have an advantage in the international market as those nations looking for non-GMO soya bean oil will turn to India, it added.

~FIEO

BASMATI RICE EXPORTS MAY GROW TO RS 22,000-22,500 CRORE IN FY18: REPORT

Basmati rice exports is likely to grow to Rs 22,000-22,500 crore and volume to around 4.09 million tonne mainly supported by an increase in average realisations, rating agency ICRA said in a report. "Agency expects the export volumes in FY17 to be around 4 million tonne (almost similar to the volumes in FY2016). However, muted average realisations are expected to keep the value of these exports to under Rs 21,000 crore, against Rs 22,718 crore in FY16," said ICRA Assistant Vice President. "In FY18, the value of exports is likely to grow to Rs 22,000-22,500 crore, with export volumes growing to around 4.09 million tonne and supported by an increase in average realisations," it added. This is likely to push up Basmati rice prices in the next fiscal, it said. Resumption of imports by Iran will be keenly watched by the industry as it has the potential to provide an impetus to exports, Agency added. "Going forward, the coming financial year is expected to witness better revenue growth supported by a rise in average realisations, as paddy prices firm up during the current procurement season. Moreover, resumption of imports by Iran will also be crucial for driving industry growth in the next fiscal," agency said. The basmati rice industry witnessed moderation over the last few years on the back of subdued international demand, partly attributable to the delay in resumption of imports by Iran. However, 2016-17 has seen some stabilisation in demand, ICRA said, adding after peaking at Rs 29,300 crore in FY14, the value of basmati rice exports went on a downward trajectory. While volumes saw some growth over the last few years, the decline in value is primarily owing to continued pressure on average realisations (declined from a high of Rs 77,988 per tonne in FY14 to Rs 56,149 per tonne in FY16) in the light of moderation in demand in the global market, ICRA said.

~FIEO

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~FIEO

SLUGGISH EXPORT GROWTH MAY HIT APPAREL INDUSTRY

Growth in apparel exports may stay muted for a consecutive year in FY17, as demand from key importing countries remained subdued. On the back of the global apparel trade contracting by one per cent to $432 billion (Rs 28 lakh crore) in 2016, apparel exports, according to the Apparel Export Promotion Council's (AEPC's) estimates, were likely to close 2016-17 at $17.3 billion (Rs 1.12 lakh crore), up by roughly two per cent from $16.9 billion (Rs 1.10 lakh crore) in the previous financial year. This is also evident from the fact the industry clocked exports of $15.5 billion (Rs 1 lakh crore) during April 2016-February 2017, a growth rate of just 0.6 per cent over the last year, according to AEPC sources. While sluggish demand from importing countries has been the primary reason for the muted guidance, what also works against India is its heavy reliance on cotton amid an increasing share of lower-priced man-made fibre-based apparels by other competing markets such as Vietnam and Bangladesh. “The other competing nations import almost all the raw materials and hence have a better economies of scale than India, which is dependent heavily on the domestic industry, predominantly driven by cotton,” said an AEPC official. On the other hand, exports to the UK have fallen to $1.2 billion (Rs 7,800 crore) from $1.6 billion (Rs 10,400 crore) due to sluggish demand, according to AEPC sources.

~FIEO

INDIAN GOLD JEWELLERY EXPORTS DOWN 47% IN FEB ON LOWER OFFTAKE FROM GULF

Gold jewellery exports from India routed through West Asia are being adversely affected because of two reasons: First, because of the 10 per cent import duty levied on imported gold used in making jewellery, and, second, by the 5 per cent import duty on jewellery levied by the United Arab Emirates (UAE) effective January 1. Gold jewellery exports dropped more than 24 per cent in January and 47.52 per cent in February. India has been losing exports rapidly to competitors including China. “Dubai is no longer a free trade centre. The immediate need of the hour is to reduce the import duty on gold. An import duty on gold beyond 5 per cent is counterproductive. Hence, the government should cut the import duty on gold to below 5 per cent to arrest the fall in gold jewellery exports,” said chairman, Gems and Jewellery Export Promotion Council (GJEPC). The data compiled by the GJEPC show gold jewellery exports at Rs 2,810.60 crore in February, compared to Rs 5,355.47 crore for the corresponding month last year. In January gold jewellery exports had plunged to Rs 2,707.58 crore as against Rs 3,566.49 crore in the same month last year. Most of the gold jewellery exports to the UAE are sent to other destinations in West Asia including Sharjah and Turkey and a host of African and European countries. Since January 1, however, this routing business has stopped. The government had increased the import duty on gold steadily to 10 per cent in 2013 to bring the current account deficit (CAD) under control. Though the CAD is comfortable now, the government persists with it. The latest move of 1 per cent excise duty levy and others such as supply restriction have adversely affected the gold jewellery industry.

~FIEO

GOLD IMPORTS CROSS 560 TONNES IN 10 MONTHS OF FY17

India has imported 560.32 tonnes of gold during April-January period of the current fiscal, Parliament was informed. Gold imports aggregated to 968.06 tonnes in the entire 2015-16 fiscal and 915.47 tonnes in 2014- 15, Minister of State for Finance said in a written reply to the Lok Sabha. As per rough estimates, Minister said, gold demand in the country is 800-900 tonnes per annum. Minister also said that with an aim to reduce demand for gold coins minted outside India and to recycle the gold available in the country, government has introduced India Gold Coin in 2015. According to the provisional data of the Commerce Ministry, India's gold imports fell by about 32.7 per cent to USD 19.74 billion during the April-January period of 2016-17. Gold imports dipped by about 30 per cent to USD 2.04 billion in January as against USD 2.91 billion in the same month last year. The contraction in imports helped in narrow the trade deficit to USD 86.38 billion in AprilJanuary period as against USD 107.74 billion in the same period previous year. India is among the largest importers of gold which mainly takes care of demand from jewellers. **~FIEO**

NATURAL RUBBER FEBRUARY OUTPUT GROWS 54%, IMPORTS SLUMP 51%

The production of natural rubber rose by 54 per cent last month to 57,000 tonnes while imports fell by 51 per cent to 15,609 tonnes, according to latest data released by the Rubber Board. Natural rubber production and imports stood at 37,000 tonnes and 31,864 tonnes, respectively, in February 2016. The consumption declined marginally to 83,000 tonnes last month, from 84,320 tonnes during February 2016, the data showed. During April-February of 2016-17, the production of natural rubber went up by 18 per cent to 6.22 lakh tonnes, from 5.29 lakh tonnes in the same period of the previous year. The consumption grew by 4 per cent to 9,42,695 tonnes during the first 11 months, from 9,06,235 tonnes in the year-ago period. Imports decreased by 7 per cent to 4,00,812 tonnes during April-February, from 4,30,351 tonnes in the corresponding period of the previous year. **~FIEO**

BUFFALO MEAT EXPORTS AT OVER RS 21K CRORE IN 10 MONTHS IN FY'17

India's buffalo meat exports reached Rs 21,316 crore in April-January period of the current financial, Parliament was informed. In the entire last fiscal, 2015-16, the exports aggregated Rs 26,684 crore with the main export destinations including Vietnam, Malaysia, Egypt, Indonesia and Saudia Arabia. Commerce and Industry Minister said as per the existing meat export policy, the shipments of beef (meat of cow, oxen and calf) is prohibited. Bone in meat, carcass, half carcass of buffalo is also prohibited and is not permitted to be exported. Only the boneless meat of buffalo, meat of goat and sheep and birds is permitted for export. Minister said in a written reply to the Lok Sabha that the processed meat exports from the country stood at Rs 2.82 crore during AprilJanuary period this fiscal. India exported sheep/goat and birds' meat worth Rs 727.16 crore and Rs 22,073.5 crore during the period respectively.

~FIEO

INDIA'S FOREX RESERVES UP BY $1.1 BILLION: RBI

India's foreign exchange reserves rose $1.1 billion to reach almost $368 billion for the week ended march 24, said the Reserve Bank of India. This is the second successive rise of the reserves with it having risen by more than $2 billion last week. According to market sources, the appreciation can be attributed to likely maturities in the forward market and also some spot buying by the regulator to control the appreciating value of the Rupee on the back of record inflows. According to data from NSDL, foreign investors pumped in around Rs 69310 crore into Indian equities and debt markets in this year till end of March.

~FIEO

INDIA SEEKS $2 BILLION FUNDING FROM NEW DEVELOPMENT BANK

India is seeking $2 billion in funding from the New Development Bank for infrastructure projects and wants the multilateral agency to be nimble footed in disbursing faster loans, Finance Minister said. Stating that the NDB -- set up by the BRICS bloc two years ago -- must be alive to the role envisioned for it by its founders, he said India has a huge unmet need for infrastructure investment, estimated at about Rs 43 lakh crore (about $646 billion) over the next five years. "Seventy per cent of this will be required in power, roads and urban infrastructure sectors," he said. "This offers an enormous opportunity to an institution like the NDB, whose core mandate is sustainable infrastructure development." Finance Minister said the first agreement for an NDB loan in India to finance major district roads in Madhya Pradesh has been signed a couple of days ago. "With this, the NDB will have its first footprint in India. We have proposed projects worth about $2 billion for NDB funding, which I hope will be taken up by the board expeditiously," Minister said while giving keynote address at the opening ceremony of the second annual meeting of the New Development Bank (NDB). India, Minister said, will work with the NDB to develop a strong shelf of projects in specific areas such as smart cities, renewable energy, urban transport, including metro railways, clean coal technology, solid waste management and urban water supply. "The uniqueness of NDB should lie in faster loan appraisal, a lean organisational structure resulting in lower cost of loans, a variety of financing instruments, including local currency financing, adoption of country system whenever possible and flexibility in responding to the needs of the clients," Finance Minister said. Minister further said the NDB is at a crossroads and the meeting today will deliberate on the Bank's strategy for the next 5 years, including issues such as the Bank's capital, loan portfolio and expansion of membership. The group of five major emerging economies, known as BRICS, had in July 2015 launched a development bank aimed at financing infrastructure projects, mainly in member countries such as Brazil, Russia, India, China and South Africa. The NDB has come up amid huge expectations in a difficult time for the global economy, Minister said, adding that the estimated unmet demand for infrastructure investment in emerging markets and developing economies is pegged at over $1 trillion a year by the World Bank. These nations need to carry out this huge investment in a sustainable manner. "The established MDBs (multilateral development banks) are now capital constrained, and with their overemphasis on processes, are unable to meet this financing challenge. A bank like the NDB is well poised to step into the void," it said.

~FIEO

PETRO PRODUCTS: STATES SET TO GET MORE COMPENSATION

Finance Minister during debate on GST Bills in the Lok Sabha, said that the Constitution provides that these petroleum products would attract GST, though the rate has been kept at zero. Going forward, it would require only an executive decision on setting a rate on petroleum products. Analysts said that the tax administration on petrol and diesel under the GST will continue to be shared by the Centre and State for a while. In the long-term however, the GST roll out on fuel is essential since the Centre aims to bring the product under a single tax slab across the country. The Centre has assessed the total compensation to States for GST roll out, sans petroleum products, at around ₹50,000 crore. With the addition of petrol and diesel to this, the component will be pushed upwards. According to Petroleum Policy and Analysis Cell, the contribution of Sales Tax and VAT on petroleum, oil and lubricants for fiscal 2015- 2016 stands at ₹1,42,848 crore. The total tax on petrol and diesel stands upwards of 40 per cent. Barring a few States, this revenue is almost equally divided between the Centre and the State. The States will be reimbursed by the Centre for any revenue loss after GST roll out. This compensation kitty will be met from a higher tax incidence on 'Sin Products' such as alcohol and tobacco.

~FIEO

GOVERNMENT IMPOSES 10% IMPORT DUTY ON WHEAT, TUR

The Centre has imposed an import duty of 10 per cent on wheat and tur in a bid to check falling domestic prices and support farmers and traders. The decision is significant as prices of agri commodities in the domestic market, especially pulses, are already under pressure due to a bumper crop. The move is expected to have a revenue implication of ₹840 crore at present levels of import, , Minister of State for Finance, said in Parliament. The government had reduced customs duty on wheat to zero from 10 per cent in December 2016 to increase availability in the market and control prices. But, with new wheat crops starting to arrive in Madhya Pradesh, Rajasthan and Gujarat, and the government estimating a record production of 96.64 million tonnes in the 2016-17 crop year (July-June) against 92.29 million tonnes last year, availability is no more a concern.

~FIEO

INDIA LIFTS BAN ON BULK EXPORT OF MAJOR EDIBLE OIL

India today lifted ban on bulk exports of certain edible oils, including groundnut, sesame and soyabean, with a view to boosting shipments and promoting domestic processing industry. Interestingly, India meets 60-70 per cent of its domestic edible oil demand through imports. The country imported about 14.5 million tonnes of vegetable oils (edible and non-edible) during 2015-16 oil year (November to October). "Export of groundnut oil, sesame oil, soyabean oil and maize oil in bulk, irrespective of any pack size has been exempted from the prohibition on export of edible oil," Directorate General of Foreign Trade said in a notification. So far exports of edible oils were allowed in branded consumer packs of up to 5 kg.

~FIEO

COMMERCE MINISTRY CONSIDERING SEPARATE UNIT FOR LOGISTICS

The Commerce Ministry is working on a proposal to set up a separate logistics unit to deal with the issues, including rising costs, that are impacting global competitiveness of exporters. There is no single department or ministry at present to look at all the aspects related to logistics covering various modes of shipment such as sea, roads and railways. According to sources, the proposal is under discussion with the ministries concerned. Exporters too have demanded for a specific department to deal with the issues related to logistics. They are undertaking a study to look at issues like shortcomings in logistics and ways to address that. A trade expert said that an umbrella body would help coordinate all aspects of logistics, which is currently managed by different departments. To increase the logistics competitiveness of exporters, the Commerce Ministry has also suggested to the Railways Ministry that it needs to clearly distinguish between consignments for exports, imports and the general category in terms of freight rates. Logistics costs of exports are very high in India and due to this, Indian goods are less competitive in the global markets. In India, the container transport is heavily inclined in favour of roads due to high freight rates of railway, unpredictable and unreliable scheduling of freight trains, and poor last-mile connectivity. A strategy paper released in 2010 by the Commerce Ministry had emphasised upon the need to invest billions of dollars in improving infrastructure to boost exports. It had asked the government to invest to modernise roads, ports, railways, airports, power and customs stations. During the April-February period of the current fiscal, exports grew by 2.52 per cent to $245.4 billion. India is aiming to increase its share in global trade to 3.5 per cent by 2020 from the 2 per cent at present. Increasing trade helps create big employment opportunities and boost economic growth.

~FIEO

INDIA'S FARM SUPPORT SCHEMES COME UNDER WTO SCANNER

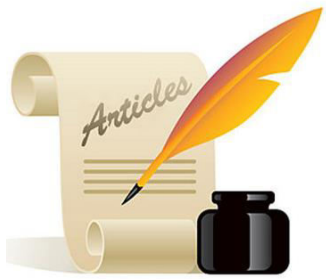
India is facing increased heat at the World Trade Organisation not only on the minimum support price programmes for wheat but also for other key commodities such as sugarcane and pulses. While Australia continued raising concerns over a steady increase in India's MSP for wheat, the US and the EU questioned subsidies on sugarcane, buffer stocks of pulses, and price support for both rabi and kharif crops, at a meeting of the agriculture committee a government official said. What makes things worse for India is the fact that while there is increased scrutiny of its support programmes, very little movement has actually taken place on a permanent solution for legitimising its food procurement subsidies as promised by WTO members. "The absence of a permanent solution on the treatment of procurement subsidies makes India vulnerable when countries point fingers at its domestic programmes. If procurement subsidies continue to be classified as tradedistorting and the method of its calculation is not rectified, India could breach the cap of 10 per cent of farm production when its food security programme is fully implemented. Other countries could then drag India to dispute on the issue," the official said. While New Delhi managed to get a peace clause inserted in the rules at the Ministerial meet in Bali in December 2013 stating that there won't be any action taken against India's procurement subsidies till a permanent solution is reached on the matter, there are several conditions attached to it that might render the clause ineffective. "While developed countries' scrutiny of our farm support programmes is on the rise, there is not much interest on resolving the issue of legitimisation of such subsidies despite the fact that the year-end deadline is drawing near," the official said. Drawing attention to India's MSP programme on wheat at the agriculture committee meeting, Australia said that wheat prices have been declining in recent years and any wheat trade policies that could affect world prices deserved close attention. It pointed out that MSP in India has been increasing since 2006 while world prices declined. The concern was shared by the US, Ukraine, Canada and the EU, another official privy to the meeting said. India said its support prices depended on various factors including the cost of cultivation and market price, and more information could be found on its government website. India and many other developing countries have been trying to get WTO members to recognise food procurement subsidies as non-trade distorting subsidies. Alternatively, they want a change in the formula for calculating such subsidies by benchmarking it to current market prices and not market prices prevailing in 1986-88.

~FIEO

'LARGE NUMBER OF COUNTRIES SUPPORT TFS PROPOSAL'

A large number of WTO member countries are supporting in principle India's proposal for negotiating a trade facilitation agreement (TFA) in services, a senior government official said. Additional Secretary in the Commerce Ministry also said that India is pursuing this proposal in the WTO in a serious manner. Without specifying the names of these countries, he said: "large number of countries have supported it in-principle". Official was briefing the media after the conclusion of twoday workshop on TFS. On the lines of the trade facilitation pact in goods, India has submitted a detailed proposal to the World Trade Organization (WTO) to negotiate a trade facilitation pact in services. It aims at liberalising rules for movement of professionals and other steps to reduce transaction costs to boost growth of the services sector. Additional Secretary said that like trade facilitation pact in goods would help in reducing barriers, TFS too would cut hurdles in promoting global trade in services. India's Ambassador Designate to the WTO, said that the workshop was useful as several experts shared their views and suggestions on ways to take the proposal forward. World Bank supported the commerce ministry in organising this seminar. When asked whether the proposal will become part of the forthcoming ministerial meeting in December at Argentina, Wadhawan said that the agenda has not been worked out yet.

~FIEO



DECODING GST: HOW IT WILL IMPACT INDIAN STARTUPS

Indian startups have welcomed the passage of the four GST bills in Lok Sabha this week, claiming the unified tax will ease logistics and compliance

Even as the government is still deliberating on the list of over 5,000 goods that will be taxed under the upcoming Goods and Services Tax (GST), Indian startups have welcomed passage of the Bill, which they feel will simplify conduct of business.

Startups believe it will simplify taxation in the long term, reduce cross-border corruption between states, and let them claim the credit on taxes paid on expenses in their companies.

Major taxes like excise duty, octroi, service tax, special additional duty and VAT (value added tax) will be subsumed into a single tax called GST, which likely to be applicable from July 1, 2017 onwards.

"In the short-term, it may increase compliance as sellers would have to file a return thrice in a month, compared to once in six months, at present," said Navin K Rungta, co-founder of eLagaan. "Sellers would have to report their monthly sales by the 10th of each month, purchases by the 15th and a consolidated statement by the 25th of each month," said Rungta.

"Sellers would have to report their monthly sales by the 10th of each month, purchases by the 15th and a consolidated statement by the 25th of each month," said Rungta.

This might increase compliance in the short term as software to automate all such processes are still being built. Startups which provide services will also benefit from the service tax exemption limit has been raised to Rs 20 lakh from Rs 10 lakh earlier.

Grocery retailing startups have also welcomed the passage of GST Bill. “The government has allowed 100 percent FDI in food retailing. When that comes through, we have a lot of service tax credit. That service tax credit will get converted into GST credit. Today, we are not able to offset service tax credit against anything else. That will give us a lot of tax advantage,” said Ashneer Grover, chief financial officer, Gurgaon-based Grofers.

LOGISTICS SECTOR TO BENEFIT

Removal of a lot of taxation bottlenecks at state borders through one tax will make India as one market. It will also reduce anomalies of the price difference of goods between states.

Taxation software startups will also get a fillip. “Many startups are into e-commerce and their logistic costs goes up with 11 categories of taxes levied on the road transport sector. GST can reduce logistic costs of companies producing non-bulk goods by as much as 20 percent,” said Mohit Bhambani, CEO of tax compliance solution firm KDK Softwares, which is developing GST compliant software.

Online marketplaces have already started educating their sellers on GST compliance. Vishal Chadha, Senior Vice President, Business at Snapdeal said, “The GST is one of the most wide-sweeping reforms launched by the government of India in the recent times, and will deeply affect how business is conducted and reported in our country.”

Snapdeal has already launched a webinar called ‘GST Guru’ to educate its sellers on the compliance on the upcoming tax.

“India has always fared badly on ease of doing business. GST will greatly work in that direction. There will be a single tax that startups will have to comply with besides reducing payment compliance etc,” said Preeti Khurana, a chartered accountant who works with Bangalore-based Cleartax.

Currently, startups in the manufacturing sector have to adhere to a lot of state regulations besides having to pay state taxes. Khurana also said that many states have a threshold beyond which startups have to register for VAT, if you had a turnover of Rs 5 lakh. Under GST the proposed threshold is Rs 20 lakh.

“Majority of the manufacturing sector is unaware of GST and its benefits. It is essential for the manufacturing units to first educate themselves and then adopt technological advancements to comply with the same," said Rahul Garg, Founder and CEO of Ratan Tata-backed marketplace Moglix.

SELLERS AND MARKETPLACES DIVIDED

Online sellers are happy with the move. Startups can also offset total tax liability against tax paid on expenses such as office furniture, which was currently not possible.

“Sellers selling product at a loss will be discouraged, reducing fraud. Tax collection at source (TCS) for online marketplaces will ease business for sellers,” said a source in All India Online Vendors Association, requesting anonymity.

Marketplaces such as Amazon, Flipkart and Snapdeal have resented the 2 percent tax collection at source (TCS), saying that sellers should be required to pay this tax.

“None of us is saying GST is bad. It's going to be good for the country. Our capital will be locked in the system (with TCS) which will also affect sellers. E-commerce companies can share information (about the sellers and their sales) with state and central government who can claim taxation from them,” said Sachin Bansal, co-founder of Flipkart recently in a joint conference with heads of Snapdeal and Amazon India.

However, major benefits are expected in the movement of e-commerce goods between states. Delivery is likely to be faster and cheaper as companies will incur major boost when transportation will shift back to the road than air being used currently.

"Every state has its own taxation system. Every time a truck passes through a state border it involves heavy taxation and paperwork. Warehouse location is kept in accordance with the state taxation and amount of business from a particular area. With GST coming in the entire country will be one without any tax boundaries,” says Raghav Himatsingka, CEO and Founder, Truckola.

Moneycontrol

GST BILL: HOW GOODS AND SERVICES TAX REGIME WILL IMPACT YOUR LIFE

The final countdown for goods and services tax regime has begun. The Centre is likely to meet July 1 deadline. But, even if it fails, the Modi government has time till September 15 to roll out GST.
Once the Parliament session is over, the GST Council has another task to perform - to categorise about 5,000 goods and services in the four GST slabs before what Finance Minister Arun Jaitley called a 'revolutionary' reform is rolled.

The GST Bill lays down a destination taxation regime where end users or consumers will be taxed. The GST Council made it a four-tier tax structure with lowest tax slab fixed at 5 per cent followed by 12, 18 and 28 per cent brackets.
Justifying the four slabs, Finance Minister Arun Jaitley yesterday said that 'a BMW car' cannot be taxed the same way as 'hawai chappal'.

THE OTHER SIDE OF GST

There is a theoretical possibility of GST rate going up to 40 per cent if the flexibility given to the Centre and states are factored in. Essentially, GST Bill does not provide for what the government has been promoting as 'One Nation, One Tax' regime.

The state and Centre will still be levying separate taxes on goods moving from one city to other and one state to other.

The all kinds of Cess - Swachh Bharat et al - will still be imposed on luxury and what is called demerit goods like cigarettes etc. The cess will be provisionally collected for five years after rolling out of GST. The proceeds will be used to compensate states incurring losses due to GST regime.

However, the GST will bring down the number of taxes currently being imposed in the country. Today more than 25 kinds of taxes including income tax are imposed in the country. The GST Bill is likely to reduce the number of taxes to around half-a-dozen.

SLABS AND ARTICLES THAT YOU USE

Under the present taxation system food articles and agriculture produces are not taxed. The same arrangement is likely to continue under the GST.
For the other about 5,000 commodities and services, the nearest tax slab will be applied.

The GST Council is likely to begin fresh rounds of meeting to finalise the tax rates for goods and services. However, according to the GST Bill, services cannot be taxed over 18 per cent.

A five per cent tax will be imposed over articles of mass consumption like spices, packaged salts etc. Food grains to remain untaxed under the GST.

Most of the items used by aam aadmi will be taxed at 12-18 per cent rate. This is the area where common man is likely to be benefitted the most. Articles like soap, toothpastes, oil etc will be placed in the 12-18 per cent bracket. These articles are currently being taxed over 20 per cent rate.
The white goods - popular with the emerging middle class Indians - are currently being taxed around 30-31 per cent. Such goods - refrigerators, washing machine, air conditioners - will be brought to nearest slab of 28 per cent making them cheaper once GST is rolled out.

Luxury goods and sin or demerit goods will attract 28 per cent GST plus cess. Such articles include luxury cars, tobacco products, aerated drinks and the like.

People working at offices and are used to getting subsidised eatables, goods or services will have to pay more as GST Bill brings such places under the tax net.

Under the GST regime, an employee, who gets free goods or services, will have to pay taxes for the same. Free or subsidised facilities like food or beverages at workplace, club or fitness centre membership, cab facilities will be brought under the tax net.

India today

Useful links

http://www.cbec.gov.in/

Central Board of Excise and Customs (CBEC) is a part of the Department of Revenue under the Ministry of Finance, Government of India. It deals with the tasks of formulation of policy concerning levy and collection of Customs & Central Excise duties and Service Tax, prevention of smuggling and administration of matters relating to Customs, Central Excise, Service Tax and Narcotics to the extent under CBEC's purview. The Board is the administrative authority for its subordinate organizations, including Custom Houses, Central Excise and Service Tax Commissionerates and the Central Revenues Control Laboratory.

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