

2017



Weekly E-Bulletin

Indian Institute of Export Management

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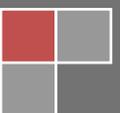
July 4th week Newsletter



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WEEKLY E-BULLETIN **JULY-2017**

CARDAMOM EXPORTS DROP IN 2016-17 ON RISE IN PRICE

Exports of small cardamom showed a sharp decline in volume in 2016-17 with a marginal dip in terms of value realisation when compared with the performance in 2015-16. Total shipments of the aromatic spice stood at 3,850 tonnes valued at Rs. 421.50 crore in 2016-17 as against 5,500 tonnes valued at Rs. 449.83 crore in 2015-16. Exports showed a 30 per cent drop in quantity and 6 per cent decline in terms of value.

B/L-19/6/17

PALM OIL FUTURES MAY TEST SUPPORT LEVELS, RISE

Malaysian palm oil futures closed higher on Monday, but gave up most of the gains on expectations of falling stocks. Exports increased because of higher consumer demand ahead of the start of the Islamic holy month of Ramadan. CPO active month September futures regained their bullish undertone, but would need to still cross an important resistance to warrant any signs of a

bullish reversal. As mentioned before, a fall below 2,580 MYR/tonne triggered the weakness and this will be a strong resistance zone going forward. Near-term resistance is now at 2,548-50. As illustrated in the earlier updates, though, it looks like the short to medium-term has turned bearish. However, the bigger picture still favours bullishness ahead. The big picture still indicates neutral tendencies and a chance of a revival in the bullish trend from critical support points.

B/L-20/6/17

CAN AN EXPORTER BUY GOODS WITHOUT PAYING GST?

Confused about the upcoming Goods and Services Tax (GST) and what it means to your business? Send in your queries to our expert team today and watch out for the answers in this column. Mail queries to askbl@thehindu.co.in. This set of questions are answered by K Vaitheeswaran, advocate and tax consultant based in Chennai. In the GST regime, export of goods is zero

rated. There are two options. An exporter can pay the IGST (Integrated GST) applicable on the goods at the time of export and seek a refund. Alternatively, the goods can be exported without tax under a letter of undertaking or other prescribed procedure, and the exporter is entitled to claim refund of the taxes paid on inputs.
B/L-21/6/17

PRICES CRASH TO A NEW LOW AT COONOR SALE

Tea prices, which have been falling week after week over the past month, crashed to a new low this week at the auctions of the Coonoor Tea Trade Association (CTTA).

The average price at Sale No: 24 this week fell to Rs. 77.92 a kg. This was the lowest price since November 27, 2015. It was as much as Rs. 22 less per kg compared to this time last year and Rs. 30 less compared to the price at the beginning of 2017. "Such low prices will reduce the return to factories."
B/L-22/6/17

PEPPER EXPORTS FALL SHARPLY IN 2016-17; IMPORTS INCREASE

According to Spices Board sources, India shipped 17,600 tonnes of pepper valued at Rs. 1,141.89 crore last year, against 28,100 tonnes

valued at Rs. 1,730.42 crore in 2015-16. That's a drop of 37 per cent in volume terms and 34 per cent in value terms.

B/L-22/6/17

OIL MILLS FACE HEAT AS FARMERS REFUSE TO SELL BELOW MSP

Edible oil mills in Gujarat, Rajasthan and Madhya Pradesh are in the doldrums with farmers refusing to sell their produce of soybean, groundnut and rapeseed below the minimum support price.

The arrivals of these commodities in the major mandis have fallen considerably and the oil mills, which were operating at a 75 per cent capacity, are finding it difficult to continue production.
B/L-23/6/17

AN APP TO HELP RUBBER GROWERS GET THEIR SOIL NUTRITION JUST RIGHT

There was once a time when the rubber farmer had to collect separate samples of top and bottom soils from representative locations in his holding and get it tested in laboratories to know their nutrient status, so that he could apply the correct dose of fertilizer. All this, and the associated hassles and

expenses, will become history with the introduction of a mobile app-based online manurial recommendation developed by the Rubber Research Institute of India (RRII), the first of its kind for rubber farmers anywhere in the world and the first for any crop in India.

B/L-24/6/17

FROM JULY 1, OIL COMPANIES TO CARVE OUT THEIR OWN EXPLORATION AREAS

July 1 will not only be about the biggest indirect direct tax reform — the Goods and Services Tax — but also about a new kid on the block in India's hydrocarbon space: Open Acreage Licensing, which allows companies to cherry-pick their own areas for exploration.

Like GST, OAL, another policy initiative of the previous UPA government, will be offered under the Hydrocarbon Exploration Licensing Policy.

B/L-26/6/17

RICE EXPORTS SEEN PICKING UP ON BANGLADESH, SRI LANKA DEMAND

Rice exporters see a pick-up in demand for the Indian cereal from Bangladesh as the recent floods in

that country have impacted output and sent prices high.

Also, a drought in Sri Lanka has resulted in improved demand for the finer varieties such as sona masuri, exporters said Bangladesh recently floated three tenders to import about 1.5 lakh tonnes of white rice and par-boiled rice. A fourth tender is expected in July 1st week, trade sources said."

'WE ARE COMMITTED TO MAKE IN INDIA; ETHIOPIA VENTURE IS FOR EXPORT MARKET'

The 92-year-old Raymond Group has hogged the limelight for all the wrong reasons, belittling the big strides it has made on the business front. Despite controversy over the JK House sale to promoters, it was business as usual for the seasoned business man Gautam Hari Singhania, Chairman and Managing Director who fielded questions at ease.

B/L-28/6/17

WEEKLY E-BULLETIN **EXPORT-IMPORT-TRADE....**

EXPORTERS SEEK INCENTIVES FROM GOVERNMENT TO BOOST SHIPMENTS: COMMERCE SECRETARY

Exporters sought incentives such as credit at affordable rates from the government with a view to boost India's shipments, a top official said. The issue was raised and discussed during the meeting of Board of Trade (BoT) chaired by Commerce and Industry Minister.

Commerce Secretary said that exporters and industry representatives from chambers raised matters related with Goods and Services Tax (GST).

The objective of the meeting was to take suggestions and inputs for the review of the foreign trade policy (2015-20), which is expected to be released by the end of this month.

Many of the comments and inputs were focused on exports, which has started showing positive growth, "but they (exporters) would need support in order to continue to grow over the next few years," Commerce Secretary said.

Commerce Secretary said many export promotion councils (EPCs) have "sought additional support" through the Merchandise Exports from India Scheme (MEIS), enhanced interest subvention.

Under MEIS, the government provides duty benefits at 2 per cent, 3 per cent and 5 per cent, depending upon the product and country.

In 2015, the ministry had announced 3 per cent interest subsidy for exporters to cut cost of credit for sectors, including SMEs, handicrafts, agri and food items.

Exporters want this benefit for more sectors. "The objective of the meeting was to seek inputs and suggestions to the review of the foreign trade policy (2015- 20),"

Commerce Secretary said. Several concerns, including blockage of working capital, over implementation of GST were raised by exporters with the government. They also sought support to explore new markets.

Discussions were also held on issues like ecommerce trade, market access, market development, EXIM credit, insurance to exporters and lower cost of credit to facilitate exports, she added.

"Ministry has taken on board all the suggestions and Govt would be factoring in many suggestions in the policy," Secretary said. When asked about GST, to be rolled out from July 1, and its impact on exports, Commerce Secretary said: "exports are zero rated under GST, there is no anticipation of any adverse impact".

Federation of Indian Export Organisations (FIEO) raised certain issues related with GST and urged the government to extend 5 per cent benefit to the exporters of branded products. The country's exports rose by 8.32 per cent to USD 24 billion in May, even as the trade deficit shot up to nearly 30-month high of USD 13.84 billion, mainly due to increase in gold imports.

Further, talking about the BoT meeting, Commerce Secretary said exporters raised the fitment issue under the GST, which would be examined by the fitment committee. Exporters also flagged the issue of facilitation of e-commerce trade

from more number of ports and "how the refund process for the ecommerce would be treated under the GST".

MID-TERM REVIEW OF FTP LIKELY TO BE ADVANCED

The mid-term review of the Foreign Trade Policy (FTP) is likely to be advanced and brought "in-accordance" with GST, DGFT said. (Bhalla has now been appointed Power Secretary) According to DGFT, the FTP to be unveiled will reflect the GST-related changes for exporters.

At least three different schemes — advance authorisation, export promotion capital goods (EPCG) and duty free import authorisation — will cease to exist once GST rolls out. Some other schemes also need to be worked on once the new tax regime comes in. "The FTP review was due in September. But Govt is looking to bring the FTP review in accordance with GST," DGFT said reporters on the sidelines of an interactive session organised by the Federation of India Export Organisation, EEPC INDIA and Gem & Jewellery Export Promotion Council. Meanwhile, in order to allay the fears of the exporting community, Union Commerce Secretary indicated that enforcement will not be harsh

during the initial period of GST rollout for individual exporters. “Any transition will require some adjustment. Exporters will get an extended two months time for filing returns under the new tax regime. Also, enforcement will not be harsh during the initial period,” Commerce Secretary said.

LIMIT ON VALUE OF ONLINE EXPORT ORDERS MAY BE RAISED

The government is planning to raise four-fold a key cap that is keeping exporters from availing themselves of benefits given to exports via online platform.

The commerce ministry has proposed to raise the cap of each export order placed online and dispatched through courier or postal mode to Rs 1 lakh from the existing Rs 25,000. The proposal has been made in the wake of exporters finding the present cap too low, which is restricting them from getting duty benefits on imports of inputs and goods. “Govt has proposed to increase the limit to Rs 1 lakh because exporters were not getting enough benefits,” said an official privy to the development.

The value of items shipped through couriers is often not captured in export data because they are categorised as samples or gifts. Exporters call them samples because under the normal export route they will have to file shipping bills and be subject to checks by custom officials, which is cumbersome, especially for small exporters with low-value shipments.

The Directorate General of Foreign Trade has defined ‘e-commerce’ as the buying and selling of goods and services, including digital products, conducted over digital and electronic networks without any reference to amount. The commerce ministry might announce the revision in the cap in the midterm review of the policy which is likely to be released on June 30, the official said. The Foreign Trade Policy 2015-2020 offers incentives for goods falling in the category of handloom products, books and periodicals, leather footwear, toys and customised fashion garments, having free-on-board value up to Rs 25,000 under the Merchandise Export from India Scheme. These goods should be hosted on a website and dispatched through courier or postal mode to qualify for incentives. However, the finance ministry is said to have raised concerns on the revised limit citing

lack of adequate system to track such transactions.

FIEO SETS EXPORT TARGET OF \$325 BN FOR THIS FISCAL

With exports recording continuous growth, exporters body FIEO expects that the country's merchandise shipments would reach USD 325 billion this fiscal. Federation of Indian Export Organisations (FIEO) President also said while India is showing a positive trend on exports since the last nine months, there is a bit of anxiety in the business with regard to the Goods and Services Tax (GST). "Indian exports have been on an upward trend in last few months with export of USD 275 billion in last fiscal and a target of USD 325 billion to achieve in 2017-18," FIEO said in a statement.

Further, it has organised an interactive session with Commerce Secretary in Kolkata.

Quoting the secretary, FIEO said, "GST is a well needed reform and the transition will require some time, and calibrated process of foreign trade policy will be continuous".

With regard to shipping lines overcharging, she stated that the Director General Shipping has been

informed and they are waiting for a response from them.

GOVERNMENT BATS FOR RCEP CONCLUSION TO BOOST TRADE WITH ASEAN

External Affairs Minister said that bilateral trade between India-ASEAN has picked up after two years of slow growth even as she batted for concluding the Regional Cooperation Economic Partnership (RCEP) talks. "While the ASEAN-India Free Trade Area is fully functional from July 2015, India is also actively engaged in the Regional Comprehensive Economic Partnership negotiations involving ASEAN and its six FTA partners, which, when finalised, will be the largest regional trading arrangement, accounting for about 40 per cent of the world trade," Minister said while addressing 'ASEAN-India Partnership' event organised by RIS. These remarks comes in the backdrop of India being accused to dragging its feet in the RCEP talks for not agreeing to grant zero tariffs on 92 per cent of traded goods.

The China-led RCEP is being negotiated among the 10 ASEAN members (Malaysia, Singapore, Philippines, Indonesia, Vietnam, Cambodia, Laos, Brunei, Thailand and Myanmar), India, China, South

Korea, Japan, Australia and New Zealand. Minister said there had been a growth of 8 per cent in India-ASEAN trade in 2016-17 with Indian shipments to the region has increased by almost 20 per cent. Minister also said connectivity with ASEAN remains at the core of India-ASEAN ties. "India recognises that the single most important ingredient that can make a qualitative shift in our economic engagement with ASEAN is a major boost towards infrastructure and connectivity, both within India and in the North-East in particular, and with ASEAN," Minister added. The minister also said enhancing maritime cooperation and security has been an area of focus for both ASEAN and India.

AMERICAN MANUFACTURERS FACE DIFFICULTIES IN INDIA: NAM GROUP

Ahead of Prime Minister's US visit, during which he would hold a summit meeting with President Donald Trump, National Association of Manufacturers (NAM) has urged the two leaders to strengthen US-India commercial relationship.

NAM, a top American advocacy group that represents the country's

manufacturing industry, has rued that there has been 'insufficient progress' on many of the same trade and market access barriers that have long troubled manufacturers trying to invest and trade in India. "

Manufacturers seeking to engage India still face important challenges in that market, including issues related to tariffs and customs rules, intellectual property protection, localisation measures, and remaining investment barriers," vice president of international economic affairs at the National Association of Manufacturers said. "In this first face-to-face meeting between these two world leaders, NAM is urging Indian Prime Minister and President Trump to work together to boost the US-India economic and commercial relationship, and to eliminate these barriers that are holding back its significant potential," Dempsey said as the NAM released a scorecard on India's business environment.

"Manufacturers in the United States are increasingly looking at India's growth as an opportunity, and have sought to be partners in India's development and reform," NAM said. "Over the last three years, manufacturers have seen some steps in the right direction, such as policies related to foreign

investment, administrative licensing, energy policy, and bankruptcy rules," it said. In a statement, NAM said the Indian government must take concrete steps to address these barriers in order to build a strong, robust bilateral relationship that would benefit both countries. "Manufacturers are hopeful that President Trump and Prime Minister can work together to turn rhetoric into concrete policy reforms to spur the US-India economic relationship to reach its full potential and to create new jobs and economic opportunity," NAM said. NAM alleged that while India enjoys full access to America's open markets, US manufacturers and workers continue to face substantial Indian trade barriers. These barriers include high tariff rates, burdensome and unclear customs regulations, forced localisation, inadequate intellectual property protections and investment limitations that block US exports and discriminate against US products, it added.

AMID CRISIS, QATAR OPENS UP ACCESS POINTS FOR INDIAN TRADE

To convince trade partners that it is business as usual, Qatar is opening up as many access points as possible for India so that business between the two can operate

smoothly. Diplomatically isolated by Saudi Arabia, Bahrain, the UAE and Egypt, the Qatari government is now taking several measures to ensure that its clients do not face the heat of its crisis.

India is Qatar's third largest buyer of natural gas after Japan and South Korea.

Qatar is also prepared with alternative routes for Indian consignments to reach the shores of Doha, according to diplomatic sources. This follows the shutting down of the Jebel Ali port in Dubai that used to be the main hub for shipping Indian consignments to the region.

"While Qatar is maintaining freedom of movement for Indian goods, it is Iran that has opened its ports Bandar Abbas and Chahbahar as transit points for Indian goods to reach Doha. And, unlike Pakistan, the Saudis are not pressuring India to sever ties with Qatar, but there cannot be business as usual," said.

Talmiz Ahmad, former Indian Ambassador to Saudi Arabia, Oman and the UAE. However, trade between India and Qatar has been consistently falling since 2014-15, reaching \$8.42 billion in 2016-17 from \$15.65 billion in 2014-15,

according to Commerce and Industry Ministry statistics.

US IMPORT IN 2016-17 WAS 1,88,617 TONNES OF INDIAN SEAFOOD

The Food and Drug Administration (FDA) in the USA has issued a list of 140-odd Indian seafood exporting entities to be excluded from that country's restrictive 'Detention Without Physical Examination (DWPE)' ambit. US import in 2016-17 was 1,88,617 tonnes of Indian seafood, amounting to \$5.8 billion or nearly Rs 38,000 crore, about 22.7 per cent more in quantity over the previous year and 30 per cent in dollars. "Districts may detain, without physical examination, all fresh (raw), fresh frozen, and cooked shrimp from India, except shipments from those firms listed as exempt in the Green List to this alert," the FDA said. This positive development for Indian entities comes when the American Shrimp Processors Association has named India, Indonesia, Thailand, Vietnam, Mexico, China and Malaysia among 13 countries with which the US ran a significant overall shrimp trade deficit in 2016. Similarly, the International Trade Commission of the US government had unanimously voted to extend the current anti-dumping orders on shrimp coming from China, India, Thailand and Vietnam for an

additional five years, to save their domestic industry.

INDIA RANKED TOP EXPORTER OF ICT SERVICES: UN REPORT

India has been ranked the top exporter of information and communication technology services in a new UN report which highlighted the rise of the country as an emerging innovation center in Asia. The World Intellectual Property Organisation (WIPO) in its 10th edition of the 'Global Innovation Index (GII)' ranked India 60th on its list of 130 most innovative countries in the world. The report, co-authored by WIPO, Cornell University and INSEAD, added that India maintains its top place in Central and Southern Asia, moving up six spots — from 66th last year to 60th this year overall. It further said that a group of nations including India, Kenya, and Viet Nam are outperforming their development-level peers. According to the UN agency, rich countries continue to dominate global innovation in terms of most new products and services, with Switzerland at the top for the seventh year running and high-income economies taking 24 of the top 25 spots — China is the exception at 22, moving up three places in the last 12 months. India performed well on a number of

parameters, coming on the top spot in ICT services exports, 10th in category of graduates in science and engineering, 27th on e-participation, 14th on the presence of global research and development companies, 33rd on government's online service, 32nd in general infrastructure, 18th on creative goods exports, 30th on knowledge impact and 29th on intellectual property payments.

India is 2nd in innovation quality for the second consecutive year. However in some categories it has ranked comparatively low, including 106th on political stability and safety, 121st on business environment, 114th on education, 104th on pupil-teacher ratio at the secondary level, 109th on use of ICT, 108th on environmental performance, 114th on ease of starting a business and 118th on ease of paying taxes. The report said India outperformed on innovation relative to its GDP per capita for seven years in a row.

India has shown improvement in most areas, including in infrastructure, business sophistication, knowledge and technology and creative outputs. The report stated that as demonstrated in the GII for some years, India has "consistently outperformed on innovation

relative to its GDP per capita. Recently it made important strides in innovation input and output performance.

INDIAN IT EXPORT TO GROW 7-8% IN FISCAL 2018: NASSCOM

Indian IT export is projected to grow by 7-8 per cent in 2017-18, industry body Nasscom said in its guidance. The domestic market is expected to grow 10- 11 per cent, it said.

The IT-BPM industry is expected to add 1.3- 1.5 lakh new jobs during 2017-18, Nasscom said. In the previous fiscal, the industry's net hiring stood at 1.7 lakh.

Keeping in view the political and economic uncertainties in key overseas markets that impacted decision-making and discretionary spend, and also the performance of IT companies last year, Nasscom expects the future outlook to be positive, Nasscom said. "India's share in the global IT sector is not only steady, but also growing," it said. The size of the Indian IT industry is pegged at \$154 billion, including \$11 billion incremental revenues added in the previous fiscal, according to Nasscom.

GST **GOODS AND SERVICE**

DEMONETISATION, GST PULLED DOWN BOX TRADE IN Q1: MAERSK REPORT

Maersk Line, the global container division of the A.P. Moller-Maersk, one of the leading shipping lines globally, has found out that India's export-import (EXIM) container trade have slowed down in the first quarter of the 2017 calendar year (which is the Q4 of FY16- 17).

India's imports and exports grew 7 per cent in the January-March quarter against 10 per cent in the first quarter of previous calendar year, the report released by the shipping line said.

The slowdown is mainly attributed to a shortterm decline in imports to India. The import volumes declined to 5 per cent against 13 per cent in Q1 of the calendar 2016.

However, the exports from India have registered a growth of 8 per cent - same as in the previous year,

and overall India's growth performance has been stronger than the global trade, which in the past two quarters has increased to around 4- 5 per cent.

DEMONETISATION, PRE-GST
Maersk report notes that imports of products such as furniture, electronics and automobiles from China, the US and Germany decreased owing to evolving economic reforms: first, demonetisation, and then — GST.

For example, imports from North America registered a negative growth of 9 per cent as compared to 29 per cent growth in the same period last year. Domestic demand for wastepaper and other waste material imported for further recycling declined mainly due to demonetisation.

“These commodities are cash sensitive and have been impacted by demonetisation, effects of which were felt in the first quarter of the

year,” Head of West Central Asia Trades at Maersk Line said. According to report, looking at the figures of April and May, the demonetisation effect seems to be over.

At the same time, with GST rollout around the corner, a lot of people have taken a wait and watch approach towards making high-end purchases on certain consumer products. While for those goods and items for which tax become higher under new tax regime the imports might decrease, the real impact can only be assessed seen after a quarter or two.

EYEING GROWTH

Maersk expects Indian export-import trade to pick up pace in the next quarter.

Keeping growth prospects in mind, Maersk Line has been increasing its presence in India both through establishing new offices and inland acceptance point and through various technological innovations to make doing business easier for exporters and importers.

GST ROLL OUT WILL BE HISTORIC, SAYS PRIME MINISTER

Prime Minister termed the roll—out of the Goods and Services Tax (GST) from July 1 as “historic” and said that the world will witness how political parties of various ideological hues came together to usher in this major reform. He was addressing a gathering at the APJ Abdul Kalam Technical University (AKTU) here.

PM said that government was grateful to all those who had contributed towards the formation of a consensus over the tax reform. Govt is grateful to all the Vidhan Sabhas, Lok Sabha, Rajya Sabha and political parties, PM said.

“The world will witness a transformation (in India) and how all the political parties of different ideologies united for the implementation of the GST,” PM said. GST, which was originally planned to be implemented from April 1, was deferred by three months. It will be launched at a grand function in the historic Central Hall of Parliament on the midnight of June 30.

The biggest tax reform since Independence will gradually re—shape India’s business landscape by making the country an easier place to do business in and would bring down barriers between 30 states.

It would unify the USD 2 trillion Indian economy and 1.3 billion people into a single market. GST over the medium to long term is expected to lead to higher revenues for the Centre and the states while also increasing the size of the economy and having a positive impact on the GDP.

TRADE, INDUSTRY CANNOT SAY THEY ARE NOT READY FOR GST: FINANCE MINISTER

Finance Minister said the trade and industry have had adequate time to prepare for the roll out of the Goods and Services Tax (GST) from next month.

“For the last six months, Govt is saying the rollout date is July 1, so no one can say they are not ready,” Minister said, adding that with the relaxed timeline for filing of returns they have an additional two-and-a-half months to prepare.

“If he (trader) is still not ready, he will never be ready,” Finance Minister said. To help industry deal with the teething problems in the new tax regime, the GST Council, in its meeting on June 18, had given additional time for filing of returns for July and August.

‘NOT COMPLICATED’

The Minister said that there could be some short-term challenges in the switchover to GST, but industry must prepare itself. “It is not a very complicated system,” Minister said. Minister , however, ruled out any disruption in the economy in the short-term due to the implementation of GST and said that it would be beneficial in the medium to long-term. “Govt does not think there will be any impact on growth,” Minister said, noting that already undeclared goods are coming into the system. “This reform step is for improvement. All reforms initially are seen as disruptive...,” it said.

Minister further said over the medium and long-term, GST, being a more efficient system, will help increase revenue. “Spending capacity of the Centre and States

will increase and will have a positive impact on the GDP. The size of the formal economy will grow,” it said. Briefing reporters about the launch of the new tax regime, Minister said the government plans a function at Parliament’s Central Hall.

CABINET SECRETARY REVIEWS PREPAREDNESS FOR GST LAUNCH

Cabinet Secretary reviewed the preparedness for the GST rollout from July 1, 2017. An official statement said the meeting was attended by Secretaries of 30 Ministries connected with GST.

Representatives from the 167 PSUs under their administrative control were connected through video conferencing. The Cabinet Secretary asked all involved to take full responsibility of their stakeholders, and for the successful implementation of the GST, the statement added.

The review focused on the progress made by PSUs in getting GST-Ready and preparation in their IT system. Other aspects included the arrangements made by the

Departments for opening the GST Facilitation Cell and a Call Centre to guide their respective client groups and vendors. The Cabinet Secretary also asked the Secretaries to organise outreach meetings and publicity campaigns through their Departments and PSUs for explaining the provisions of New Law and Rules to their stakeholders, and other related issues.

DON'T RUSH FOR GSTIN, PROVISIONAL ID WILL SUFFICE INITIALLY: GOVERNMENT

Traders and dealers who have not completed their registration process can continue to do their business under the GST regime from July 1 using the provisional ID, a top government official said. The 15-digit provisional ID would work as the Goods and Services Taxpayer Identification Number (GSTIN) for the first initial few months, Revenue Secretary said.

Revenue Secretary sought to assuage industry concerns about the GST registration process saying that businesses need not panic and need not rush for registration as the dealers and traders who have

secured a provisional ID can conduct business in the new indirect regime. Of the 80.91 lakh excise, service tax and VAT assesseees, 65.6 lakh, or 81 per cent, have already migrated to the GSTN portal.

However, of this 65.6 lakh, as many as 13 lakh businesses have not completed the second stage of the registration process which entails the verification process. When a business registers under GST, it is given a provisional GSTIN.

After that, in the second stage, the business has to log in to the GSTN portal and give details of its business, like the main place of business, additional place of business, directors and bank account details. Revenue Secretary said the government has done away with the requirement of verification of registration through digital signature, or by generating electronic verification code (EVC). "They(Traders and dealers don't have to give digital signature or e—sign it now. They can just save it and automatically an e—mail will be sent to them saying all their details are received and it is complete.

Once they have saved the details, they will have no other worry. Even if they don't receive the e—mail immediately, they don't need to panic. They can still continue to do their business from July 1," Revenue Secretary said. However, the details should be given to the GSTN portal "as early as possible".

RETAILERS NEED TO FILE SINGLE GST RETURN EVERY MONTH: GOVERNMENT

Days before the rollout of the landmark GST, the government sought to dispel the notion that the new tax regime will be cumbersome and compliance- heavy, saying taxpayers need to file only one return every month, similar to what they presently do.

In an interview, Revenue Secretary said the notion that assesseees will have to file three returns every month is unfounded and retailers or B2C dealers need not give invoice wise details every month.

"Eighty per cent of the businesses will have to simply file total turnover detail in return because they are all B2C dealers or retailers. Return filing is very easy, people

need not worry about filing process, it is very transparent and is done by machine," Revenue Secretary said. Explaining filing of returns, Revenue Secretary said when a supplier uploads details of sale invoices, a GST Return-1 is generated by 10th of next month. The details from the suppliers in GSTR-1 automatically gets updated in the GST Return-2 (GSTR 2) of the purchaser. GSTR-2 is to be filed by 15th of next month and is just a few clicks on computer. GSTR-2 doesn't need full filing of return. "GSTR 2 is not to be filed by anybody. It will be appearing in the computer on their own account and they can confirm it. If there is any transaction missing in purchase which computer is not showing because the person from whom you bought has forgotten to put it, then you get a right to add it. It is an autopopulated return. Click it and accept it online," Revenue Secretary said. Revenue Secretary said retailer and B2C suppliers need not worry about the return filing procedure as they have to file only turnover wise detail in GSTR-1.

While only B2B dealers have to file both GSTR-1 and GSTR- 2, retailers

do not need to file the GSTR-2 as they have to only match with what the dealer has uploaded on the GST Network. "Ordinary people need not worry...It is not at all complex and people need not worry. 80 per cent of the businesses will have to just file total turnover," Revenue Secretary said.

By 17th of the month, both the supplier and the recipient would have to reconcile the invoice details and file the third return (GSTR- 3) by 20th of the month. GSTR-3 is combination of GSTR-1 and 2 and is computer generated.

It gives the summary of the total output tax liability, input tax credit and the difference is the tax liability for the month. "Out of three returns which are prescribed, only one return has to be filed by the retailer.

The remaining two returns are autogenerated by the computer which is only a facility given to them to see so that if there is any mistake they can correct it," Revenue Secretary said. Revenue Secretary said only in case of B2B dealers, invoice wise details are required.

"Those number of dealers are very few in the country".

The GSTN will launch an excel sheet format for B2B dealers so that they can keep the invoice wise details ready and can upload it on the 10th of every month.

In the excel sheet, the businesses would have to give details of transaction, like invoice number, GSTIN of buyer, commodity sold or services given, value of the goods or services sold, the tax incidence and taxes paid.

The GST Council, chaired by Union Finance Minister and comprising state counterparts, has already relaxed return filing rules for businesses for the first two months of the rollout of the new indirect tax regime.

As per the revised return filing timeline decided by the Council, for July, the sale returns will have to be filed by September 5 instead of August 10.

Companies will have to file sale invoice for August with the GST Network by September 20 instead of September 10 earlier.

GST: WILL RECOMMEND REVIEW OF TRADE AND INDUSTRY GRIEVANCES, SAYS COMMERCE MINISTER

Union Commerce Minister assured trade and industry that their grievances on GST would be taken up with the government and Govt would personally recommend having a review three months after its implementation.

Responding to queries about fixing the slab for different trades and industries during an interactive session organised by BJP's Coimbatore district unit, Commerce Minister said there should not be any confusion about GST rates on various products.

Industry should come forward to raise their doubts and objections, Minister added. The Minister said there would be some teething problems during implementation of the system, which was conceptualised by taking the people into confidence and trust and was also passed by various State Assemblies.

"However, in case if the industries are not 100 per cent satisfied,

definitely Govt will recommend to have a review after three months, as suggested by some organisations,” Minister said.

Assuring that no penalty would be imposed for three months if small and medium entrepreneurs failed to submit GST returns, she said the government was ready to make accessible the system, through chartered accountants and cost accountants Associations of various chambers of commerce at district headquarters. Later, Minister clarified that changes in the duty drawback scheme would definitely not affect the export performance since India exports products and not tax. Coir Board Chairman said that GST would be a boon and the issues raised by industries would be solved one by one in due course. The country can expect judicial reforms and electoral reforms soon on the lines of tax reforms like GST it said.

GST TO MAKE EXPORTS MORE COMPETITIVE: COMMERCE SECRETARY

Implementation of Goods and Services Tax (GST) from July 1 would help reduce cascading effects

of multiple taxes, lower cost and make exports more competitive, a top government official said.

Commerce Secretary said the two main export promotion schemes – Merchandise Exports from India Scheme (MEIS) and Services Exports from India Scheme (SEIS) – will continue post GST implementation but would be aligned with the new indirect tax regime.

The commerceministry said, is reviewing the validity of the scrips and export obligation periods to make them more realistic and aligned with GST network so that there is a seamless process of extending benefit to exporters. Commerce Secretary was addressing exporters at an event organised by Federation of Indian Export Organisation (FIEO) in Mumbai.

Exporters get duty/tax credit scrips under the incentive schemes.

These are kind of certificates which can be used to pay duties including import taxes. Due to introduction of GST, “there will be low effect of duty on many items, reduction in cascading effects of multiple taxes

despite the apprehensions felt by the EXIM (export- import) community, ultimately resulting in lowering the cost and making our exports more competitive,” FIEO said in a statement quoting Commerce Secretary. Speaking at the event, FIEO President said duty drawback rates may now only cover the basic customs duty on the inputs.

GOVERNMENT NOTIFIES 18 SECTIONS, 2 RULES FOR GST

Days ahead of the rollout of Goods and Service Tax), the government notified sections in the GST Act dealing with mandatory registration of current indirect tax payers in the new regime. As many as 18 sections relating to registration of current central excise, service tax and VAT payers with the GST-Network (GSTN) as well as transitional provisions were notified. As a precursor to GST, the Central Board of Excise and Customs (CBEC) has also notified two rules — registration and composition levy.

All the notifications would be effective from June 22. GST, which is to be rolled out from July 1, will unify over a dozen central and state

levies into one and all those currently paying such taxes need to migrate to the new system.

Every business carrying out a taxable supply of goods or services with turnover exceeding the threshold limit of Rs 20 lakh will be required to register.

GST registration would allow for seamless input tax credit. The CBEC has also notified ‘www.gst.gov.in’ as the common ‘Goods and Services Tax Electronic Portal’. As many as 65 lakh out of the 80 lakh taxpayers have already migrated from various platforms to GST.

All of these businesses will be assigned a unique Goods and Services Tax Identification Number. The Sections in the Central GST (CGST) Act notified provide for all suppliers, anyone making any inter-state taxable supply and every existing licence holder and business entity, to register for GST.

Input service distributor, e-commerce operator and person supplying online information and data base access or retrieval service are also required to register.

The provision exempts agriculturist from registration to “the extent of supply of produce out of cultivation of land”. It also exempts “any person engaged exclusively in the business of supplying goods or services or both that are not liable to tax or wholly exempt from tax”.

The notified sections provide that a person who occasionally supplies goods and/or services in a territory where GST is applicable but he does not have a fixed place of business, would be treated as a casual taxable person. A person with multiple business verticals in a state may obtain a separate registration for each business vertical.

PAN is mandatory for GST registration except for a non-resident person who can get GST registration on the basis of certain other documents.

MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY LAUNCHES GST PORTAL

The Ministry of Electronics and Information Technology has launched a dedicated webpage to

address issues related to Information Technology Services and Electronics goods ahead of the roll out of the Goods and Services Tax on July 1.

The ministry said in a statement that the webpage can be accessed through Ministry’s Web Portal at <http://meity.gov.in/>. "Individuals, companies and entrepreneurs in IT and Electronics sector can visit the webpage for sector-specific information," itsaid. The web page also enables filing of grievances in relation to implementation of GST.

GSTN LAUNCHES CALL CENTRES

The Goods and Service Tax Network (GSTN) has launched two dedicated call centres to support taxpayers and officials with the enrolment process and enable smooth functioning of the portal. “The call centres have been working from June 25,” said an official statement.

While one call centre is set up in Noida in partnership with Tech Mahindra, the other one is based in Gurgaon in partnership with Infosys. The call centre with Tech Mahindra has 200 trained professionals and its staff size will

increase to 400 within one month and will cater to tax payers, businesses, GST Practitioners, TDS registrants and TCS registrants. The call centre with Infosys has a 40-member team and will respond only to tax officials of the States and Centre.

GOVT ASKS BANKS TO DEPOSIT JUNKED NOTES AT RBI BY JULY 20

The Finance Ministry has asked banks and post offices to deposit junked Rs.500 and Rs. 1,000 notes with the Reserve Bank of India by July 20. This is the second window the government has provided to banks, post offices and cooperative banks for depositing the junked notes with RBI. "Such specified bank notes may be deposited by such Bank, Post Office or District Central Cooperative Bank, as the case may be, in any office of the Reserve Bank, within a period of 30 days from the commencement of these rules," said a recent notification by the Department of Economic Affairs. The earlier window was open till December 31, a day after the 50-day period of demonetisation of high value

currency. The deposits will be accepted by the RBI subject to valid "reasons for non-deposit of the specified bank notes". RBI will accept deposits collected by any bank or post office by December 30, 2016 or by any District Central Cooperative Bank from November 10- 14, 2016 should be deposited within 30 days, the notification said.

GST: ANTI-PROFITEERING AUTHORITY CAN CANCEL REGISTRATION OF FIRMS FOR UNDUE PRICE HIKES

The Finance Ministry notified the AntiProfiteering Authority, which would check any undue increase in prices of products by companies under the Goods and Services Tax. The rules for the authority, which would operate for a period of two years, were approved by the GST Council in its meeting on June 18. Finance Minister said that Govt hoped the provision for an anti-profiteering authority will act as a deterrent and the government does not intend to use it unless forced to. It will work in a three-tier structure:

a Standing Committee on Anti-profiteering as well as State-level

Screening Committees. The National Anti-Profitteering Authority would consist of five members, including a Chairman. "The Authority may determine the methodology and procedure for determination as to whether the reduction in rate of tax on the supply of goods or services or the benefit of input tax credit has been passed on by the registered person to the recipient by way of commensurate reduction in prices," said the rules by the Central Board of Excise and Customs. Within two months of receiving an application, the Standing Committee would examine it and send it to the State level Screening Committee. Based on its recommendations, the Director General of Safeguards would investigate the complaint in a period of three months. If found to have merit, the complaint would then be forwarded to the authority. It would pass its order within three months. "An opportunity of hearing shall be granted to the interested parties by the Authority where any request is received in writing from such interested parties," said the rules. The authority will have the power to make the company reduce its prices and refund the money to

the consumer along with an interest of 18 per cent or deposit it in the Consumer Welfare Fund. It can also impose a penalty and cancel the registration of the company.

PWC INDIA LAUNCHES GST COMPLIANCE SOLUTION FOR COMPANIES

PWC India, a professional services firm, has launched a customised software solution that will help companies in India in end-to-end automation of Goods and Services Tax (GST) compliance. This software will help automate month-end tax compliances and reporting for companies with options for interfacing with multiple enterprise resource planning (ERP) environments. The software solution has been developed by PwC and has been used very successfully and extensively in Europe and other parts of the world. Elaborating on the solution, PwC India, said: "Under GST, most companies will move towards a managed tax compliance model, wherein all the filings would be done centrally. Today's tax tools may be inadequate in catering to the needs of tomorrow's

technology-driven GST compliance requirements and this would be a big challenge for corporates. There was a need for a solution to help our clients navigate these issues, especially in the Indian context. Effective July1,

GST will entail electronic filing of multiple monthly state-wise returns, transaction-level data upload, numerous reconciliations (revenue reconciliation, reconciliation with vendor details, upload on GST Network) and complex tax computation.

BIG RELIEF FOR E-COMMERCE FIRMS: TAX COLLECTED AT SOURCE PROVISION DEFERRED TO A LATER DATE

The government has said provision relating to tax deducted at source and tax collected at source will kick in only from a date that will be notified later, giving relief to Ecommerce players who will not have to collect tax on payments to vendors from July one post goods and services tax roll out.

ECONOMY

INDIA TO GROW 7.4-7.6% IN NEXT TWO FINANCIAL YEARS: FITCH RATINGS

Global rating agency Fitch forecast that India may grow at 7.4 per cent to 7.6 per cent over the next in the next two financial years, aided by the roll out of the Goods and Services Tax and higher investments. “The GST, expected to be applicable from July of this year, will facilitate trade within India and reduce transaction costs,” it said in its latest Global Economic Outlook. The economy grew by 7.1 per cent in 2016-17 and at a mere 6.1 per cent in the last quarter of the fiscal.

Attributing the slowdown to the demonetisation of high value currency in last November, Fitch said that the lagged effect is “quite puzzling”.

“The effects would be expected to be quite rapidly felt – but partly reflects the challenges of measuring

spending in an economy with a large informal sector," it said.

The report said that retail inflation should also tick up as the current low food price effect will fade, but it will remain firmly within the Reserve Bank of India's target range.

It also warned that investment as a share of GDP has been trending down for several years and ongoing steep declines could spell risks for medium-to-long-term term growth potential.

DIGITAL ECONOMY CAN REACH \$4 TRILLION IN 4 YEARS: TECH SECTOR TO GOVERNMENT

Surpassing the government's expectations to make India USD 1-trillion digital economy by 2022, technology companies today said it has potential to grow up to USD 4 trillion during the period.

IT Minister, who chaired a meeting with industry captains to chalk out a growth plan, said the government will formulate a new set of strategies to support growth including a new electronics policy, software product policy and a

framework for data security and protection. "There was unanimity among all the participants that USD 1-trillion digital economy is an understatement. India has the immense potential to go to USD 2 to 3 to 4 trillion digital economy potential," Law and IT Minister said. The government has projected that Indian digital economy will become USD 1 trillion by 2022 from around USD 450 billion digital economy at present. As of now, the Indian electronics market is estimated to be around USD 100 billion, IT sector USD 150 billion, telecom USD 150 billion, e-commerce USD 30-40 billion and rest is estimated to be size of shared economy like taxi hailing services, start-ups etc. The Ministry of Electronics and IT has projected IT and ITeS sector to grow to USD 350 billion by 2025 from USD 160 billion, while electronics sector is poised to touch USD 300 billion by the same time (from USD 100 billion currently).

{From 5th Page to 26th page news were taken by FIEO news}

ARTICLES

GST SLABS: THE CLEAR PICTURE ON TEXTILES AND APPAREL INDUSTRY

The Goods and Services Tax (GST) Council on Saturday cleared the pending rules for the rollout of the new indirect tax regime from July 1. Finance Minister Arun Jaitley chaired the 15th meeting of the GST Council, where the rates of tax and cess on gold, biscuits, footwear and textiles were decided:

Highlights of GST for various sectors of textiles, apparel and footwear:

- GST council has levied tax on textiles such as yarn and fabric cotton at the lower slab of 5%
- GST of 12 per cent will be levied on readymade garments. However, apparel under Rs 1,000 will attract a 5 per cent levy.
- Manmade fibre will be taxed at 5 per cent, while synthetic fibre will attract an 18 per cent GST.
- Jute and Silk have been exempted from GST.
- The GST Council has fixed the tax rate on footwear worth up to Rs 500 at the lowest tax slab of 5% under the new GST regime, The GST tax rate on footwear costing more

than Rs 500 is fixed at the higher 18%

- Other than this, it levied cess over and above the 28% tax on certain luxury goods and sin goods. A section of industry is saying that differential treatment for cotton and synthetic fibre on GST rate is an opportunity lost for a uniform rate for textile sector.

The government has fixed a 5 per cent GST rate on cotton fibre, yarn and fabric against the current prevailing rate of “nil”. This means, cotton yarn and fabric would now attract 5 per cent duty, which would make all products proportionately costlier. Some states, however, had levied value added tax on cotton yarn and fabric at 2-4 per cent. Overall, 5 per cent GST levy is higher than the existing levies on cotton yarn and fabric. Silk and jute have been kept under “nil” category under the GST. Man-made or synthetic fibre yarn will attract 18 per cent GST.

While all apparels would attract 12 per cent GST once the tax is rolled out, against the current levy of 6-7 per cent, apparels below worth Rs 1,000 would levy 5 per cent GST.

“We are happy with the government’s decision to keep fabric under 5 per cent and apparel under 12 per cent,” said R K Dalmia, President, Century Textiles.

While announcing these rates, the Finance Minister Arun Jaitley,

however, clarified that textiles manufacturer would not given credit outflow. This means, an input credit above the prescribed limit would not be granted to textiles manufactures, said Jaitley.

He said this in the context of 18 per cent GST for man-made yarn, while fabric made from that will attract 5 per cent and hence full input credit will not be utilised.

S C Kapur, chairman of association of synthetic fibre industry said, "The government should have applied a uniform rate to the textile industry which has been the global practice. Man-made fibre tax at cotton yarn level would have helped higher investment in the sector. Additional demand for fabric can be fulfilled by synthetic makers as there will always be an upper limit to produce more cotton."

Synthetic yarn and cotton yarn blended fabric constitutes 70-80 per cent of total fabric and hence mis-declaring synthetic fibre as cotton in blended fabric is not ruled out, say industry captains.

With this, readymade garments would become costlier proportionately. Had input credit been granted, garments manufacturers would get a breather in terms of taxes on raw materials.

"The 5 per cent GST levy on cotton yarn and fabric would make interstate movement of goods smoother and business would

become transparent. A small increase in the product rate would become immaterial once business goes with uniform tax rates across the country. Meanwhile, the rate of 12 per cent for textiles is progressive and will lead to the growth and development of the entire value chain," said Ujwal Lahoti, Chairman of The Cotton Textiles Export Promotion Council (Texprocil).

The GST rate for textiles will eliminate the cascading effect of duty/taxes which will reduce the costs and improve the competitiveness of the textiles exports.

"Five per cent GST on cotton yarn and fabrics would help producers with compliance and encourage farmers to grow more cotton, Lahoti added.

With this low rate, Indian producers would become competitive in the world which will help India's textiles exports grow in coming years, a senior industry official said.

"A credit transfer document will be issued to the manufacturer. If the tax on the item is below 18 percent, 40 percent of the Central or State GST payable will be given as credit. For items with tax above 18 percent, 60 percent will be available as credit," said Revenue Secretary Dr. Hasmukh Adhia during the press briefing.

Southern India Mills Association (SIMA) today hailed the Goods and Services Tax (GST) rates announced for the textile industry. As the textile industry has been under the optional route since 2004 and the fabrics have been under zero VAT rate, the 5 per cent GST rate would bring substantial revenue apart from widely broadbasing the tax net across the textile value chain and ensuring compliance, SIMA chairman M Senthilkumar said.

The 5 per cent GST on readymade garments below Rs. 1000 would greatly benefit the common man across the country, being a mass consumption item.

SIMA chief has stated that 5 per cent GST rate on cotton fibre would sustain the competitiveness of over 20 million cotton farmers as this rate across the value chain would enable the cotton textile industry to remain globally competitive, achieve substantial growth rate and increase cotton fibre consumption and thereby increase the earnings of the farmers.

He expressed hope that the textile job work would be exempted from service tax which is essential to benefit the industry, especially the powerloom sector, knitting, processing and garmenting sectors. Senthilkumar said that 18 per cent GST rate levied on man-made fibre and synthetic yarn would have inverted duty structure problem as

the fabric would attract only 5 per cent GST rate.

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