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WEEKLY E-NEWSLETTER
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COTTON PLUCKING GETS EASIER AND CHEAPER

Manual plucking of kapas (raw cotton) could soon become a thing of the past if cotton farmetake to the newly developed hand-held machines that run on batteries.

The device has been developed by SIMA-CD & RA (The Southern India Mills Association - Cotton Development and Research Association), in association with Point Industries, a sister concern of the Coimbatore-based Sharp Industries.SIMA-CD & RA sources said that this indigenously developed machine, priced at Rs. 9,500 (inclusive of taxes), would pluck only mature bolls without trash and contamination.

Reports show that the trash content is less than one per-cent against the normal average of 2 to 3 per cent.The farm varsity has tested and certfied the SIMA kapas plucker.B Lakshminarayana, Chairman, SIMA CD & RA, said that the machine would enable a farmer pick 60 to 80 kg of kapas a day against manual picking of 12 to 20 kg/day.

Coming as it does at a time when the picking season is round the corner, notwithstanding the paucity of farm workers and high labour cost, this machine is expected to be a boon for the cotton farmer.SIMA sources said that manual picking cost alone would account for one-third of the total cost of cultivation for the farmer. By using this plucker, the farmer would be able to bring down the labour cost by 20 per cent.K Selvaraju, Secretary General, SIMA, said that the association has been persistently persuading the Ministry of Textiles, especially the Cotton Corporation of India, to extend support for the machine.

Thanks to the efforts, the Union Textile Minister, Smriti Irani, directed CCI to place an order for 300 machines – 100 each for its branches at Akola, Ahmedabad and Warrangal.
B/L-11.9.17

R&D CRUCIAL TO SAVE PLANTATION INDUSTRY

The Indian plantation industry is in a paradox, caught between the inability to introduce large-scale mechanisation on one hand, and the need to improve crop productivity on the other.

Be it tea, coffee, rubber or spices such as cardamom and pepper, there are concerns regarding the drop in yield levels. While there is the need to address this issue, industry sources aver that among plantation commodities, only tea research is undertaken by the industry, while for rubber, coffee and spices, the research is carried out by the Commodity Boards with full funding by the government.

Tea research was being funded at 80 per cent, but this was reduced to 49 per cent during the 12th Plan period, affecting tea research quite adversely, according to sources.

UPASI (United Planters Association of Southern India), the apex body of plantations in the South, which is organising a two-day annual meet in Coonoor from today, is now requesting the government to reconsider funding tea research at 80 per cent as it was during the 11th Plan period.

There also appears to be some implementation issues in Tea Board schemes, be it towards annual allocation or developmental schemes..Research and development in coffee in India seem even worse when compared to other coffee-growing countries or R&D achievements in other plantation crops such as tea, rubber and spices. B/L-12.9.17

PRODUCTION IN NILGIRIS BLOOMS ON GOOD RAINS

Tea companies in the Nilgiris have informed the Tea Board that their production in August remained at 9.1-lakh kg – this is the same level as that of last year and the five-year mean for the month due to ample rains.

The cumulative production of tea companies in the eight months of this year has risen to 10.30-million kg (mkg) from last year's 7.80 mkg, marking a growth of 32 per cent.This was also more than the five-year mean of 9.30 mkg for the period by 11 per cent."We have been receiving consistently good rains all through September as well. This has helped greenery to return even in areas where there were brown patches. There has also been periodical sunshine helping the growth of the tea bushes, although we are awaiting more sunshine hours to kindle photosynthesis and metabolism activities," ENR Vejayashekara, the Speciality Tea Production Executive with Avataa Beverages told BusinessLine ."The rains have increased moisture in soil and succulence in tea leaves. This has helped the manufacture of our multiple-brewing speciality teas, ahead of winter speciality teas. Based on this, we have come out with choice grades of teas for gift packs, which contain a variety of top-quality teas in consumer sachets," said Avataa Director, G Udayakumar.
B/L-13.9.17

SEA CHIEF SEES EDIBLE OIL IMPORTS RISING

The sharp rise in customs duty on edible oils will not stop India's imports from hitting a record high this year as domestic supply is low, Atul Chaturvedi, President of the Solvent Extractors Association of India (SEA), said.

"This year, we will see another high with edible oil imports inching closer to 15.0 million tonnes," said Chaturvedi.In 2015-16 (Nov-Oct), the country imported 14.6 million tonnes of edible oils, according to SEA data.

Chaturvedi said the industry was initially of the opinion that the increased duty might reduce imports.

However, "this [rise in imports] will happen not because the country did not have oilseeds to crush, but because farmers were not bringing their produce to the market due to low realisation".

The ending stock of soyabean alone is likely to be around 1.5 million tonnes due to controlled sales by farmers, he said.

This is sharply higher than the estimated 500,000 tonnes last year. B/L-14.9.17

RUBBER PLANTERS FEAR PRICE FALL AFTER GST IMPLEMENTATION

Growers of natural rubberseem to be concerned about the likely decline in prices in the short-term due to diminishing demand from micro and small industries after the implementation of GST.

Sources pointed out that the price of RSS and ISNR – the main raw material for the industry – has come down, with RSS IV dropping to lower levels from an average Rs. 145/kg in April.

This being the reference grade, prices of all other grades and forms of rubber have also come down. Besides, rubber imports still continue despite the low prices of the commodity impacting domestic demand.Consumption by micro and small-scale industries in the non-tyre sector has declined due to the non-registration of the units under GST.

The non-tyre segment consists of industries that produce goods out of latex grades – balloons, gloves and condoms.Vinod Simon, the past president of the All India Rubber Industries Association, told BusinessLine that business in the non-tyre sector since July has slowed down. It may continue for one or two quarters until the uncertaintyclears.

"This will the impact the prices. But this will be a temporary phenomenon and the cycle will bounce back," he said. B/L-15.9.17

HIGHER OUTPUT IN SOUTH LED TO A FALL IN PRICES:TEA

Paulrasu, Executive Director, Tea Board, attributed the drop in tea prices at the auction centres in Coonoor and Coimbatore to higher output of 20-million kg in South India this year.Also, the insistence of Trusttea certification by major buyers, is seen impacting the prices, said Paulrasu.He was speaking at the Commodity Outlook Session on Tea ahead of the 124th annual conference of the United Planters Association of Southern India (UPASI) on Wednesday.

Tea prices at the two auction centres have taken a beating, witnessing a fall of around Rs. 30 a kg to around Rs. 65 since the middle of July.

However, the trade says that the lack of participation by large buyers, such as HLL and Tata Global, led to a dip in the prices. Major buyers, such as HLL and Tata Global, used to source close to 80 per cent of the offered volumes. Trade sources told BusinessLine that the two buyers, after abstaining from the auctions from July 1 citing lack of clarity in the billing system in the post-GST era, have since started purchasing from their sub-agents, who in turn buy the teas from brokers. These purhcases are outside the purview of the auction system. But the ED of Tea Board refrained from stating anything about the billing system. **B/L-16.9.17**

EXPORTS CLIMB 10.3% REVERSING 5-MONTH SLOWDOWN

India's merchandise exports grew 10.3% year-on-year to $23.8 billion in August, reversing a declining trend witnessed for five straight months, data released by the Commerce Ministry on Friday showed. The jump in shipments was driven mainly by engineering goods, petroleum products and chemicals as well as an improvement in demand in overseas markets.

GST challenges flagged However, the Federation of Indian Export Organisations (FIEO) said it was worried about future growth as the order booking position from October was not encouraging — owing to rising global uncertainties, rupee volatility and challenges on the domestic front including those stemming from the Goods and Services Tax (GST).

While 26 out of 30 major product groups were in positive growth territory in August, labour intensive sectors such as gems and jewellery, leather, apparel and handicraft either posted negative growth or modest growth, which is a worrisome sign, said President of FIEO, the apex body for the country's exporters.

FIEO Chief said in a statement that "exporters have stopped taking orders with least or no working capital at their disposal due to blockage of funds under GST and uncertainties looming large on refunds for the months of July to October."

FIEO called for an in-depth sectoral analysis to pinpoint factors responsible for decline in such sectors to help all employment generating, small and micro exporters.

August data was in continuance with the positive growth exhibited by goods exports since September 2016.

While their performance has been staying in the positive growth territory for the previous 11 months, what gave a greater relief to the exporting community was that the 10.3% growth in August had reversed the trend of a fall in growth for five consecutive months since 27.6% in March – down to a minuscule 3.9% in July mainly due to the weakness in many labour-intensive segments. In August 2017, the major commodity groups of exports showing positive growth over the corresponding month of last year were — engineering goods (19.53%), petroleum products (36.56%), organic and inorganic chemicals (32.41%), drugs and pharmaceuticals (4.21%), and ready-made garments of all textiles (0.56%). Nonpetroleum and non gems & jewelry exports rose 14.47% to $17.74 billion, the Commerce Ministry said. Major commodity group of imports showing high growth in August 2017 were — petroleum, crude & products (14.22%), electronic goods (27.44%), machinery, electrical & non-electrical (18.35%), gold (68.90%) and pearls, precious & semi-precious stones (30.88%).

Oil imports during August jumped 14.22% to $7.75 billion, while non-oil imports during the month rose 23.07% to $27.7 billion. Goods exports during April-August 2017-18 increased by 8.57% to $118.57 billion, while imports for the same period grew 26.63% to $181.71 billion. Trade deficit during AprilAugust was $63.1 billion almost double the $34.3 billion in the corresponding period of the last fiscal.

GST WOES: EXPORTERS ALLEGE NO DUTY DRAWBACK REFUND FROM STATES

State governments have effectively stopped paying tax refunds under the duty drawback scheme (DDS), compounding their liquidity issues, say exporters. Since the Goods and Services Tax (GST) regime was introduced on July 1, they allege, getting refunds for the state component of the levy has become very difficult under the

DDS, with the requisite mechanism not in place. "While it is still possible to get states to pay for their share of refunds under the Integrated GST, those refunds which are to be paid fully by them are not materialising," said DirectorGeneral & CEO of the Federation of Indian Export Organisations (FIEO).

The problem was across the country, it added. DDS seeks to rebate the duty or tax chargeable on any imported or excisable material or input services used in the manufacture of export goods. Customs and Union excise duties in respect of inputs and service tax in respect of input services are neutralised under the scheme.

The Central Board of Excise and Customs, which administers the DDS, had decided to extend it for three months once GST was introduced.

This was after exporter bodies had represented that the scheme seamlessly reimbursed the tax incidence on input and input services. However, to avail of the benefits, exporters should not claim input credit under GST, the government had warned at the time. Till now, a severe crunch in liquidity under the GST regime had been flagged by exporters as the most challenging issue.

Their costs have risen by up to 1.25 per cent (Freight On Board value) after GST implementation, according to their calculations.

The figure is changing as late refunds pinch smaller players hard and even larger entities have difficulty over streamlining of operations, they say.

A similar issue is playing out over duty scrips, the scope of which has been reduced as a tax paying instrument.

Exporters earn duty credits in the form of scrips at fixed rates of two, thre and five per cent on despatch of shipments, depending on product and country. The earned scrips may be freely transferred to others or sold. In August, the government had instituted a 12 per cent tax on sale of scrips received for incentive schemes such as the Merchandise Export from India Scheme (MEIS), for the first time. Scrips received by exporters under the Services Exports from India Scheme and the Incremental Export Incentivisation Scheme, apart from the MEIS, will be taxed.

The government's tax move was rapped by exporters, who said this had no justification and would hit their shipments. Subsequently, the GST Council last week announced that this was being reduced to four per cent. However, while scrips were allowed to be utilised for the payment of excise, service tax and value added tax before GST, this may now only be done for payment of basic customs duty.

"This is unfair and a withdrawal of benefits to exporters. It has meant additional cash outgo for import clearance on export orders," said the Engineering Export Promotion Council. They have asked that such scrips be allowed to neutralise Central and State or Integrated GST, in line with the pre-GST situation.

Both duty drawback and scrips are to be discussed by exporters with the newly constituted committee to look into their GST concerns. After a similar committee headed by commerce secretary Rita Teaotia tried to address their major grouses, the GST Council has now decided to form a similar committee, headed by revenue secretary.

GST: GOVERNMENT SETS UP GoM, PANEL ON EXPORTS

Finance Minister constituted a Group of Ministers (GoM) to monitor and resolve the IT challenges faced in the implementation of Goods and Services Tax (GST).

Minister also set up a committee on exports to look at the issues of export sector and to recommend to the GST Council a suitable strategy for helping the export sector in the post-GST scenario.

This move follows the decisions taken to this effect in the 21st -

meeting of the GST council in Hyderabad on September 9. While Sushil Kumar Modi, Deputy Chief Minister of Bihar, will be the convenor of GoM, Revenue Secretary Hasmukh Adhia will be the convenor for the committee on exports. The other members of the GoM are Amar Agarwal, Minister for Commercial Taxes, Government of Chhatisgarh; Krishna Byregowda, Minister for Agriculture, Government of Karnataka; T.M. Thomas Isaac, Finance Minister, Government of Kerala and Etela Rajendar, Finance Minister, Government of Telengana. The GoM will be assisted in its work by the Chairman, Goods and Services Tax Network (GSTN) and the Chief Executive Officer, GSTN, an official release said.

GOVT. COMMITTEE TO REVIEW EXPORTERS' '$10 BN.-PROBLEM'

Panel headed by Revenue Secretary to review GST issues A government panel headed by the Revenue Secretary will meet on September 19 to resolve a '$10 billionproblem' troubling India's exporters and its potential adverse impact on jobs.

Official sources said that the Revenue Secretary-led 'Committee on Exports' — set up on September 12 to address exporters' concerns over the Goods and Services Tax (GST) regime — would, among other things, take up the issue of "inordinate delay in refund of GST to exporters" and the consequent blockage of working capital that is severely affecting exporters' liquidity and enhancing their tax burden. Tax credit refund According to Director General and CEO, Federation of Indian Export Organisations (FIEO), "Exporters were expecting that the Integrated GST (IGST) refund or refund of input tax credit (ITC) would be available to them in August, 2017 for the exports made during July."

It added, "However, since the filing of (GST returns) GSTR-1,2 and 3 for July has been extended till October 10, October 31 and November 10, respectively, exporters will not be able to get the refund by November."

US ASKS INDIA TO OPEN MARKET, ADDRESS TRADE IMBALANCE The US

asked India to open its market for American firms and address the rising trade imbalance between the two countries while take steps to protect intellectual property rights.

US Commerce Secretary, addressing an event organised by the US India Business Council (USIBC), said India has been a greater beneficiary of foreign direct investment in the Indo-US bilateral trade relationship.

"Annual bilateral trade between the US and India has doubled over the last decade and was $114 billion in 2016. Unfortunately, over the same period trade deficit has tripled, now at $27 billion," US said. Last year, India's investment in the US reached $12.1 billion while US investment into India was $32.9 billion, it said, adding that there is much to do for the India-US trade relationship to reach its full potential.

US Commerce Secretary said only 1.5 per cent of US exports are to India and only 6.3 per cent of Indian exports went to America.

"This indicates that potential for growth is much more," it said. Praising some of the recent economic reforms in India, the US Commerce Secretary said the GST and the bankruptcy codes were quite encouraging. At the same time, market access for innovative products in India is essential, US said. "Greater access is a necessary step that would help bolster entrepreneurship in critical subjects such as health care," US Commerce Secretary said.

"US hopes that the Indian government would continue to champion bold reforms in all sectors," Commerce Secretary said. This would not only facilitate US-India trade, but would also facilitate a strong eco system for the entrepreneurs, US said.

Referring to the India-US Summit in June, US Commerce Secretary said US President

DG & CEO, FIEO said since exporters would have to wait till around December (considering 15 days for issuance of acknowledgement and another seven days for getting provisional refund of 90% of the total refund claim) for availing refund of the GST on exports, it would mean that they would have to arrange funds from their own sources to pay GST for the July -October period. The blocked amount for the four months time is estimated to be about $10 billion, FIEO pointed out, adding that the situation could lead to huge job losses.

"The government should trust the trade," FIEO said in a representation.

GOVERNMENT OFFERS ONLINE TOOL TO RESOLVE FOREIGN TRADE ISSUES

The government has set up an online service facility that can be used by importers and 4 INTRADE UPDATE exporters to resolve all foreign trade-related issues, an official statement said. The directorate general of foreign trade (DGFT), which comes under commerce ministry, has asked all exporters and importers to use the system - Contact@DGFT - for resolution of their matters.

Traders can raise all matters related to the directorate or other agencies of the Centre and States through this facility, which is activated at the DGFT website.

"Contact@DGFT system has been activated as a single point contact for resolving all foreign trade-related issues," the DGFT said in a notice to all regional authorities, export promotion councils, commodity boards and members of trade and industry. It said best efforts will be made for expeditious resolution.

"In the interest of systematic monitoring and effective resolution, exporters/importers are requested not to send their queries through twitter or e-mail and use Contact@DGFT service instead," it added.

and Indian Prime Minister will co-host this year's Global Entrepreneur Summit (GES) in Hyderabad. US Commerce Secretary reiterated the importance of close relations between the two growing economies. Indian Ambassador to the US said India and the US were working to address the trade imbalance issue. Ambassador referred to the start of the recent export of US oil to India and of gas beginning next year. Ambassador also spoke about the great potential between India and the US in sectors like energy and civil aviation.

AT RCEP MEET IN MANILA, INDIA RESISTS PRESSURE TO CUT TARIFFS FURTHER, OPEN MARKETS

Commerce and Industry Minister resisted pressure for committing to greater market access at the Regional Comprehensive Economic Partnership (RCEP) Ministerial meet in Manila last week-end although the reprieve is likely to be short lived. Trade Ministers from the 16 countries' group — the 10-member ASEAN, China, India, Japan, South Korea, Australia, New Zealand — have agreed to meet again in November to try for a breakthrough. "India managed to convey that it was not ready to commit to tariff elimination on the whole gamut of items that other members are pushing for as it needed to cover the sensitivities of its industry and agriculture. The pressure on the Indian Minister this time surprisingly was lower than usual and it was dealt with well.

But Trade Ministers are determined to get the negotiations moving at the next meet in November in Manila," a government official said.

New Delhi is expected to improve its current offer of tariff elimination of about 70-75 per cent items, with certain deviations (of lower cuts) for countries like China, Australia and New Zealand with which it does not have Free Trade Agreements, at the next negotiating meeting in South Korea in October.

Although the RCEP has now officially recognised that existing differences between members are too high to conclude the pact this year, there is a broad understanding to iron out all differences this year.

"At the Korea meeting we will definitely be expected to improve our current offer. We have to take a definite stand on how much we are prepared to give," the official said.

There are clear indications that RCEP members are not willing to budge from the position that tariffs need to be eliminated on at least 90-92 per cent of items. Trade Secretary of The Philippines, which is currently chair of the ASEAN group, is reported to have said at a press conference on Monday that the only acceptable recalibration is a number that is closer to the 90- 92 per cent and anything lower or higher than that is not acceptable for ASEAN. Impasse on services This suggests that India would either have to agree to improve its offers or be sidelined at the negotiations.

Although New Delhi demanded simultaneous improvement in offers in the services sector, there was no satisfactory response from other members, the official said. "In the services sector, the ASEAN members are not willing to give any concession. They are not even willing to discuss the matter seriously as they say that they do not have the political mandate in their countries to do so," the official added.

CIVIL SOCIETY ORGANISATIONS ASK CENTRE TO PROTECT PUBLIC INTEREST AT RCEP NEGOTIATIONS

Civil society organisations and labour group representatives have demanded that the Centre should save the manufacturing, agriculture and the services sector from the expected adverse impacts of the Regional Comprehensive Economic Partnership (RCEP), which would include job loss, as the fifteen partner countries, including China, were sticking to their detransportation and health. “We are extremely worried about employment impact of RCEP in domestic banking services as financial services are being specifically negotiated,” said All India Bank Officers Confederation.

EU HOPES TO RESUME FTA TALKS WITH INDIA

The European Union is looking at a bilateral summit with India next month that would act as a catalyst for resumption of talks on the free trade agreement encompassing goods, services and mutual investment protection, according to a senior EU official.

Talks on the Bilateral Trade Investment Agreement (BTIA) — the official title of the pact — started in 2007 but have been marred by various flip-flops and disagreements. The discussions have remained deadlocked on issues like tariffs on automobiles and wines and spirits, EU trade officials said.

They hoped that the 14th EU-India Summit, likely in early October “will get the economic dialogue going as a precursor to relaunching talks on FTA“. The last summit on March 30, 2016, saw discussions focused on trade and investment, energy and climate, water, migration and foreign and security policy. “Unfortunately, Indian policy has created major uncertainties for us because your government has taken policy decision to let bilateral investment treaties, which gave very clear rules, lapse,” said a senior EU official, who did not want to be named.

The 28-member states of the EU wanted the pacts to continue until they are replaced by EU—India FTA that would have had an investment chapter. “Indian side thought it was wiser to let the bilateral investment treaties (BITs) lapse,” the official said, adding that EU investors, in many cases, no longer have bilateral investment protection. The official said EU not just wants an FTA but “also an investor certainty created by provisions of treaty“.

mands of extensive liberalisation.

"The RCEP must not be allowed to cause hollowing out of India's manufacturing and agriculture. Analysis of previous FTAs with ASEAN, Japan and South Korea has shown that it is the trading partners that have benefited more with India's trade deficit increasing. The presence of China in the group makes things worse for Indian manufacturers and services sector," said Professor, JNU, at a press conference organised by the Forum Against FTAs, a network of India's civil society organisations, trade unions and Peoples' Movements.

While most members of the RCEP, which includes the ten-member ASEAN, Japan, South Korea, Australia, New Zealand, China and India, are pushing for tariff elimination on about 92 per cent items, India is unwilling to move beyond 70 per cent-80 per cent with additional protection against Chinese goods. The Fifth Ministerial meeting of the RCEP in Manila on Sunday reportedly failed to move the negotiations forward as divergences remained between members on tariff cuts in goods and ambitions in services. "At the negotiating round in Hyderabad earlier this year, there were loud protests against the pact from various sectors including the industry, farmers, health and various services groups.

The government must name at least one sector which hopes to gain from the pact before agreeing to it," said Third World Network. The RCEP countries, accounting for 45 per cent of the world population and over $ 21 trillion of gross domestic product, are hoping to create one of the largest free trading blocs but many interest groups are apprehensive that India may end up losing much more than it gains.

In the services sector, while the ASEAN countries are not willing to offer much in the area of allowing freer movement of professionals, many members are pushing for removing important investment regulations related to banking, insurance, telecom, The EU push for the pact comes amid many countries world over, including the US, questioning the system of free trade.

The US has pulled out of the Trans—Pacific Partnership and has questioned the benefits of globalisation and free trade. Expressing dismay over India's decision to do away with bilateral investment treaties with its member states, the EU official said:

“All the EU member states wanted to prolong these until it would be replaced by EU wide treaty with India in form of FTA, which would have had an investment chapter“. On the expected deliverables of the EU—India Summit, another official said that besides joint declaration on climate change and clean energy, a likely one is on a partnership for smart and sustainable urbanisation —— linking the EU's Urban Agenda with India's ‘100 Smart Cities Mission’ European Investment Bank (EIB) loan for Bangalore metro development, is also on the cards.

BANKING/TAXATION CUSTOMS

DELHI HC ALLOWS EXPORTER TO IMPORT WITHOUT PAYING IGST

The Delhi High Court has granted interim relief to an exporter, allowing him to import goods without payment of the integrated goods and services tax (IGST) to the extent allowed by advance authorisations received by him prior to July 1, when GST was enforced. Advance authorisation is issued for exporters to allow duty-free import of inputs which are physically incorporated in export products.

The relief given relates to export orders placed on the petitioner, an exporter of plastic products, before July 1. The next hearing in this case is on February 22. Prior to GST, import under the Advance Authorisation Scheme (ASS) was exempt from payment of taxes like basic customs duty, additional customs duty, and education cess.

A major change since July 1 is additional levy of IGST. While upfront exemption is extended to basic customs duty, exporters are required to pay IGST on import and central, state or Union Territory GST (as the case applicable) on domestic procurement; thereafter, they may claim a refund.

The petitioner in this case had contended that such a mechanism adversely affected his working capital, impacting export orders got prior to July 1, for the fulfilment of which he had to undertake import of inputs. One such export order placed on the petitioner by Walmart Inc, USA, was cited.

The petitioner said with the change brought about by the GST regime, he would have no option but to pay IGST out of own sources, causing a working capital blockage.

As the petitioner had already used up the overdraft limit with banks, borrowing would have to be done.

Counsel for the customs department said the petitioner could seek refund of the IGST after completion of the export obligation. Hence, there was no ground for a real grievance.

The petitioner replied that the prospect of IGST being ultimately refunded was little consolation -- he required liquidity to discharge the additional levy of IGST, failing which the import would get blocked.

Abhishek Rastogi of Khaitan & Co, the petitioner's counsel, said while the order was specific to the petitioner, it did lay down the foundation for benefits that should go to exporters. After GST implementation, he said, the commerce ministry had asked the finance ministry to ensure export benefits continued as these were prior to GST. The finance ministry had not acted on this representation, resulting in exporters loss of working capital on a large scale. The interim relief, he added, was a "beginning for the two ministries to pave a clear Path for exporters".

GST: GOVT SETS UP PANEL TO RECEIVE PROFITEERING COMPLAINTS

A four-member standing committee, comprising tax officials of the Centre and states, has been set up to receive complaints of undue profiteering by any entity under the new GST regime. The Standing Committee on Anti-profiteering will act as a complaint processing machinery and will refer any cases it finds fit for investigation to the Directorate General of Safeguards (DGS).

The setting up of the panel, with two officials of the Central Board of Excise and Customs and one each from Delhi and Haryana tax department, sets in motion the antiprofiteering clause under the Goods and Services Tax (GST).

The anti-profiteering mechanism was proposed to enable the benefit of lower taxation in the GST, with the subsuming of over a dozen central and state taxes like excise duty, service tax and VAT and end to tax-on-tax, is passed on to consumers. Businesses or entities not passing on the benefit can be referred to the committee."The detailed procedure for approaching the committees will be announced soon," officials said. Revenue Secretary, had last week said that the government has notified the 'standing committee' comprising four officers—two each from the Centre and states—but the names of the officers were not in public domain. As per the structure of the anti-profiteering mechanism in the GST regime, complaints which are of local nature would be first sent to the state-level 'screening committee', while those of national level would be sent to the 'standing committee'.

If the complaints have merit, then the respective committees would refer the cases for further investigation to the Directorate General of Safeguards (DGS). The DGS would generally take about three months to complete the investigation and send the report to the anti-profiteering authority.

Although, the members of the anti-profiteering authority—to be headed by a secretary-level officer with four joint secretary-rank officers as members—are yet to be finalised, Adhia had said that the authority would be in place by the time the DGS investigation on the complaints is complete.

The Goods and Services Tax (GST) was rolled out from July 1 and the government has advised businesses to pass on the benefit of any cost reduction to buyers.

The anti-profiteering authority, if it finds that a company has not passed on GST benefits, will either direct the firm to pass on benefits to consumers or if the beneficiary cannot be identified will ask the firm to transfer the amount to a 'consumer welfare fund' within a specified timeline. The authority will have the power to cancel registration of any entity or business if it fails to pass on to consumers the benefit of lower taxes under the GST regime, but it would probably be the last step against any violator.

The authority can suggest return of the undue profit earned from not passing on the reduction in incidence of tax to consumers along with 18 per cent interest, as also impose a penalty.

GSTN TECHNICAL GLITCHES WILL BE RESOLVED BY OCT-END'

The head of the Group of Ministers (GoM) tasked to look into Goods and Services Network's (GSTN) technical problems, which has impacted the filing of tax returns, has assured that the issues will be resolved by October-end. Sushil Kumar Modi, who heads the GoM and also Bihar Deputy Chief Minister, said that Minister was confident 80 per cent of the problems encountered in filing tax returns will be resolved by October-end.

Addressing reporters, Mr Modi further stated that as this is an uncharted territory, some technical problems are bound to arise initially. "Efforts are being made to address all issues in the next month and a half," it said. The group is examining the technical problems faced by GSTN, which is the IT platform for real-time taxpayer registration and tax returns. India's second-largest software services provider Infosys is managing the IT infrastructure for GSTN. The issue on hand was due to a rush in tax filing on August 30, which caused the system to crash, thereby hindering the filing process.

Officials also added that around 80 officials of the Commercial Tax Departments of various States held meetings with all stakeholders — such as dealers, software experts, bankers, big corporates and tax consultants — to understand the various challenges they faced. Further, it is estimated that even though around 85 lakh dealers have registered under GST, only around 3.05 lakh have filed their 3B returns, Modi said. The 3B returns is a selfassessment filing of sales and purchases to be made by businesses.

'No extension' Despite the glitches, the government has made it clear that no extensions will be given. "We have kept long deadlines for GST filing. For at least six months, the taxpayers have to file their own assessment. There will be no extension later," Revenue Secretary said. In the last 3-4 days before the deadline, there is a heavy rush to file returns, and tax payers wait till the last day, added Modi.

GST TO HIT INFORMAL SECTOR; GDP GROWTH TO MODERATE: UN REPORT

India's informal sector got badly affected by demonetisation and may take further hit due to GST, a UN report said, lowering country's growth projection to 6.7 per cent for 2017 from 7 per cent in 2016. UNCTAD's Trade and Development 2017 report notes that the world economy in 2017 is picking up but not lifting off. The growth is expected to reach 2.6 per cent, slightly higher than in 2016 but well below the pre-financial crisis average of 3.2 per cent. Referring to India and China, it said at the current levels of growth, the countries are unlikely to serve as "growth polls" for the global economy in near future. India's "output growth" is likely to slowdown to 6.7 per cent in 2017 from 7 per cent in the previous year, it said. The report retained the growth projection for China at 6.7 per cent, the same as 2016.

India's growth performance, it said, depends to a large extent on reforms to its banking sector, which is burdened with large volumes of stressed and non-performing assets, and there are already signs of a reduction in the pace of credit creation. Indian banks are saddled with non-performing assets of about Rs 8 lakh crore. Since debt-financed private investment and consumption have been important drivers of growth in India, the easing of the credit boom is likely to slow GDP growth, it said.

"In addition, the informal sector, which still accounts for at least one-third of the country's GDP and more than four-fifths of employment, was badly affected by the government's 'demonetisation' move in November 2016, and it may be further affected by the rollout of the GST from July 2017," it said.

Thus, even if the current levels of growth in both China and India are sustained, "it is unlikely that these countries will serve as growth poles for the global economy in the near future". The report said the gradual slowdown of China is expected to continue as it moves ahead with rebalancing its economy, towards domestic markets. However, the explosion of domestic debt since the crisis is proving to be a major challenge for a sustained growth.

Thus, the dependence on debt makes the boom in China and India difficult to sustain and raises the possibility that when the downturn occurs in these countries, deleveraging will accelerate the fall and make recovery difficult, it said. "Expecting these countries to continue to serve as the growth poles that would fuel a global recovery is clearly unwarranted," the report said. Referring to global growth, it said most regions are set to register small gains, with Latin America exiting recession and posting the biggest turnaround, even if only at 1.2 per cent growth. The eurozone is expected to see its fastest growth since 2010 (1.8 per cent) but is still lagging behind the US.

ECONOMY

FINANCE MINISTRY KICKS OFF PREPARATIONS FOR BUDGET 2018-19

The Finance Ministry has formally kicked off preparations for the Union Budget 2018-19 and on Wednesday issued the Budget circular listing guidelines for fund requirements to nodal Ministries. Ministries have been asked to focus on means of generation of non-tax revenue such as dividends and interest receipts.

"There would be a specific discussion on the non-tax revenue mobilised by the Ministry or Department and its potential to generate it, and this will be duly considered while finalising the Budget allocation," said the Finance Ministry.

Financial Advisers of each Ministry have been asked to prepare the Budget and Expenditure Trends and Non-Tax Revenue for 2018-19 and submit it to the Finance Ministry along with the tentative Budget Estimates by October 3.

The Finance Ministry has also sought draft paragraphs by this deadline for inclusion in Budget Speech since their financial implication would be discussed during RE meetings. In a first, all data on fund requirements have to be submitted online by the nodal Ministries.

Pre-Budget meetings to discuss the fund requirements for the current fiscal as well as 2018-19 would be chaired by Expenditure Secretary and would start from October 9 and continue until the first week of November.

“The final ceilings for Revised Estimates and Budget Estimates shall be communicated latest by January 15,” said the Finance Ministry. The three-year action Plan released by the NITI Aayog will be a key benchmark for the Finance Ministry while allocating resources. The Budget is expected to be tabled in Parliament by Finance Minister on February 1. A new team of Secretaries, apart from Revenue Secretary, would also helm the Budget with many top officials set to retire. Secretary, Department of Economic Affairs, will lead the Budget-making process. Rajiv Kumar took over as Secretary, Department of Financial Services earlier this month.

CAD IN INDIA SOARS TO 3 YEAR HIGH OF $14.3 BN, BUT STILL $11.4 BN ADDED TO RESERVES

India’s current account deficit (CAD) rose to three-year high of $14.3 billion or 2.4% of GDP in the first quarter of the current financial year. The deficit stood at just $0.4 billion or 0.1% of the GDP in the corresponding quarter of last fiscal and $3.4 billion or 0.6% of the GDP in Q4FY17. Despite the widening of CAD, the first quarter saw an accretion of $11.4 billion to the foreign exchange reserves (on a balance of payment basis) as compared with $7 billion in the same period last year, thanks to a big capital account surplus of $25.4 billion.

Both FDI and portfolio inflows were much higher than in the year-ago quarter in Q1FY18 on a net basis. The widening of the CAD on a year-on-year basis was primarily on account of a higher trade deficit ($ 41.2 billion) brought about by a larger increase in merchandise imports relative to exports, the RBI said in a release. The CAD for the first quarter of this fiscal, though much higher than in recent quarters — it was the highest since Q1FY14 — came in a tad lower than market expectations. Nomura had pointed out in a report that it expected the CAD to widen to a four-year high of 3% of GDP.

Net services receipts increased by 15.7% on a y-o-y basis mainly on the back of a rise in net earnings from travel, construction and other business services.

Private transfer receipts, mainly representing remittances by Indians employed overseas, at $16.1 billion increased by 5.3% over the corresponding quarter of previous year. Net portfolio investment recorded substantial inflow of $12.5 billion in the first quarter of FY18, primarily in the debt segment, as compared with $ 2.1 billion in the same period last year.

Net FDI in the first quarter of this fiscal stood at $7.2 billion against $3.9 billion in the year-ago quarter.

EXTERNAL DEBT OF INDIA DROPS 2.7 PCT TO $471.9 BN, RECORDS FIRST SUCH DROP IN 5 YEARS

India's external debt stock dropped 2.7%, or $13.1 billion, to $ 471.9 billion at the end of March from a year ago, recording the first such drop in at least five years, the finance ministry said. The decline was due to a fall in long-term debt, particularly NRI deposits and commercial borrowings. Long-term external debt recorded a 4.4% decline to $383.9 billion as of March.

Such long-term debt made up for 81.4% of total external debt at end-March 2017, against 82.8% a year before. Short-term external debt, however, rose 5.5% to $88 billion by the end of March, thanks to the increase in trade related credits — a major component of short-term debt with a share of 98.3%, the ministry said. Government (sovereign) external debt rose to $95.8 billion at end -March, compared with $93.4 billion a year earlier. Such sovereign debt accounted for 20.3% of the total external debt, against 19.3% in the previous year.

"India's external debt has remained within manageable limits and the external debt situation has improved in 2016-17 over 2015- 16 as indicated by the increase in foreign exchange reserves cover to debt to 78.4% from 74.3%, and fall in the external debt-GDP ratio to 20.2% from 23.5%," the ministry said in the statement. The fall in external debt comes at a time when the NK Singh panel has chosen to keep debt, along with fiscal deficit, in the centre of fiscal management principles, moving away from the current practice of targeting only fiscal deficit.

The panel has suggested a ceiling for general government (both Centre and states) debt of 60% of GDP by 2022-23. And within this overall limit, a ceiling of 40% should be adopted for the Centre, and 20% for the states. While the Centre's debt-to-GDP ratio was 49.4% in 2016-17, states' stood at 21%, it said. The country's average general government debt is as much as 28 percentage points higher than similarly-rated emerging market peers, the panel has said in the report. The government is yet to formally announce its decision to implement the report.

STUTTERING RECOVERY: JULY FACTORY OUTPUT SLOWS TO 1.2%

Nearly six months down the fiscal year 2017- 18, economic indicators continue to point to a muted recovery, watering down the government's expectations of returning to a high growth trajectory. Official data released revealed a rising trend in retail inflation even as factory output remained subdued. The index of industrial production (IIP) grew by a mere 1.2 per cent in July as against 4.5 per cent growth in July last year. On a cumulative basis, factory output grew by just 1.7 per cent in the first four months of this fiscal. 15 INTRADE UPDATE IIP growth for June has also been revised downwards to a negative of 0.2 per cent from a dip of 0.1 per cent.

The low expansion in July this year seems to be due to negligible growth of 0.1 per cent in the manufacturing sector that had seen low demand due to the roll out of the goods and services tax. However, electricity generation grew by a robust 6.8 per cent in July while mining expanded by 4.8 per cent. Food price spike Meanwhile, retail inflation in August climbed up to 3.36 per cent from 2.36 per cent in July as many food items such as vegetables saw a spike in prices. The consumer food price index climbed up to 1.52 per cent in August from a decline of 0.36 per cent in July.

WPI INFLATION HITS FOUR-MONTH HIGH IN AUGUST

India's wholesale price inflation rose to 3.24 percent from a year ago, its fastest pace in four months, driven by higher prices of food and fuel products, data showed. The rise compares with a 3.0 percent increase forecast by economists in a Reuters poll and a provisional 1.88 percent rise in July.

ARTICLES

GST HITS EXPORTERS' ORDER BOOK HARD; 15% DROP TILL OCTOBER:

Two months after the roll out of the goods and ser-vices tax (GST) regime in July, the order books ofexporters are said to have taken a hit with estimates pegging the impact to up to 15 per cent across industries and product categories. According to an assessment by the exporters' body Federation of Indian Export Organizations (FIEO), the large drop was for export orders that were meant to be delivered until October.

The dip, registered over a period of two months since July, was largely on account ofexporters foregoing orders due to lack of credit, said Ajay Sahai, director-general at FIEO.Theliquidity crunch had forced many to use available resources to manage existing -business operations rather than fulfilling orders from abroad, he added. Bhaskar Sarkar, Executive Director at Engineer-ing Exports Promotion Council (EEPC), corroborated this by saying that the percentage hit was higher for exporters handling products with a longer gestation period.

“Merchant exporters, as well as those whose products require 2 -3 months to be sourced, processed and shipped, have been hit hard owing to their capital being tied up longer," Sarkar said. Exporters were earlier allowed duty-free import of goods that are used for the manufacturing of export products.

However, under the GST, they would have to pay the duty upfront and apply for refunds later. The issue of liquidity crunch under the new GST regime was flagged off by exporters as the most challenging issue. Their costs have risen by up to 1.25 per cent (Freight On Board value) following the implementation of the new tax regime, according to estimates. The figure is rising as late refunds pinch smaller players hard, while larger entities face difficulty in streamlining operations, say experts. The wait for GST refunds I n a d d i t i o n t o this, exporters have continued to point out that the difficulty in getting refunds have not eased. This is mainly because of the refund process that has been delayed due to the government extending the date of filing of refund documents.

The filing of documents for GSTR 1, GSTR 2 and GSTR 3 have been extended to July 10, October 31 and November 10, respectively, theEEPC said. This extension effectively means that the July refunds will only be available in the third week of November at the earlie s t , a d d e d the EEPC.

Similarly, exports ref unds for the month of August will be pushed back to December and this is expected to have a cascading impact on the September refunds. Also, exporters have alleged that since the GST roll-out, refunds from state governments for taxes paid under the Duty Drawback Scheme have stopped.

Uproar over duty scrips A similar issue is playing out over duty scrips, the scope of which has been reduced as a taxpaying instrument. In August, the government had instituted a 12 per cent tax on the sale of scrips received for incentive schemes such as the Merchandise Export from India Scheme (MEIS), for the first time.

Scripsreceived by exporters under the Services Exports from India Scheme and the Incremental Export Incentivisation Scheme, apart from the Merchandise Exports from India Scheme, will be taxed.

The government's tax move was slammed by exporters, who said this had no justification and would hit their shipm e nts. Subsequently, the GST Council announced last

- A large drop was seen in export orders that were meant to be delivered by Oct
- The dip was largely on account of exporters not fulfilling orders due to lack of credit
- The liquidity crunch forced many to use available resources to manage existing business operations rather than fulfilling orders from abroad
- Costs have risen by up to 1.25% following the GST roll-out
- Exporters were earlier allowed duty-free import of goods for the manufacturing of export products. But now they would have to pay the duty upfront and apply for refunds later

week that this was being reduced to 4 per cent.

However, while scrips were allowed to be utilised for the payment of excise, service tax and the value added tax (VAT) in the pre-GST era, this may now only be applicable for payment of basic customs duty.

Business-Standard

GST NOTIFICATIONS

SUMMARISED RETURN IN FORM GSTR-3B TO CONTINUE FOR 4 MORE MONTHS:

It is decided that GSTR-3B will continue to be filed for the months of August to December, 2017.

COMPOSITION CHEME CAN BE OPTED TILL SEPTEMBER 30, 2017:

A registered person (whether migrated or new registrant), who could not opt for composition scheme, shall be given the option to avail composition till 30th September 2017 and such registered person shall be permitted to avail the benefit of composition scheme with effect from 1st October, 2017.

DUE DATE FOR FILING TRANSITIONAL CREDIT FORM GST TRAN-1 EXTENDED TILL OCTOBER 31, 2017 AND ONE TIME REVISION ALLOWED

The due date for submission of Form GST TRAN-1 has been extended by one month i.e. 31st October, 2017. Further, Form

USEFUL LINKS

https://www.iieminfo.com/notification

IEM was set up in 1994, with its corporate office at Bangalore. The institute has been established with a mission to impart training to entrepreneurs wishing to start export ventures and executives intending to make a career in export management.

Head quartered at Bangalore, IIEM acts primarily as a promotional and operational institution to help students, new entrants in exports, existing businessmen and managers in export organisations.

In the 22 years since inception, more than 40,000 students have enrolled for various Export Management courses at IIEM.The course material is designed to widen the knowledge base of young managers and to equip them with necessary skills to meet the challenges of globally competitive environment.

It is meant for professionals and students working in the field of management who have no formal education in the field of business.