

The Economy

Union Budget

In the last budget before the General Elections, the Finance Minister, while highlighting the achievements of the present government over the last 4.5 years or so, announced some measures to tackle the farmer distress and providing relief to middle class tax payers, pensioners and senior citizens.

Highlights

Fiscal Deficit

- For FY19, government has revised the fiscal deficit target to 3.4 percent in FY 19. Fiscal deficit for 2019-20 estimated at 3.4 percent of GDP, against the earlier commitment to bring down the fiscal deficit to 3.1 percent of GDP by the end of March 2020, and to 3 percent by March 2021
- Current account deficit at 2.5% of the GDP

Income Tax reliefs

- If taxable income is less than Rs 5 lakh, no tax needs to be paid
- Standard deduction increased from Rs 40,000 to Rs 50,000 for salaried class
- I-T processing of returns to be done in 24 hours
- Within the next 2 years, all verification of tax returns to be done electronically without any interface with the taxpayer

Tax exemptions on investments

- Individuals with gross income up to 6.5 lakh rupees will not need to pay any tax if they make investments in provident funds and prescribed equities
- TDS threshold for home rent increased from Rs 1.8 lakh to 2.4 lakh
- Interest income up to Rs 40,000 in post offices and banks made tax free
- Capital gains tax exemptions under Section 54 to be available up to Rs 2 crore. Capital gains exemption to be available on 2 house properties
- Income tax relief on notional rent from unsold houses extended to 2 years from 1 year

GST

- Businesses with less than Rs 5 crore annual turnover, comprising over 90% of GST payers, will be allowed to file quarterly returns
- Indian Customs to fully digitize exim transactions and leverage RFID for logistic. Govt abolishes duties on 36 capital goods

For farmers

- Rs 6,000 per year will be the income support for small and marginal farmers. Scheme to be called Pradhan Mantri Kisan Samman Nidhi
- Farmers having up to 2 hectare of lands will get Rs 6,000 per year in three equal instalments
- Farmers who are affected by natural calamities will get 2% interest subvention and additional 3% interest subvention upon timely repayment

MSME

- 25 per cent of sourcing for government projects will be from the MSMEs, of which three per cent will be from women entrepreneurs

Sops for workers

- New Pradhan Mantri Shram Yogi Maandhan Yojana for unorganised sector workers with income up to Rs 15,000 per month. Beneficiaries will get pension of Rs 3,000 per month with a contribution of Rs 100 per month after retirement. Government allocates Rs 500 crore for the scheme
- ESI cover limit increased to Rs 21,000. Minimum pension also increased to Rs 1000
- Gratuity limit increased for workers to Rs 30 lakh

Rural allocations

- Rs 60,000 crore for MNREGA
- Rs 19,000 allocated for construction of rural roads under Gram Sadak yojana

Defence Budget

- Govt increases defence budget to over Rs 3 lakh crore. Government will provide additional funds for Defence, if needed

Going Forward

Presenting the interim budget for 2019-20, the Finance Minister shared the vision of Government to become a five trillion dollar economy in the next five years and its aspiration to be a ten trillion dollar economy in the next eight years.

The Vision as outlined by the Finance Minister for India included:

- Build physical as well as social infrastructure for a ten trillion dollar economy – achieving next generation infrastructure of roads, railways, seaports, airports, urban transport, gas, electric transmission and inland waterways. On social infrastructure, a dwelling unit for every family, and education for all
- Create a Digital India reaching every sector of the economy

- Making India a pollution free nation with green Mother Earth and blue skies
- Expanding rural industrialisation using modern digital technologies to generate massive employment - develop grass-roots level clusters, structures and mechanisms encompassing the MSMEs, village industries and start-ups
- Clean Rivers, with safe drinking water to all Indians and efficient use of water in irrigation
- Coastline and ocean waterways to power India's development
- Further strengthening the space programme
- High farm production and productivity will be achieved through modern agricultural practices and value addition
- Healthy India
- Minimum Government Maximum Governance

While the budget provides a roadmap for the years ahead, it remains to be seen whether the fiscal deficit targets can be achieved when a lot more is planned to be spent on providing relief to farmers and meeting the expectations of the common man. We need policy reforms to increase the share of manufacturing from the present 29% to 36% by 2022, increasing the tax GDP ratio, create enough avenues for increasing employment opportunities in line with the requirements of industry, transforming the education system to focus on vocational TRAINing, encourage innovation system for entrepreneurship and transforming the agricultural practices. We need to have transparent and business enabling policies to increase and sustain a double digit inclusive growth. The vision is important, but the critical factor is implementation.

Legally Speaking

THE ARBITRATION AND CONCILIATION (AMENDMENT) BILL, 2018 —where it lacks

The Lok Sabha on August 10, 2018 passed the Arbitration and Conciliation Bill (Amendment) 2018, which provides for time-bound settlement of disputes as well as accountability of the arbitrator. The proposed amendments are based on the recommendations of the High Level Committee to Review the Institutionalization of Arbitration Mechanism in India. The committee was chaired by Justice B N Srikrishna, a former Supreme Court judge. Its objective was to reform the present state of institutional arbitration in India and address some of the lacunas found in the 2015 Amendments, (the "Amended Act"). The Bill constitutes the most recent of initiatives India has taken to revamp its arbitration regime and provide the much-needed impetus for domestic and foreign business to build their confidence in India as a seat for commercial dispute resolution.

The objective here is to critically examine and elucidate some of the key features of the Bill along with the loopholes which are left for debate in courts:

- **Creation of Arbitration Council of India:** The Bill seeks to establish an independent body called the Arbitration Council of India (ACI) for the promotion of arbitration, mediation, conciliation and other alternative dispute redressal mechanisms. The ACI will consist of a Chairperson who is either: (i) a Judge of the Supreme Court; or (ii) a Judge of a High Court; or (iii) Chief Justice of a High Court; or (iv) an eminent person with expert knowledge in conduct of arbitration. Other members will include an eminent arbitration practitioner, an academician with experience in arbitration, and government appointees. The Council is proposed to be an autonomous body free

from any governmental intervention which will help maintain neutrality even in cases where the Government is party to an arbitration.

While this initiative needs to be lauded for ushering in a new era for the growth of arbitral institutions in India and one that will require them to strive for certain objective minimum quality standards, the provisions in the Bill, as they stand, raises a few issues. Firstly, it is important to define the powers of the ACI and the scope of such powers in the Bill, particularly to ensure that there is no unwarranted encroachment in the functioning of institutions. Secondly, it is noticeable that majority of the members of the Council are to be nominated by the Central Government. While the ACI is envisaged to be an independent body corporate, the role of the Government in making the aforesaid appointments can pose doubts regarding the independence and credibility of the Council, given that the government itself is a party to many arbitrations.

- **Applicability of the 2015 Amendment:** The Amendment Bill proposes the incorporation of a new Section 87 to the Act. The object of the section will be to clarify that unless otherwise agreed by the parties, the 2015 amendment will not apply to Arbitral proceedings that have commenced before the Amendment Act, 2015, court proceedings arising out of or in relation to such arbitral proceedings;

And shall apply only to Arbitral proceedings commenced on or after the commencement of the Amendment Act, 2015 and to court proceedings arising out of or in relation to such Arbitral proceedings.

Recently in the case of BCCI v. Kochi Cricket Private Ltd, (Civil Appeal Nos. 2879-2880 of 2018) SC made it clear that the Amendment Act (2015) as a whole is prospective in nature. It was held that the Arbitration proceeding commenced after the coming into force of the amending Act will be governed by the amended Act. Arbitration proceedings commenced prior to the coming into force of the amendment Act can be governed by the amended Act if the parties so agree; Court proceedings initiated after the coming into force of the amending Act will be governed by the amended Act, even if they relate to arbitrations that were commenced prior to the amended Act coming into force.

Section 26 of the Amended Act, (2015) was criticized for failing to clarify the scope of application of the amended provisions, both to arbitration proceedings and to litigation arising out of such proceedings. The Delhi, Bombay, and Calcutta High Courts rendered conflicting judgments on the issue creating uncertainty in this regard. In order to provide clarity on this subject, the Bill has proposed insertion of Section 87 into the Principal Act. The Bill endorses prospective application of the Amended Act, both in relation to arbitration proceedings and court proceedings arising out of the former.

- **Exclusion of International Commercial Arbitrations from the purview of Section 29A:** Section 29A as inserted by the 2015 Amendment to the Act, mandates the completion of arbitral proceedings within a period of 12 months. The Amendment Bill, 2018 proposes to exclude the International Commercial Arbitrations from the purview of the said timeline as it has been subjected to a lot of criticism from the international community on the grounds that it is not possible to conclude proceedings within the stipulated time. For other arbitrations too, the amendment Bill proposes that the 12-month period should be calculated after completion of the pleadings.

- **Completion of written submissions:** Currently, there is no time limit to file written submissions before an arbitral tribunal. The Bill requires that the written claim, and the defense to the claim in an arbitration proceeding, should be completed within six months of the appointment of the arbitrators. This infact dilutes the period of twelve months prescribed under section 29A of the Act.
- **Appointment of Arbitrators:** The Amendment Bill proposes to provide more freedom to the arbitrators by granting immunity to them from any legal proceedings for acts and omissions done during the course of the arbitration proceedings so that they can exercise their function to the best of their ability without any compulsion or fear.

Presently, Section 11 of the Act provides for the appointment of arbitrators by the Courts. With the objective to reduce the burden on the Courts and to make the process quicker and hassle-free, the amendment bill proposes appointment of arbitrators by designated arbitral institutions.

Also the proposed deletion of section 11(6)(A) of the act which requires a court seized to examine the existence of an arbitration agreement before proceeding with an application filed under section 11 does create an environment of uncertainty. The omission makes it clear that the courts will no longer review the validity of an arbitration agreement before making an appointment. This raises the question, as to who will do so, if not the courts. This is likely to become even more problematic when a party contests the validity of the arbitration agreement as a response to one party filing an application. Delegating this task to arbitral institutions will require express rules to be formulated in this regard. There is no guidance in status quo as to the scope of an enquiry into an arbitration agreement by an institution.

- **Confidentiality of proceedings:** The Bill provides that all details of arbitration proceedings will be kept confidential except for the details of the arbitral award in certain circumstances. Disclosure of the arbitral award will only be made where it is necessary for implementing or enforcing the award.

Considering that confidentiality as a feature of Arbitration is highly valued by parties who seek to protect their trade secrets in arbitration, an express provision imposing a duty of confidentiality is likely to build India's image as a secure destination for arbitration but transparency should also be given impetus.

- **Electronic repository of arbitral awards:** The Bill also goes on to suggest that the ACI will maintain an electronic repository of all arbitral awards.

This provision, in the absence of any explanation, seems ambiguous and equivocal - The Bill does not clarify which type of awards will be maintained in the database either all awards passed in arbitrations seated in India or awards passed only in domestic arbitrations or awards passed under the aegis of institutions which are being monitored by the ACI.

Further this provision implies that the awards are going to be published in some form. The Bill does not specify whether the consent of parties would be sought prior to such publication and whether they will be given an opportunity to opt out of a system.

Conclusion

The Bill is still pending in the Rajya Sabha, it is not clear whether the same will be taken up in the Budget Session commencing

from 31st January, 2019. If it is not taken up in this session, the Bill will lapse as term of the Lok Sabha is coming to an end. However, it need not over emphasis that India needs to continue breaking new grounds in Arbitration, if it wants to assert its position as a seat for international Arbitration and also promote domestic Arbitration in a more systematic way.

(By Mr. PK Malhotra, Senior Legal Consultant, VJA Legal and Former Law Secretary, Government of India)

Taxation Matters

GST Case Laws

- **Kerala HC stays the levy of GST on TCS under Income Tax Act**

Kerala HC stays recovery of GST on tax collected at source (TCS) u/s 206C (1F) of Income Tax Act. In the said case, assessee has submitted that 1% TCS collected by him from purchaser of a car cannot be treated as an integral part of value of goods and services supplied by him. According to him, he is only acting as an agent for the state while collecting such amount which eventually goes to vehicle purchaser's credit. Earlier CBIC has clarified vide Circular No. 76/50/2018-GST dated 31st December, 2018 that taxable value for the purposes of GST shall include the TCS amount collected under the provisions of the Income Tax Act. Therefore, Kerala High Court has put on hold the computation of GST on TCS amount till disposal of the petition.

[PSN Automobiles Pvt. Ltd. vs. UOI]

- **Price of product has to be reduced if GST rate reduces, upholds NAA**

National Anti-Profiteering Authority (NAA) upholds a case of profiteering against detergent supplier noting that cum-tax price remained same despite reduction in GST rate from 28% to 18% w.e.f. November 15, 2017. In the present case, the Respondent has admittedly accepted the fact that there was no reduction in the prices post 15.11.2017 on any of the products sold by him. Therefore, the Authority holds that the Respondent has violated the provisions of section 171 in as much as the prices have remained the same inspite of reduction in the tax rate. His plea that the base prices were drastically lowered when GST came in effect cannot absolve him from not passing on the benefit.

[Surya Prakash Loonker vs. Excel Rasayan]

- **Karnataka AAAR: upholds AAR, Promotion & marketing goods of overseas client an 'intermediary service', after-sales service not 'composite supply'**

Karnataka AAAR upholds findings of AAR that service of promotion and marketing of products of overseas client is in nature of facilitating supply of products of overseas client and hence constitutes an 'intermediary service' defined u/s 2(13) of IGST Act. AAAR explains that a general understanding of the term 'arranging' or 'facilitation' would cover a very wide range of activities while stating that there does not appear to be any difference between meaning of term "intermediary" under GST regime and pre-GST regime. It further notes that insistence in the contract is on calling the appellant as an agent of the Principal who is expected to perform a host of activities comprising of advertising, gathering and conveying business information, product implementation, technical support, etc. in its "liaison capacity". It insists on the fundamental idea of GST being a destination based consumption tax. It further affirms the view of AAR that after-sales support service is independent from promotion

and marketing and hence not a 'composite supply'.

[Toshniwal Brothers (SR) Private Limited vs. Karnataka AAAR]

- **NAA upholds profiteering against FMCG dealer, dismisses Respondent's 'no control over manufacturer's price' plea**

National Anti-Profitteering Authority (NAA) upholds a case of profiteering u/s 171 of CGST Act 2017 against FMCG dealer observing that base price was increased despite reduction in tax rate from 28% to 18% w.e.f. November 15, 2017 vide Notification No. 41/2017 - Central tax - (Rate). NAA observes that the discounted base price of "Beauty Cream" was increased from 48.6 to 52.73 while retaining same MRP both before and after reduction in tax rate. NAA elucidates that, "Respondent cannot be absolved of his legal obligation on the plea that he had no control on the fixing of the MRPs", while expounding that Respondent has not produced any evidence that he was not aware of Notification or that he made any correspondence with the manufacturer to reimburse him the amount of benefit passed on to its customers. Further, it rejects Respondent's plea that he had only charged commission @ 5% on sales made by him which was charged before and after GST came into force and hence, he had not profiteered.

[Director General Anti Profiteering vs. Satya Enterprises]

- **Calcutta HC allows Department to conduct service tax audit under GST regime**

Calcutta HC disposes assessee's writ allowing the Department to conduct service tax audit under Finance Act, 1994 subsequent to introduction of GST. HC remarks that prima-facie reading of sections 173 and 174 of CGST, 2017 dealing with repeal and savings, indicates that an enquiry or investigation or legal proceeding under Finance Act, 1994 is permissible notwithstanding the coming into effect of CGST Act, 2017. Therefore HC rules that while provisions of Chapter V of Finance Act, 1994 stand omitted by section 173 of CGST Act, 2017, however, if any provision of CGST Act, 2017 allows the applicability of said Chapter V, same continues to apply notwithstanding omission of said Chapter u/s 173 of CGST Act.

[Gitanjali Vacationville Pvt Ltd vs. UOI]

- **MP AAR : 'Delayed payment surcharge' not a 'separate service', taxable on basis of nature of 'initial supply'**

Madhya Pradesh AAR holds that delayed payment surcharge/ Late payment surcharge/ Surcharge on outstanding amount cannot be treated a separate service but is includible in value of initial service i.e. transmission/ distribution of electricity, which is exempted by entry No. 25 of Notification No. 12/2017 - Central Tax (Rate). AAR remarks that, "component of interest and delayed payment charges are obviously having a direct relation with the value of supply to which such interest/delayed charges relate. These are in fact components of the value of supply and do not have any independent status". It explains that delayed payment surcharge is a part of Tariff prescribed by MPERC and Company recovers such charges at rates fixed by Authority, thus "nature of the service is interest/late fee/penalty for delayed in payment of consideration" which falls within scope of Section 15

dealing with 'Value of Supply'. AAR observes that in the present case, supply is of both exempted as well as taxable and accordingly concludes that "portion of Delayed payment surcharge attributable to exempted supply will be exempted and portion attributable to taxable supply will be taxable at the rate at which the corresponding supply is taxed"

[Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Ltd. vs. MP AAR]

Direct Tax – Judgements

- **SLP dismissed against invalidating re-assessment based on VAT Department's hawala purchases details**

SC dismisses assessee-company's SLP challenging Bombay HC order upholding re-assessment initiation (beyond 4 years period) based on a special audit report; HC had held that the special audit report constituted fresh tangible material with AO to reach the reasonable belief of income escapement; HC had rejected assessee's stand that since the special audit report was prepared for Forward Market Commission, it could not be relied upon as its purpose was not to detect tax evasion; HC had opined that "the power of the AO to reopen an assessment...is not fettered or circumscribed, to be formed only on material found during a tax audit or with material found during examining a case of tax evasion."

[Pr. CIT v. Manzil Dineshkumar Shah {SLP (Civil) Dairy No. 708/2019} Supreme Court]

- **Delhi High Court upholds constitutional validity of dividend income taxation u/s 115BBDA**

Delhi HC upholds constitutional validity of Sec 115BBDA and proviso to Sec 10(34) providing for taxation of dividend income in the hands of specified assesseees where dividend income exceeds Rs. 10 lakhs; Rejects Petitioner's contention that clause (a) of Sec 115 BBDA(1) is ambiguous and vague, holds that the relevant provision clearly stipulates that where specified assesseees have income from dividend exceeding Rs. 10 lakhs, 10% tax is payable "only on the dividend income beyond Rs. 10 lacs.

[Rajan Bhatia v. CBDT {W.P. (C) 4089/2017} – Delhi High Court]

- **Delhi High Court allows enhanced Sec. 10A deduction claimed in revised computation filed during assessment proceedings**

Delhi HC upholds ITAT order allowing assessee's enhanced Sec. 10A deduction claim on the basis of the revised computation of income furnished during the course of assessment proceedings for AY 2009-10; Assessee had made Sec. 10A deduction claim in the original return of income which was revised subsequently during the course of assessment proceedings, rejects Revenue's stand that in view of Sec. 80A(5), the revised computation should not have been accepted; Clarifies that Sec. 80A(5) would not be attracted in the instant case as it bars and prohibits the assessee from claiming the deduction u/s 10A/10B if no such claim was made in the return of income filed u/s 139(1)

[PCIT v. Oracle (OFSS) BPO Services Ltd. (ITA No. 593/2018) - Delhi High Court]

- **Legal-fees payment for advising foreign co. on transfer of Indian subsidiary's shares, deductible u/s 48**

Mumbai ITAT allows deduction u/s 48(i) for legal/professional fees paid to Accounting/Law firms for advising / assisting assessee (a foreign co.) in transfer of shares of Indian subsidiary; While computing long term capital gain on sale of subsidiary's shares, the assessee had claimed deduction of U.S. \$ 13,27,609 towards legal fees, ITAT notes that the condition precedent for claiming expenditure u/s 48(i), is that it must have been incurred wholly and exclusively in connection with the transfer of the capital asset. It is observed that services rendered were in relation to advice on sale of entire shareholding of the Indian Subsidiary, and includes preparation of share sale / purchase agreement, rendering advice on and preparing necessary closing documentation including board resolution, share transfer forms, etc.

[AIG Offshore System Services Inc. v. ACIT (ITA No.6715/ Mum/2014) – ITAT Mumbai]

- **No TDS on cost-to-cost reimbursement to overseas affiliates; Deletes disallowance u/s 40(a)(i)**

Delhi ITAT deletes disallowance u/s 40(a)(i) for TDS non-deduction on reimbursement by assessee to its overseas affiliates towards corporate, administrative, finance and marketing expenses during AY 2011-12; Notes that the cost incurred in providing impugned services by the overseas group entities were allocated across all APCO group companies worldwide including the assessee on cost to cost basis and there was no mark-up involved; Rejects Revenue's reliance on SC ruling in Transmission Corporation of AP wherein it was held that TDS was liable to be deducted by the payer on gross amount, if such payment included in it, an amount, which was chargeable to tax in India, notes that payments made to non-resident were on cost-to-cost basis and did not involve an element of income which is chargeable to tax in India.

[Dy. CIT v. Apco Worldwide (India) Pvt. Ltd. Ltd. (ITA No.205 & 1256/3638/Del/2016) – ITAT Delhi]

International Taxation & Transfer Pricing

- **Tax sparing credit on 'dividend' exempt under Thailand incentive legislation will be available**

Delhi ITAT allows assessee's (an Indian co.) claim for 'tax sparing credit' u/s. 90/91 of the Act read with Article 23 of India-Thailand DTAA with respect to taxes payable in Thailand on dividend received from its 100% Thailand based subsidiary; During relevant AY 2010-11, assessee had received Rs. 68 Cr dividend from its subsidiary which was offered to tax @ 30% as per Indian tax laws, assessee sought foreign tax credit (FTC) @ 10% (being tax payable in Thailand) which was denied by AO; Rejects Revenue's stand that since no tax has actually been paid in Thailand, the question of double taxation does not arise and hence no FTC claim can be allowed; Holds that methodology provided under Article 23(3) of DTAA is 'tax sparing method', further refers to UN Model commentary and Klaus Vogel notes regarding Article 23, rules that "concept of 'tax sparing credit' shall be applicable to an assessee, only if dividend received by assessee is taxable in the hands of assessee as per "Thai tax laws" and exemption is available to assessee either as per the 'Revenue Code of Thailand' or as per 'Investment Promotion Act B.E. 2520(1977)' in order to avail credit of such taxes spared

in Thailand."; Since assessee is not liable to pay any tax in Thailand by virtue of exemption granted as per Investment Promotion Act, ITAT allows assessee the benefit of tax sparing of foreign tax payable in Thailand.

[Polyplex Corporation Ltd. V. ACIT (ITA No.4347 to 4350/ Del/2016) – ITAT Delhi]

- **Routing money through AE for distribution rights acquisition from third party, not international transaction'**

Bombay HC upholds ITAT order for AY 2009-10, holds that the transaction of routing money through AE by assessee (engaged in production and distribution of films) for specific purpose of acquisition of distributorship from Citi Gate (third party) is not an international transaction and hence the machinery under Chapter X of the Act cannot be invoked; Rejects Revenue's reliance on clause (c) of Explanation to Sec 92B which states that "capital financing including any type of long-term or short-term borrowings, lending... or any type of advance, payments...or any other debt arising in the course of business would be included within the expression "international transaction", notes that this was not a case of financing or lending or advancing of any moneys but routing money through AE for purpose of acquisition of distribution rights.

[Pr. CIT v. KSS Limited (ITA No.476 of 2016) – Bombay High Court]

- **TNMM used for benchmarking intra-group services, not estimation basis**

ITAT deletes ad-hoc TP-adjustment of Rs.143.67cr in respect of intra-group services for assessee (engaged in business of equity broking) for AY 2012-13, rejects TPO/DRP's ALP-determination on estimation basis instead of adopting prescribed TP-methods u/s 92C(1); Stating that TPO is bound to make TP adjustment using one of the prescribed TP-methods, ITAT accepts assessee's claim and hold that TPO was not permitted compute ALP on estimation basis and that TNMM as applied by assessee's could be adopted for benchmarking payment of intra-group services, follows HC ruling in case of Johnson and Johnson and co-ordinate bench decision in Knorr Bremese.

[CLSA India Pvt. Ltd. v. DCIT (ITA No.1182/Mum/2017) – ITAT Mumbai]

News Roundup

Economy

[India likely to be larger economy than US by 2030 \(The Times of India\)](#)

India will likely be a larger economy than the US by 2030, while China will top the list and Indonesia will figure among the top five, a Standard Chartered research report has predicted. Seven of the top 10 economies in the world by 2030 are likely to be from current emerging markets based on purchasing power parity (PPP) exchange rates and nominal GDP, according to the report.

[Asian firms bet in India to set up R&D units to boost tech innovations \(Business Standard\)](#)

After US and European companies, now Asian firms are also betting big on Indian talent by setting up research and development (R&D) units, also known as global in-house centres (GICs), in the country to drive innovation in new technologies.

[Govt doubles GST exemption limit for MSMEs; 2 million businesses to benefit](#) (Business Standard)

Two million additional micro, small and medium enterprises (MSMEs) in India will become eligible to opt out of the goods and services tax (GST) system from the beginning of the next financial year, the GST Council decided at its meeting on January 10 2019.

[Government working on bilateral trade pacts to push exports](#) (The New Indian Express)

Given the rising challenge to the free trade, Commerce and Industry Minister Suresh Prabhu said that while the aim is to open up more for free trade and make WTO more efficient, the government is also keen to work on bilateral trade with more nations.

[M&As nearly doubled to \\$100 billion in 2018; highest in value after 2013](#) (Business Standard)

Merger and acquisition (M&A) activities during 2018 in India reached \$100.1 billion (Rs 7.1 trillion) across 417 deals, almost doubling in value from the previous year, which saw 398 deals valued at \$53.1 billion.

[New IT system to soon bar e-way bills if GST returns not filed for 6 months](#) (Business Standard)

Non-filers of GST returns for 6 consecutive months will soon be barred from generating e-way bills for movement of goods. As soon as the new IT system which will ensure barring of e-way Bill generation if returns are not filed for 6 months is put in place, the new rules will be notified.

Sectoral

Automobiles

[Panel proposes 2-way strategy to push EVs](#) (The Economic Times)

A government appointed panel led by cabinet secretary Pradeep Kumar Sinha has proposed a bouquet of incentives for makers as well as buyers of electric vehicles in an effort to push e-mobility in the country. The panel has recommended a lower basic customs duty on components besides a lower GST rate to encourage manufacturers to take up large-scale production of e-vehicles.

Energy

[SECI floats fresh, smaller manufacturing-linked tender](#) (The Economic Times)

The government has floated a fresh manufacturing-linked solar tender with a smaller ticket size and fewer obligations after a previous attempt through a 10 GW auction fell flat. The cap on tariffs, which played a spoilsport in several recent tenders, is here to stay and is likely to be disputed again.

IBC

[SC rejects challenges to insolvency code](#) (The Times of India)

The Supreme Court on 25 January upheld the validity of the Insolvency and Bankruptcy Code (IBC) in its entirety and showered wholesome praise on the NDA government for enacting the code in 2016, by saying it ended “defaulters’

paradise” and allowed the economy regain its rightful position.

[Hindrance to resolution professional’s work will amount to Contempt of Court](#) (The Economic Times)

India’s insolvency courts are stepping in to provide a judicial shield to the country’s bankruptcy administrators, hauling promoters up for putting undue pressure on the officials overseeing the debt resolutions.

Start-ups

[Relief on angel tax not enough for start-ups](#) (The Economic Times)

Days after the government extended benefits to start-ups around the so called angel tax, Indian Venture Capital Association (IVCA), an association of investors, have said these weren’t enough and sought additional leeway. IVCA members have proposed that rather than the current method prescribed by the government to seek exemption from angel tax, a blanket exemption should be introduced.

Telecom

[TRAI moves SC against TDSAT order that junked predatory pricing rule](#) (Business Standard)

The telecom regulator TRAI has approached the Supreme Court against TDSAT order, which dismissed its predatory pricing tariff rule, Parliament was informed on January 2. Under the predatory pricing tariff rule, the Telecom Regulatory Authority of India had barred telecom operator with over 30 per cent market share, offering services at a price which is below the average cost of service to reduce competition or eliminate the competitors.

[TRAI asks DTH firms to allow customers with long-term packs to continue](#) (Business Standard)

Telecom regulator TRAI has asked DTH operators to allow customers to continue their pre-paid long-terms packs after the February 1 industry deadline to switch over to a new broadcasting regime. Telecom Regulatory Authority of India (TRAI) Chairman R S Sharma told PTI that there is no change in February 1 deadline for migration to the new tariff regime for broadcasting and cable services. Sharma asserted he remains “confident” of a smooth switchover on the stipulated day without any inconvenience to customers.

International News

[US Fed keeps interest rates unchanged, to be ‘patient’ on future hikes](#) (Business Standard)

The Federal Reserve signalled it’s done raising interest rates for at least a while and will be flexible in reducing its bond holdings, a sweeping pivot from its bias toward tighter monetary policy just last month.

[UN’s report forecasts global economic growth around 3% in 2019](#) (Business Standard)

The global economy will grow around 3 per cent annually in 2019 and 2020, but waning support for multilateralism, escalating trade disputes, increasing debt and rising climate risks are clouding prospects, the United Nations according to a recent UN report, the World Economic Situation and Prospects 2019.

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