

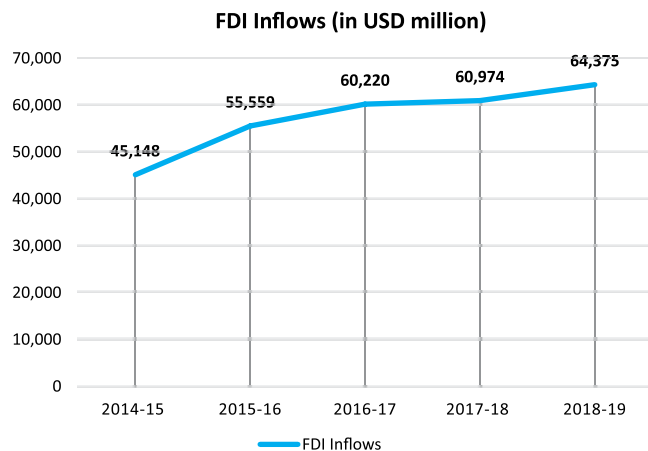
The Economy

Foreign Investment in India

India is targetting to be a five trillion dollar economy in the next five years, as outlined by President Kovind in his recent address to the joint session of Parliament. Rise in domestic investments has been one of the biggest contributors to the India growth story.

The public and private sectors have both enabled and sustained these investments. However, as we move forward with a target to achieve higher, sustainable and inclusive growth, we need to invest more. The Government has initiated a number of reform measures to encourage investments. But given the magnitude of required investments and keeping the overall fiscal management objective in mind, foreign investments will be of considerable value to keep up the growth momentum going.

This note attempts to analyse the FDI inflows into India, the emerging business opportunities, the proactive policies of the Government making India an attractive investment destination and the way forward.



Share of Top Investing Countries in FDI Inflows

Rs. crores (US\$ million)			
Ranks	Country	2018-19	%age of total FDI inflows
1.	Mauritius	57,139 (8,084)	12.5%
2.	Singapore	112,362 (16,228)	25%
3.	Japan	20,556 (2,965)	4.6%
4.	Netherlands	27,036 (3,870)	6%
5.	U.K.	9,352 (1,351)	2%
6.	U.S.A.	22,335 (3,139)	4.9%
7.	Germany	6,187 (886)	1.37%
8.	Cyprus	2,134 (296)	0.45%
9.	UAE	6,356 (898)	1%
10.	France	2,890 (406)	0.63%

Source: DPIIT

Sector-wise receipts of FDI

Rs. crores (US\$ million)			
Ranks	Sector	2018-19	%age of total FDI inflows
1.	Services Sector	63,909 (9,158)	14%
2.	Computer Software & Hardware	45,297 (6,415)	10%
3.	Telecommunications	18,337 (2,668)	4%
4.	Construction Development: Townships, Housing, Built-Up Infrastructure	1,503 (213)	0.33%
5.	Trading	30,963 (4,462)	7%
6.	Automobile Industry	18,309 (2,623)	4%
7.	Chemicals (other than Fertilizers)	13,685 (1,981)	3%
8.	Drugs & Pharmaceuticals	1,842 (266)	0.41%
9.	Construction (Infrastructure) Activities	15,927 (2,258)	3.5%
10.	Power	7,330 (1,106)	1.71%

Source: DPIIT

Why India is an attractive investment destination for FDI

- India has an advantage of demographic dividend like no other country with the youth population estimated to be the largest by 2020.
- Manufacturing labour costs are one of the lowest in India.
- Rising affluence is the biggest driver of increasing consumption in India. India's consumer story will be led by its 129 mn urban mass consumers - private consumption to be four times by 2025.
- Indian infrastructure - \$ 1.5 trillion investments have been planned for infrastructure which inter alia include:
 - Highways (Bharatmala & NHDP) - \$ 106.5 bn
 - Railways - \$ 131.7 bn
 - Ports - \$ 61.5 bn (Port development) + \$ 123 bn (Port-led Industrialisation)
 - Airports - \$ 58 bn
 - Industrial Corridors - \$ 100 bn (DMIC - phase I)
 - Smart Cities - \$ 14.6 bn
- India is expected to rank 5th on the Global Manufacturing Competitiveness Index by 2020(from 11th in 2016)
- India jumps 65 positions from 142nd (2014) to 77th (2018) in 'World Bank's Ease of Doing Business Ranking 2018' – target is to be in Top 50 this year
- India ranks 40th on the Global Competitiveness Index 2017-18.

- Goods and Services Tax (GST), the biggest tax reforms since independence, paves way for a common national market by integrating various indirect taxes.
- Insolvency and Bankruptcy Code (IBC) is one of the most important legislative reforms which has consolidated and amended laws relating to re-organisation as well as insolvency resolution of corporates, partnership firms and individuals in a time-bound manner.

FDI Policy

The Government of India, with a view to facilitating FDI inflows, has taken a series of initiatives over the last few years. Most of the sectors, excepting those with strategic and security implications, are open for FDI.

In the **telecommunication** sector, for telecom services including telecom infrastructure, FDI upto 49% under automatic route and beyond 49% upto 100% under the Government route is permitted. FDI in this sector is subject to licensing by the Department of Telecommunications and security clearance.

Most of the **financial services** segment is open to FDI upto 100% under automatic route. In asset reconstruction companies, white label ATM, credit information companies and regulated financial services, FDI up to 100% under automatic route is permitted. In the Banking Sector, as regards public sector banks, FDI up to 20% under the Government approval route is permitted. In the private sector banks, foreign investment up to 74% can be brought in with 49% under automatic route and beyond that under the approval of the Government. In sectors like infrastructure companies in security market, insurance, pension sector and power exchanges, FDI up to 49% has been permitted under automatic route.

In **renewable energy sector**, 100% FDI is permitted under the automatic route. No prior government approval is required.

In **food processing sector**, 100% FDI is permitted under the automatic route. No prior government approval is required.

In **automobile sector**, 100% FDI is permitted under the automatic route. No prior government approval is required.

Trading segment has been opened for foreign players in a much calibrated manner so as to not only invite much needed capital, advanced technologies and global best practices but also to promote local industries. FDI policy in trading sector is as follows:

In the **wholesale business**, including B2B e-commerce, FDI up to 100% without any Government approval is permitted. However, wholesale company cannot have more than 25% of its transactions with its group companies only.

In the **multi brand retail**, FDI up to 51% under the Government approval is permitted subject to certain conditions which inter alia include operating only through brick and mortar stores, opening of stores only in cities having population of more than one million people or as specified by the State Government, minimum investments of USD 100 million and minimum of 50% of the first 100 million USD to be invested in the back-in infrastructure, 30% sourcing of products from MSMEs and conducting business only in 12 consenting States/UTs. Multi brand retail activities through e-commerce are not permitted.

FDI up to 100% without any Government approval is permitted in **single brand retail** trading of goods in India. However, 30% of the goods purchased by single brand retail trading entity have to be compulsorily sourced from India preferably from MSMEs.

In **Food product retail trading**, FDI up to 100% is permitted subject to two important conditions namely food products must be produced or manufactured in India and any investment in this sector will require approval of the Government. For opening of duty free shops in customs bonded areas at international airports/international sea ports and custom stations where there is transit of international passengers, FDI up to 100% without any government approval is permitted.

In the **e-commerce sector**, FDI is mainly permitted for undertaking B2B activities and only a single brand retail trader and a retail trader of food products produced and manufactured in India are permitted to do e-commerce retail. Globally, there are two models of B2C e-commerce; inventory based model and market based model. In India, FDI is permitted up to 100% without any Government approval in market place model of e-commerce. In multi brand retail/ inventory based model, no FDI is permitted.

In **agriculture**, 100% FDI without any approval requirement is permitted for carrying out activities of floriculture, horticulture, cultivation of vegetables and mushrooms under controlled conditions, development and production of seeds and planting material, animal husbandry (including breeding of dogs), pisciculture, aquaculture, apiculture and services related to agro and allied sectors.

No approval from the Government is required for inviting overseas investments up to 100% for activities in areas including tea, coffee, rubber, cardamom, palm oil and olive oil tree plantations. However, in other activities of the agriculture sector, FDI is not permitted.

In the **mining sector**, 100% FDI is permitted in mining and exploration of metal and non-metal ores including diamond, gold, silver and precious ores (but excluding titanium bearing minerals and its ores), coal & lignite mining for captive consumption by power projects, iron & steel and cement units etc. without any approval. On the other hand, for undertaking business of mining and mineral separation of titanium bearing minerals and ores, its value addition and integrated activities, Government approval is required.

In the **petroleum and natural gas sector**, permission is not required for inviting foreign investments in exploration activities of oil and natural gas fields, infrastructure related to marketing of petroleum products and natural gas, marketing of natural gas and petroleum products, petroleum product pipelines, natural gas/pipelines, LNG regasification infrastructure, market study and formulation and petroleum refining in the private sector. However, for petroleum refining by public sector undertakings, foreign players can hold only up to 49%.

Most conservative of the sectors like **defence and railways** have also been opened to foreign investments. In the defence sector, which is subject to industrial licence, FDI is allowed up to 100%. In rail infrastructure sector foreign investment up to 100% without any Government approval is permitted for construction, operation and maintenance of high speed train projects, dedicated freight lines, rolling stock including train sets, locomotives/coaches manufacturing and maintenance facilities, railway electrification, signaling systems, freight terminals, passenger terminals, infrastructure in industrial park pertaining to railway line/sidings including electrified railway lines and connectivities to main railway line and mass rapid transport systems.

For most of the activities in the **civil aviation sector**, like airports whether green field or brown field, non-scheduled air transport service, scheduled air transport service, helicopter services and sea plane, FDI upto 100% without any Government approval is permitted. It is only in the event of foreign airlines participating in the capital of Indian companies operating scheduled and non-scheduled air transport services that FDI is limited upto 49% and is under the approval of the Government.

In the **construction development sector** and industrial parks, FDI upto 100% under automatic route is permitted. There is also no lock-in period and foreign investors are permitted to exit from the project after development of trunk infrastructure i.e. roads, water supply, street lighting, drainage and sewerage. However, sale of undeveloped plot is not permitted. The Government has not opened real estate business to FDI which is defined to mean 'dealing in land and immovable property with a view to earning profit therefrom and does not include development of townships, construction of residential/ commercial premises, roads or bridges, educational institutions, recreational facilities, city and regional level infrastructure, townships.

In the **pharmaceutical sector**, 100% FDI is permitted with 74% under automatic route. As regards, medical devices, 100% FDI is permitted without any Government approval. FDI in this sector is subject to certain conditions including that there will not be any non-complete clause in any of the inter-se agreements between investors and the investee, minimum level of productions of drugs and consumable appearing in national list of essential medicines and maintenance of R&D expenses for next five years.

Investment Opportunities in India

Infrastructure

Around US \$1.4 trillion investment planned in the next 5 years.

Digitalization

\$100 bn worth of digital transactions potential in 2020.

Healthcare

The healthcare industry is expected to increase at a Compound Annual Growth Rate (CAGR) of 16-17 per cent to reach Rs 8.6 trillion (US\$ 132.84 billion) by FY22.

Electric vehicles

The national government has pledged to ensure 30% of all vehicles on the road to be electric by 2030 from less than 1 per cent today. By 2030, sales of electric scooters are expected to cross 2 million a year.

Food processing

By 2020, Indian Food and Retail market is projected to touch \$ 828.92 bn and the Indian Dairy industry is expected to double to \$ 140 bn. By 2030; Indian annual household consumption to treble, making India 5th largest consumer.

Renewables

India has one of the best solar potentials in the world, this resource is well distributed all over its area and prices declining every year. The country's investment in the energy sector grew at a rate of 12 per cent in 2018 -- the highest growth rate as compared to any other country, according to the International Energy Agency (IEA). As of June 2018, Government of India is aiming to achieve 225 GW of renewable energy capacity by 2022, much ahead of its target of 175 GW as per the Paris Agreement.

Telecom

Revenues from the telecom equipment sector are expected to grow to US\$ 26.38 billion by 2020. The number of internet subscribers in the country is expected to double by 2021 to 829 million and overall IP traffic is expected to grow 4-fold at a CAGR of 30 per cent by 2021.

Retail and ecommerce

The Indian e-commerce market is expected to grow to US\$ 200 billion by 2026 from US\$ 38.5 billion as of 2017.

The way forward

As we move forward, we need to invest more. New business opportunities are unfolding. The Government is pro-actively working to create better business environment. But one has to keep in mind that while global investible resources are limited, destinations can be many. Every nation, desirous of attracting investments, has to compete for investments flows. India is in a unique position with many inherent advantages. However, we need to speed up the reforms process to move up on the "Ease of Doing Business Index" and attract greater FDI inflows.

Legally Speaking

Evolution of Investor Protection Treaties: Impact on Indian Investors

States have the practice of protecting Foreign Investments through Investment Treaties, designated variously as Bilateral Investment Treaty, Foreign Investment Protection, Promotion Agreement and Multilateral Agreement of Investment. Apart from BITs, there are some regional treaties, treaties of commerce, or free trade agreements, that contain a chapter referred to as the protection of foreign investment. For the time being, there is no general multilateral agreement for the protection (and promotion) of foreign investment, despite the attempts to adopt a Multilateral Agreement of Investments within the Organisation for Economic Co-operation and Development (OECD).

Investor protection is fundamental to maintaining investor confidence in the security markets. A country's level of investor protection has a profound effect on the development of capital markets and on economic growth. It is believed that there is a positive relationship between investor protection and the valuation of companies. Strong investor protection gives investors the confidence to invest in corporate securities, which, in turn, enhances the opportunity for companies to raise capital at low costs and undertake more value-enhancing projects.

In an environment in which investors are adequately protected, the assumption prevails that investments are safe and that highest possible returns will be earned. Weak investor protection regime is likely to have several possible adverse effects. It hinders financial

development. Investors tend to be shaky in making investment in corporate securities if they have the feeling that their rights would not be adequately protected. When investors' rights are poorly protected, the ability of companies to raise capital by selling securities is impaired. Weak investor protection creates opportunities for company insiders to pursue private benefits, which lead to distorted investment decisions. If investment decisions are distorted, it lowers value of the Company.

Broadly, the investor protection provisions can be found in the Securities Exchange Board of India Act, 1992 and the Companies Act, 2013. In so far as foreign investments are concerned, the Bilateral Investment Protection Agreements, popularly known as Bilateral Investments Treaties, play an important role.

Contrary to the notion that the actual role of the Bilateral Investment Treaty (BIT) is to promote foreign investment, a group of economists feel that BITs do not have much impact on investments. It is felt by them that the use of treaties to promote foreign direct investment is "a myth". Since a parent country could unilaterally adjust its tax policy to eliminate distortions caused by differing parent and host country tax policies, promotion of efficiency plays little role in treaty formation. The objectives of treaties are intended to reduce administration costs, reduce tax evasion, and to extract tax concessions from treaty partners. The double taxation objective has been dismissed in favour of the view that tax treaties are geared towards reducing tax evasion.

The new draft model of the Indian BIT has been more inclusive of definitions given out in a more lucid way. It has been divided into six chapters which include:

1. Preliminary,
2. Obligation of Parties,
3. Investor, Investment and Home State Obligations,
4. Dispute Settlement,
5. Exceptions and
6. Final Provisions respectively.

These sections include a total of 24 articles. The Preamble states the main objective to be that of: "Desiring to promote bilateral cooperation between the Parties with respect to foreign investments; and Reaffirming the right of Parties to regulate investments in their territory in accordance with their Law and policy objectives including the right to change the conditions applicable to such Investments; and seeking to align the objectives of Investment with sustainable development and inclusive growth of the Parties". The Definition of "Investment" in the BIT is enterprise-based rather than being asset based. It excludes the assets of the enterprise which include:

1. any interest in debt securities issued by a government or government-owned or controlled enterprise, or loans to a government or government owned or controlled enterprise;
2. any pre-operational expenditure relating to admission, establishment, acquisition or expansion of the enterprise that is incurred before the commencement of substantial and real business operations of the enterprise in the host state;
3. portfolio investments;
4. claims to money that arise solely from commercial contracts for the sale of goods or services;
5. goodwill, brand value, market share or similar intangible rights;
6. claims to money that arise solely from the extension of credit in connection with any commercial transaction referred to in
7. an order or judgment sought or entered in any judicial, regulatory, administrative, or arbitral proceeding;
8. any other claims to money that do not involve the kind of interests or operations set out in the definition of investment in this Treaty.

The Law Commission's report reviewed the draft Model BIT and noticed the absence of the MFN clause in the draft Model. The Commission felt that to be an intentional step after the White Industries case where under the MFN clause, the foreign investor was able to read additional favourable standards into the India-Australia BIT which were not negotiated before or agreed upon. It is an intentional step by the Government to reduce the chances of 'treaty shopping', simultaneously it shall protect the Indian as well as the foreign investor from being exposed to the discriminatory treatment from the host state. The tribunal

allowed White Industries to rely on the MFN provision to import a more favourable substantive provision related to 'effective means of asserting claims and enforcing rights' given in the India- Kuwait BIT into the India Australia BIT.

The 2015 draft Model BIT does not contain provision regarding Fair and Equitable Treatment (FET). Instead, it contains a provision titled 'Standard of Treatment', which puts the host State under an obligation not to subject foreign investment to measures which constitute a denial of justice under customary international law, to un-remedied and egregious violations of due process, or to 'manifestly abusive treatment involving continuous, unjustified and outrageous coercion or harassment'.

The absence of an FET provision will safeguard India's right to regulate by minimizing the possibilities of unexpected restrictions on its regulatory power that can be brought about by broad interpretations of an undefined FET (Ranjan, 2014). The 2015 draft Model BIT, on expropriation, provides that an indirect expropriation requires evidence that there has been permanent and complete, or near complete, deprivation of the value of the foreign investment and of the investor's right of management and control over investment. Thus, the treaty not only provides for the 'substantial deprivation'-test to determine indirect expropriation, but also requires in Articles 5.2 (i) and (ii) that this deprivation should be both economic and legal. This solves one key problem related to the method of determining 'substantial deprivation' (Ranjan, 2014). The 2015 draft Model BIT also maintains a balance between the host State's right to regulate (adverse economic harm will not be enough to constitute expropriation) and investment protection (the host State is prohibited from transferring the cost of pursuing a public purpose on to foreign investors if the regulatory measure results in substantial deprivation of foreign investment). This is yet another example of India emerging as a 'rule-maker' in international investment law. Furthermore, the 2015 draft Model BIT also exempts non-discriminatory regulatory measures designed and applied to protect legitimate public welfare objectives, such as public health and the environment from the ambit of expropriation. This is too sweeping and tilts the balance in favour of the host State's right to regulate. This provision is subject to abuse by the host State by, for example, structuring all regulatory measures as measures aimed at the fulfilment of public welfare objectives, thus avoiding a finding of indirect expropriation notwithstanding the impact of the measure on foreign investment. Another interesting point to be noted is any kind of tax related issues have been left out in the draft Model 2015 and the biggest reason behind it can be the Vodafone case which is still pending before the arbitration tribunal. It was filed against India for retrospective taxation.

The 2015 draft Model BIT contains a separate chapter on exceptions covering both general and security exceptions. Article 16 contains general exceptions with a long list of permissible objectives, which includes not just health, environment, public order, public morals but also measures 'improving working conditions' and 'ensuring the integrity and stability of its financial system, banks and financial institutions'.

The 2015 draft model BIT is definitely an improvement on the 1995 draft Model BIT and takes care of some of the issues which arose in international arbitrations involving BITS. We have learnt from our past mistakes and taken corrective measures. The draft model BIT is for the purpose of negotiation with investing Countries and final clauses may change depending upon negotiations between the two countries and ultimately approved by the Cabinet.

By Mr. P K Malhotra, Senior Legal Consultant, VJA Legal and Former Law Secretary, Govt. of India

Taxation Matters

Income Tax

1. **ITAT Kolkata held "56(2)(viib) will be applicable in year of receipt and not in year of allotment"**

ITAT held that since shares were applied in AY 2012-13 as per the terms and conditions settled in AY 2012-13, the provision u/s 56(2)(viib) introduced from AY 2013-14

which is year under consideration in the present case and, therefore, cannot be applied merely on the basis that shares were allotted in AY 2013-14.

[ACIT v M/S. Diach Chemicals and Pigments Pvt. Ltd. (ITA No.546/Kol/2017) – ITAT Kolkata]

2. **ITAT Bangalore held " If voluntary disallowance under section 14 A more than exempt income - no further disallowance can be made "**

The assessee is engaged in the business of managing hotels and resorts. The assessee had earned dividend income of Rs. 205.44 lakhs and claimed the same as exempt. The assessee disallowed a sum of Rs. 3023.29 lakhs u/s 14A of the Act. The AO took the view that the disallowance made by the assessee under Rule 8D(2)(iii) out of administrative expenses has not been computed in accordance with the provisions of Rule 8D. Accordingly he enhanced the disallowance out of administrative expenses to Rs. 658.90 lakhs, which resulted in additional disallowance of Rs. 557.39 lakhs. ITAT held that the disallowance voluntarily made by the assessee would meet the requirements of sec.14A of the Act. Accordingly further disallowance is not warranted in the facts and circumstances of the case.

[Coffeeday Enterprises Ltd. v THE Dy. CIT (ITA No.2820/Bang/2018) – ITAT Bangalore]

3. **ITAT Indore held " Once net profit is estimated by applying net profit rate after rejecting the book results, no disallowance could be made separately for other expenses, as the profit element already stands considered during the application of net profit rate"**

ITAT held that there remains no dispute that once after rejecting the book results, net profit is estimated by applying net profit rate, no disallowance could be made separately for other expenses, as the profit element already stands considered during the application of net profit rate.

[Ferro Concrete Construction (India) Pvt. Ltd v DCIT (ITA No.261/Ind/2017) – ITAT Indore]

International Taxation & Transfer Pricing

1. **Bombay HC held "Rolta India Ltd. and KLG Systels Ltd. cannot be considered as comparable to a company engaged in IT enabled design engineering services as they are functionally different"**

The assessee was engaged in the business of providing IT enabled design engineering services. The TPO included Rolta India Ltd. and KLG Systels Ltd. in the set of comparable while benchmarking the aforesaid services. The Tribunal accepted assessee's contention, following the Co-ordinate Bench decision in the case of Behr India Ltd. vs. Addl. CIT [ITA No. 1376/PN/2010 & 568/PN/2013] wherein it was held that Rolta India Ltd. and KLG Systels Ltd. had to be excluded as comparable as both these companies were functionally different than the concern providing IT enabled design engineering services. Thus, it held that the said companies were not comparable on account of distinct nature of business, functional dissimilarity, size and diversified products. Aggrieved, the Revenue filed an appeal before the High Court held that on the facts of the case, the Tribunal had reached the conclusion that Rolta India Ltd and KLG Systels Ltd. were not comparable since they were functionally different. Further, noting that Revenue had not filed an appeal against the Tribunal's earlier decision in the case of Behr India Ltd. (supra), on which reliance was placed by the Tribunal, the Court dismissed Revenue's appeal.

[Pr. CIT vs. Dona India Technical Centre Pvt. Ltd – ITA No. 308 of 2017]

Goods and Services Tax

1. **Allahabad HC dismisses writ challenging FIR registered under IPC for bogus firms/e-way bills**

HC dismisses assessee's writ challenging lodging of FIR under Indian Penal Code (IPC) by taking recourse to provisions of Code of Criminal Procedure, 1973 (Code) for registering bogus firms with false addresses of business and generating

bogus e-way bills to evade tax under U.P. GST Act, 2017. The assessee had submitted false information & documents and also inward e-way bills were generated to make purchase of goods worth Rs. 35 odd crores. Further, without generating outward supply bills, huge amount of money was deposited in cash in undisclosed bank account. The HC rejects assessee's plea in which he contends that proceeding could only be drawn against petitioner under U.P. GST Act, 2017 and clarifies that there is no bar in U.P. GST Act on lodging an FIR under Code for offences punishable under IPC even though, for the same act/ conduct, prosecution can be launched under U.P. GST Act.

[Govind Enterprises vs State of UP & Ors.]

2. Karnataka HC quashes confiscation order alleging bill trading without considering assessee's objection, tax/penalty quantification

HC sets aside confiscation of goods and vehicle by revenue stating that there is absence of consideration of assessee's objection and quantification of tax/penalty. HC considers assessee's submission that Revenue came to a unilateral presumption that consignor is indulging in bill trading and detained goods & vehicle illegally in violation of procedure clarified by Govt and remarks that "It is well settled law that unless the tax and penalty are quantified, no confiscation order could be passed". HC clarifies that passing of confiscation order without providing an opportunity to make payment of tax and penalty subsequent to the objections filed would not be construed as any mistake, defect or omission which can be cured by resorting to Section 160 of CGST Act, more particularly, when Circular issued by Govt. clarified the procedure to be followed while dealing with these matters and concludes that the confiscation order cannot be held to be justifiable"

[Shree Enterprises vs. The Commercial Tax Officer]

3. West Bengal AAAR deems AAR ruling as inoperative citing divergent opinions among AAAR members

In an advance ruling, the AAR had earlier held that services provided by way of packing of tea bags under a contract is a 'composite supply' where service of manufacturing tea bags from physical inputs owned by HUL is the principal supply. Consequently, appeal had been filed to the AAAR against the ruling given by AAAR. One AAAR Member holds that services of appellant to HUL is classifiable under Sr. No. 26(i) (f) of Notification No. 11/2017-CT (Rate) and taxable at 5% as "Tea bags have distinct character and use" and thus they are "rightly classified under Tariff item 0902 40 40". On the other hand, the other Member observes that appellant's activity cannot be said to be an act of manufacturing as it has not changed the nature and character of tea, accordingly, said services are classifiable under SAC 9985 41 (packaging of goods for others) and taxable under Sr. No. 23 (iii) of Notification No. 11/2017-CT (Rate) at 18%. Consequently, the said AAAR holds that "As the members of the West Bengal Appellate Authority for Advance Ruling differ on the classification of the service supplied, the Advance Ruling is deemed to be not in operation".

[In the matter of Vedika Exports Tea Pvt. Ltd.]

News Roundup

Economy

Two new Cabinet committees formed to spur growth, employment (The Economic Times)

With the spectre of slowdown haunting the economy and rising unemployment, Prime Minister Narendra Modi on Wednesday constituted two new Cabinet committees under his chairmanship to spur economic growth and investment and employment.

Incentives on cards to push Industry 4.0 (The Economic Times)

The government could offer incentives in the form of tax breaks or subsidies to prompt India Inc to adopt a new standard that aims to drive use of new technology and digitisation, a senior official said. Industry 4.0, or the fourth industrial revolution, will have as its mainstay increased digitisation and interconnection of products, value chains and business models.

Forex reserves decline by \$1.3 billion to \$422.2 billion (The Hindu Business Line)

India's foreign exchange (forex) reserves declined by \$1.358 billion to \$422.2 billion in the week to June 14 due to fall in foreign currency assets, Reserve Bank of India (RBI) data showed. Forex reserves had increased by \$1.686 billion to \$423.554 billion in the previous reporting week. Forex reserves had touched a record high of \$426.028 billion in the week to April 13, 2018. In the reporting week, foreign currency assets, which is a major component of the overall reserves, decreased by \$1.353 billion to \$394.44 billion.

Govt eyes reforms, to club 44 labour laws into 4 codes (The Times of India)

The Narendra Modi government will soon make its first move to reform labour laws and is planning to introduce a new legislation in Parliament that will club 44 labour laws into four codes on wages, social security, industrial safety and welfare, and industrial relations.

PM holds all-party meet, seeks help in building 'new India' by 2022 (Business Standard)

At the all-party meeting on the eve of the Budget session of Parliament on Sunday, June 16, Prime Minister (PM) Narendra Modi sought the help of leaders of all political parties in realising the dream of building a New India by 2022, even asking them to 'introspect' how people's representatives could win the hearts of the people they represented by disrupting Parliament.

Circular economy likely to generate 1.4 crore jobs in 5-7 years: Kant (Business Standard)

Circular economy has the potential to generate 1.4 crore jobs in next 5-7 years and create lakhs of new entrepreneurs, Niti Aayog CEO Amitabh Kant said Monday, June 17. Sustainable development and resource circularity is the need of the hour to implement circular economy, he added.

Foreign investors picking controlling stakes in companies on the rise (Business Standard)

A few months ago, several Indian companies showed interest in two financial services companies owned by DHFL — Avanse and Aadhar Housing — which were up for sale. Yet when the time came to make a price bid supported by evidence of funds, all of them withdrew from the deals. In the end, global private equity funds Warburg Pincus and Blackstone bought over the companies, respectively.

Govt to unveil new industrial policy soon, says President Ram Nath Kovind (Business Standard)

Addressing a joint sitting of Parliament on Thursday, June 20, President Ram Nath Kovind said the Narendra Modi government would "shortly" announce a "new industrial policy" in view of "industry 4.0". Industry 4.0 is a reference to the fourth industrial revolution characterised by increased automation and digitisation of manufacturing.

Centre begins groundwork for 100 innovation centres (The Economic Times)

The Centre has begun groundwork to deliver a major poll promise — 100 innovation zones across India. The innovation centres would be linked to Smart City Mission of Modi 1.0. The first 100 cities chosen through a competitive process would house one innovation centre each.

Sectoral

Agriculture

Fertiliser movement through coastal shipping now eligible for subsidy (Business Standard)

A policy for reimbursement of freight subsidy for transportation of fertilisers through the coastal shipping route has been approved. Earlier, this financial support was available only for fertiliser movement via railways.

Aviation

Global airlines slash profit forecast 21% on expanding trade wars, higher oil prices (CNBC)

Global airlines slashed a key industry profit forecast by 21 percent on Sunday, June 2 amid concerns over an expanding trade war

and higher oil prices. The International Air Transport Association, which represents about 290 carriers or more than 80 percent of global air traffic, said the industry is expected to post a \$28 billion profit in 2019, down from a December forecast of \$35.5 billion.

Banking & Finance

[India's leadership in e-payments cemented by strong rules \(The Economic Times\)](#)

The Reserve Bank of India said strong regulations have helped India's payments system grow rapidly and earned leadership position in the world even as bringing down volume of paper clearing along with raising acceptance of digital utility bill payments still remains a challenge.

Digitalization

[Amendment to Competition Act on cards to rein in digital companies \(Business Standard\)](#)

The Narendra Modi government in its second stint is planning to amend the Competition Act to regulate acquisitions by digital companies that don't have large assets in India such as Facebook and escape scrutiny by the Competition Commission of India (CCI).

[Digital payments zoom past FY19 target driven by private lenders \(The Economic Times\)](#)

The government said digital transactions rose to 31.34 billion in the last financial year, exceeding the target by 4% and signalling a boost for the payment channel in the country.

Energy

[Major hurdle in flexible power generation scheme rollout removed \(Financial Express\)](#)

Power minister RK Singh removed a major hurdle in the implementation of the Centre's flexible-generation scheme. Singh said on Thursday, June 13 that power procured through this scheme would qualify for meeting renewable purchase obligations (RPO) even if the renewable generation units are not located near the thermal plants with which buyers have signed power purchase agreements (PPAs).

[States may get regional power regulators \(The Economic Times\)](#)

The government is thinking of setting up regional regulators to review the performance of independent state electricity regulatory commissions, as a rising gap between average revenue and costs has worsened the financial position of power distribution companies.

[WTO panel rules in India's favour in renewable energy case against US \(Financial Express\)](#)

A WTO dispute resolution panel has ruled in favour of India in a case against the US saying that America's domestic content requirements and subsidies provided by eight of its states in the renewable energy sector are violative of global trade norms. The panel concluded in its ruling that "the measures" of the US "are inconsistent" with certain provisions of the General Agreement on Tariffs and Trade (GATT), the World Trade Organisation (WTO) said in a statement Thursday. It said the US has "nullified or impaired benefits accruing to India under that agreement".

IBC

[Cross-border insolvency: Cabinet likely to take up new provisions soon \(Business Standard\)](#)

The ministry of corporate affairs is learnt to have prepared a Cabinet note on cross-border insolvency that talks of bringing in a separate chapter in the Insolvency and Bankruptcy Code (IBC) against the

current provisions under Sections 234 and 235 of the Code. Rules under the current provisions have not been notified and, hence, cross-border insolvency has not yet become effective.

Infrastructure

[Govt's stress on infra, EVs; 35,000 km of national highways to be built by 2022 \(The Economic Times\)](#)

Terming infrastructure as pivotal in propelling prosperity and growth, President Ram Nath Kovind on Thursday, June 20 said the government's endeavour is to build 35,000 km of highways, besides expressways, by 2022 and to lay a strong foundation for urban infrastructure that will encourage employment generation.

Start-ups

[Startup funding witnesses a late-stage boom in 2019 \(Mint\)](#)

India's technology startups are witnessing a funding boom, particularly at the late stage, with more deals of \$100 million or more in the first five months of this year than in the first half of the last two years. The year 2019 has so far seen 10 deals of \$100 million or more, higher than the seven deals for the first half of 2018 and five deals for the first half of 2017, according to Tracxn, a technology data tracker.

Telecom

[Govt plans 5G trials in 100 days, to auction spectrum this year \(Mint\)](#)

Trials of fifth-generation (5G) airwaves will begin in 100 days and the first auction of 5G spectrum will be held this year, telecom minister Ravi Shankar Prasad said, more than two years after the failure of the last auction had temporarily halted spectrum sales.

[IT services growth to remain at 6-8% in dollar terms in FY20 \(The Economic Times\)](#)

The Indian IT services sector is expected to register a growth of 6-8 per cent in US dollar terms during 2019-20, according to ratings agency ICRA. Indian IT firms could also see higher wage bills and lower margins on account of increased onsite hiring as they tackle tighter visa scrutiny and reduction in H1-B visa approvals.

International News

[US Fed holds rates steady, signals cuts possible later this year \(Mint\)](#)

The US Federal Reserve held interest rates steady on Wednesday, June 19 but signaled possible rate cuts of as much as half a percentage point over the remainder of this year, as it responded to increased economic uncertainty and a drop in expected inflation.

[India finally retaliates in tariffs tit-for-tat with US \(Mint\)](#)

In what could potentially aggravate trade tensions between India and the US, New Delhi has decided to impose long-pending retaliatory tariffs on 29 US products. Washington had withdrawn duty-free benefits for Indian exports under its Generalized System of Preferences (GSP) effective 5 June.

[IEA cuts 2019 estimate for oil demand growth on global trade worries \(Reuters\)](#)

The outlook for oil demand growth in 2019 has dimmed due to worsening prospects for world trade, the International Energy Agency (IEA) said on Friday, June 14, although stimulus packages and developing countries should boost growth going into 2020. The Paris-based IEA, which coordinates the energy policies of industrial nations, revised down its 2019 demand growth estimate by 100,000 barrels to 1.2 million barrels per day (bpd), but said it would climb to 1.4 million bpd for 2020.

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