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WEEKLY

Highlights

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THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

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MINISTRY OF COMMERCE & INDUSTRY

Interaction on Trade and Economic Cooperation with Ambassadors and High Commissioners of European and Oceania Countries

European and Oceania countries are major trading partners and major sources of investments for India and there is huge untapped potential that can be achieved. India has made efforts in the recent past to take economic ties to the next level and have some sort of broad based comprehensive trade agreement. There is a need to take these efforts to a logical conclusion. This was stated by Commerce Secretary, Dr. Anup Wadhawan, at an interactive session on trade and economic cooperation with Ambassadors and High Commissioners of European and Oceania countries in New Delhi last evening.

Dr. Anup Wadhawan said like most trade negotiations between developing and developed countries, trade negotiations with EU and Oceania have been protracted. India is a developing country and EU and Oceania countries are predominantly developed and because of this our ambitions, aspirations and sensitivities are at divergence in some specific areas. He expressed the hope that India, European Union and Oceania countries will be able to overcome those issues and in the near future come to an understanding and reach some sort of formal agreement. It is important to remain engaged at every level - government, export and trade and investment related institutions, exporters and businesses to understand the opportunities available in India, EU and Oceania for business, exporters and importers, Dr. Wadhawan added. He also emphasized on the need to appreciate each other's constraints and try to find a way forward which is doable for all stakeholders.

Bilateral trade between India and Europe crossed the USD 150 billion mark in 2011-12. Global slowdown and commodity price fluctuations adversely impacted the trade, but there are signs of recovery in the recent period. During 2017-18, India's trade with Europe stood at USD 130.1 billion, with both exports and imports registering double digit growth.

India is the fifth largest export market for Australia, with coal, education –related travel, vegetable and gold being some of the major items of imports by India. Major exports from India to Australia include refined petroleum, business services and pharmaceuticals. New Zealand is also an important market for India in the Oceania region, especially for its exports of pharmaceuticals, gems and jewellery, machinery and textiles and apparel.

The extent of investment linkages is evident from the fact that nearly one-fourth of FDI inflows into India are from Europe and around 29.8 percent of India's overseas direct investments and directed towards Europe.

Nearly, USD 1034.2 million was invested by companies from Oceania in the Indian market during April 2000 to December 2018. The Oceania region also accounts for nearly 1.7 percent of India's overseas FDI, with Australia, Fiji, New Zealand and Vanuatu being the key investment destinations.

MINISTRY OF FINANCE

Signing of Inter-Governmental Agreement for exchange of country by country reports between India and the United States of America

India and the United States of America on 27th March, 2019, signed an Inter-Governmental Agreement for Exchange of Country-by-Country (CbC) Reports. The Agreement was signed by Shri P.C.Mody, Chairman, Central Board of Direct Taxes and Mr. Kenneth I. Juster, Ambassador of the United States of America to India on behalf of the two countries. This Agreement for Exchange of CbC Reports, alongwith the Bilateral Competent Authority Arrangement between the two Competent Authorities, will enable both the countries to automatically exchange CbC Reports filed by the ultimate parent entities of Multinational Enterprises ("MNEs") in the respective jurisdictions, pertaining to the years commencing on or after 1st January, 2016. It would also obviate the need for Indian subsidiary companies of US MNEs to do local filing of the CbC Reports, thereby reducing the compliance burden.

India has already signed the Multilateral Competent Authority Agreement (MCAA) for Exchange of CbC Reports, which has enabled exchange of CbC Reports with 62 jurisdictions.

Filing of CbC Reports by the ultimate parent entity of an MNE group to the prescribed Authority in the jurisdiction in which it is a resident and exchange of such CbC Reports by the Competent Authority of the said jurisdiction with the Competent Authorities of other jurisdictions in which the group has one or more of its constituent entities, are the minimum standards required under the Action 13 Report of OECD/G20 BEPS Project in which India is an active participant.

A CbC Report has aggregated country-by-country information relating to the global allocation of income, the taxes paid, and certain other indicators of an MNE group. It also contains a list of all the constituent entities of an MNE group operating in a particular jurisdiction and the nature of the main business activity of each such constituent entity. MNE groups having global consolidated revenue of 750 Million Euros or more (or a local currency equivalent) in a year are required to file CbC Reports in their parent entity's jurisdiction. The INR equivalent of 750 Million Euros has been prescribed as INR 5500 Crore in Indian rules. This information will enable an enhanced level of assessment of tax risk by both tax administrations.

MINISTRY OF FINANCE

Review of the Monthly Account of the Government of India up to the month of February 2019 for the Financial Year 2018-19

The Monthly Account of the Union Government of India up to the month of February 2019 for the Financial Year 2018-19 has been consolidated and reports published.

The highlights are given below:-

The Government of India has received Rs.13,37,340 crore (73.37% of corresponding RE 18-19 of Total Receipts) upto February 2019 comprising Rs. 10,93,923 crore Tax Revenue (Net to Centre), Rs. 1,71,755 crore of Non Tax Revenue and Rs.71,662 crore of Non Debt Capital Receipts. Non Debt Capital Receipts consists of Recovery of Loans (Rs.15,042 crore) and Disinvestment of PSUs (Rs. 56,620 crore).

Rs. 5,96,667 crore has been transferred to the State Governments as Devolution of Share of Taxes by Government of India up to this period which is Rs. 67,043 crore higher than the corresponding period of last year 2017-18.

Total Expenditure incurred by Government of India is Rs.21,88,839 crore (89.08% of corresponding RE 18-19), out of which Rs.19,15,303 crore is on Revenue Account and Rs.2,73,536 crore is on Capital Account. Out of the Total Revenue Expenditure, Rs.5,01,160 crore is on account of Interest Payments and Rs.2,63,868 crore is on account of Major Subsidies.

MINISTRY OF FINANCE

Change in Tariff Value of Crude Palm Oil, RBD Palm Oil, Others – Palm Oil, Crude Palmolein, RBD Palmolein, Others – Palmolein, Crude Soyabean Oil, Brass Scrap (All Grades), Poppy Seeds, Areca Nuts, Gold and Silver Notified

In exercise of the powers conferred by sub-section (2) of Section 14 of the Customs Act, 1962 (52 of 1962), the Central Board of Indirect Taxes & Customs (CBIC), being satisfied that it is necessary and expedient so to do, hereby makes the following amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 36/2001-Customs (N.T.), dated the 3rd August, 2001, published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide number S. O. 748 (E), dated the 3rd August, 2001, namely:-

In the said notification, for TABLE-1, TABLE-2 and TABLE-3, the following Tables shall be substituted, namely: -

TABLE-1

Sl. No.	Chapter/ heading/ sub-heading/tariff item	Description of goods	Tariff value (US $Per Metric Tonne)
(1)	(2)	(3)	(4)
1	1511 10 00	Crude Palm Oil	529
2	1511 90 10	RBD Palm Oil	558
3	1511 90 90	Others – Palm Oil	544
4	1511 10 00	Crude Palmolein	564
5	1511 90 20	RBD Palmolein	567
6	1511 90 90	Others – Palmolein	566
7	1507 10 00	Crude Soya bean Oil	711
8	7404 00 22	Brass Scrap (all grades)	3748
9	1207 91 00	Poppy seeds	2576

TABLE-2

Sl. No.	Chapter/ heading/ sub-heading/tariff item	Description of goods	Tariff value (US $)
(1)	**(2)**	**(3)**	**(4)**
1	71 or 98	Gold, in any form, in respect of which the benefit of entries at serial number 356 and 358 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed	417 per 10 grams
2	71 or 98	Silver, in any form, in respect of which the benefit of entries at serial number 357 and 359 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed	490 per kilogram

TABLE-3

Sl. No.	Chapter/ heading/ sub-heading/tariff item	Description of goods	Tariff value (US $ Per Metric Tonne)
(1)	**(2)**	**(3)**	**(4)**
1	080280	Areca nuts	3925”

RESERVE BANK OF INDIA

Investment by Foreign Portfolio Investors (FPI) in Government Securities Medium Term Framework

Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to Schedule 5 to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2017 notified vide Notification No. FEMA.20(R)/2017-RB dated November 07, 2017, as amended from time to time and the relevant directions issued thereunder. A reference is also invited to AP (DIR Series) Circular No. 22 dated April 6, 2018 on the captioned subject.

2. Revision of investment Limits for 2019-20

a. The limit for FPI investment in Central Government securities (G-secs), State Development Loans (SDLs) and corporate bonds shall be 6%, 2%, and 9% of outstanding stocks of securities, respectively, in FY 2019-20.
b. The allocation of increase in G-sec limit over the two sub-categories – 'General' and 'Long-term' – has been set at 50:50 for the year 2019-20. The entire increase in limits for SDLs has been added to the 'General' sub-category of SDLs.
c. In terms of para 3 (g) of the circular dated April 06, 2018, the coupon reinvestment arrangement for G-secs shall be extended to SDLs.

3. Accordingly, the revised limits for the various categories, after rounding off, would be as under (Table 1):

Table 1 - Revised Limits for FPI Investment in Debt - 2019-20 (Rupees billion)

	G-Sec - General	G-Sec - Long Term	SDL - General	SDL -Long Term	Corporate Bonds	Total Debt
Current Limit	2,233	923	381	71	2,891	6,499
Revised Limit for the HY Apr-Sep, 2019	2,347	1,037	497	71	3,031	6,983
Revised Limit for the HY Oct 2019-March, 2020	2,461	1,151	612	71	3,170	7,465

4. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

5. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/approval, if any, required under any other law.

Yours faithfully

(T. Rabi Sankar)
Chief General Manager

RESERVE BANK OF INDIA

India's International Investment Position (IIP), December 2018

The Reserve Bank released data relating to India's International Investment Position at end-December 2018.

Key Features of India's IIP in December 2018

- Net claims of non-residents on India increased by US$ 44.3 billion from their level a quarter ago (Table 1).
- The increase in net claims was due to a pick-up in foreign-owned assets in India after three consecutive quarters of contraction, combined with a marginal decline in Indian residents' financial assets abroad.
- The large increase in foreign-owned assets in India emanated from inward foreign direct investment (FDI), followed by portfolio investment and currency and deposits.
- Overseas financial assets of Indian residents declined during the quarter, mainly due to reduction in reserve assets, even as overseas direct investment increased during the period.
- Appreciation of the Indian rupee against the US dollar during the quarter contributed substantially to the increase in net claims of non-residents valued in US dollar terms.
- Despite a decline during the quarter, reserve assets accounted for nearly two-thirds of India's international financial assets (Table 2).
- The share of debt liabilities in total liabilities declined marginally during the quarter (Table 3).
- The ratio of India's international financial assets to international financial liabilities stood at 58.3 per cent in December 2018 (61.1 per cent in September 2018).

Jose J. Kattoor
Chief General Manager

Table 1: Overall International Investment Position of India					
					(US $ billion)
Period	Dec-17(R)	Mar-18(PR)	June-18(PR)	Sep-18(PR)	Dec-18(P)
Net IIP (A-B)	-421.4	-418.4	-407.5	-387.4	-431.7
A. Assets	613.5	633.7	610.9	608.0	603.8
1. Direct Investment	155.2	157.4	160.8	163.3	166.2
2. Portfolio Investment	2.9	3.6	3.1	2.6	2.7
2.1 Equity Securities	2.0	2.1	1.9	1.8	1.4
2.2 Debt Securities	1.0	1.5	1.1	0.8	1.3
3. Other Investment	46.3	48.2	41.3	41.5	39.3
3.1 Trade Credits	1.6	1.7	1.4	0.9	0.3
3.2 Loans	5.6	8.2	7.0	7.1	6.5
3.3 Currency and Deposits	20.8	20.8	16.3	16.6	17.2
3.4 Other Assets	18.4	17.5	16.7	16.9	15.3
4. Reserve Assets	409.1	424.5	405.7	400.5	395.6
B. Liabilities	1034.9	1052.1	1018.4	995.4	1035.5
1. Direct Investment	377.3	379.0	372.4	362.2	386.4
2. Portfolio Investment	267.4	272.1	254.2	237.9	245.8
2.1 Equity Securities	155.7	155.1	144.4	135.2	138.1
2.2 Debt securities	111.8	117.0	109.8	102.6	107.7
3. Other Investment	390.2	401.0	391.8	395.4	403.4
3.1 Trade Credits	98.4	103.2	99.6	104.3	103.6
3.2 Loans	155.8	159.7	156.4	157.4	160.3
3.3 Currency and Deposits	123.5	126.5	124.5	122.1	126.0
3.4 Other Liabilities	12.4	11.7	11.3	11.5	13.5
Memo item: Assets to Liability Ratio (%)	59.3	60.2	60.0	61.1	58.3
R: Revised PR: Partially revised P: Provisional; The sum of the constituent items may not add to the total due to rounding off.					

Table 2: Composition of International Financial Assets and Liabilities of India					
					(per cent)
Period	Dec-17(R)	Mar-18(PR)	June-18(PR)	Sep-18(PR)	Dec-18(P)
A. Assets					
1. Direct Investment	25.3	24.8	26.3	26.9	27.5
2. Portfolio Investment	0.5	0.6	0.5	0.4	0.5
3. Other Investment	7.5	7.6	6.8	6.8	6.5
4. Reserve Assets	66.7	67.0	66.4	65.9	65.5
Assets/Liabilities	100.0	100.0	100.0	100.0	100.0
B. Liabilities					
1. Direct Investment	36.5	36.0	36.5	36.4	37.3
2. Portfolio Investment	25.8	25.9	25.0	23.9	23.7
3. Other Investment	37.7	38.1	38.5	39.7	39.0

Table 3: Share of External Debt and Non-Debt Liabilities of India					
					(per cent)
Period	Dec-17(R)	Mar-18(PR)	June-18(PR)	Sep-18(PR)	Dec-18(P)
Non-Debt Liabilities	50.0	49.3	49.2	48.4	49.0
Debt Liabilities	50.0	50.7	50.8	51.6	51.0
Total	100.0	100.0	100.0	100.0	100.0

[1] India’s quarterly IIP is disseminated with one-quarter lag. The IIP for end-September 2018 was placed in the public domain on December 31, 2018.