Vol. XVII Issue No. 743
July 28-August 03, 2019
Total No. of Pages (including Cover):10

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THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

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Release of India's R&D expenditure eco-system report

A special session was held to discuss India's Research and Development (R&D) expenditure eco-system during the Global launch of Global Innovation Index (GII) – 2019 in New Delhi.

Investments in R&D are key inputs in economic growth. The impact of this is proven on productivity, exports, employment and capital formation. India's investment in R&D has shown a consistent increasing trend over the years. However, it is a fraction of India's GDP, it has remained constant at around 0.6% to 0.7% of India's GDP. This is below the expenditure of countries like the US (2.8), China (2.1), Israel (4.3) and Korea (4.2).

Government expenditure, almost entirely the Central Government, is the driving force of R&D in India which is in contrast to the advanced countries where private sector is the dominant and driving force of R&D spend. There is a need for greater participation of State Governments and private sector in overall R&D spending in India especially in application oriented research and technology development.

The special session was attended by Prof. K Vijay Raghavan, Principal Scientific Advisor to the Government of India, Ratan Watal, Member Secretary, Economic Advisory Council to the Prime Minister (PMEAC), Seema Bahuguna, Secretary, Department of Public Enterprises, Dr. Arabinda Mitra, Scientific Secretary, Office of Principal Scientific Adviser to Government of India and B.N. Satpathy, Senior Consultant, PMEAC.

Speaking on this occasion Secretary, Department of Public Enterprises said that India's R&D story is at an interesting juncture where public sector units owned by the Government are geared up to play an important role. During the interaction with CPSEs in April 2018 in the CPSE Conclave in Delhi the Prime Minister of India had underlined that there should be greater emphasis on collaborative R&D by the CPSEs with focus on partnerships with Indian Institute of Technologies and Universities. After that interaction with Prime Minister of India it has now been mandated that all CPSEs will set up innovation cells which will work on market oriented research informed Secretary, Seema Bahuguna.

One hundred fifty-four such innovation cells have been setup by CPSEs where research is on like the NALCO MIDHANI Lithium - Aluminium Alloy Plant in Odisha, research is being conducted by Bharat Heavy Electricals Limited on generation of methanol from high ash Indian coal and Hindustan Aeronautics Limited is working on aero engines for various types of aircrafts/ helicopters for use by defence forces.

Secretary, Public Enterprises further informed that from the year 2014-15 to 2017-18 there has been an increase of 116% in R&D spending by CPSEs. But the need of hour is that all CPSEs must come on board for higher spend on R&D and not just CPSEs of the petroleum and power sector, who are the biggest spenders in R&D, she further said.

The report has been compiled by PMEAC and inputs for the report have been taken from various stakeholders including industry, academia and government.

After the release of the report, Ratan Watal, Member Secretary PMEAC, informed that the objective of the report is to address the data gaps in compiling R&D data so that up to date data on R&D is available in order to reflect India's true rank globally. The second objective is to examining expenditure trends in various sector and their short coming. The final objective is to lay down the road map for achieving the desire target of R&D spend by the year 2022.

He further said that India needs to re-double its efforts to improve its ranking in the science and research ecosystem by increasing the national expenditure on R&D. The growth in R&D expenditure should be commensurate with the growth of GDP and should reach at least two percent of GDP by 2022.

MINISTRY OF COMMERCE & INDUSTRY

National Retail Trading e-Commerce System

The 'National Retail Trade Policy' is under formulation in the Department for Promotion of Industry and Internal Trade (DPIIT). Comprehensive stakeholder consultation in all the States through ASSOCHAM and other trade and commerce associations are being conducted to get feedback on the needs and demand of small traders.

A Video Conference of Minister of Commerce and Industry with representatives of Industry Associations, Export Organizations and Traders Organizations was held on 18.02.2019, which was attended by more than 10,000 participants from 42 NIC Centers and 29 other locations across the country.

Stakeholder consultations were also held under the Chairmanship of Secretary, Department for Promotion of Industry & Internal Trade, on 25.06.2019 to consider issues facing the retail sector and possible solutions for resolving them.

As regards e-Commerce, the Government of India in the Department of Commerce established a Think Tank on "Framework for National Policy on E-commerce" and a Task Force under it, which deliberated on the challenges confronting India in the arena of the digital economy and e-commerce. The Think Tank was further divided into various sub-groups, comprising representation from technical experts in the Government and from industry members with domain knowledge.

A draft National e-Commerce policy has been prepared and placed in public domain. Comments from various stakeholders (companies, Industry associations, think tanks, foreign governments) have been received. Meetings have been held under the chairmanship of Minister for Commerce & Industry with industry stakeholders, e-Commerce companies, associations of kirana stores, traders and retailers to discuss matters relating to e-commerce.

This information was given by the Minister of Commerce and Industry, Piyush Goyal, in a written reply in the Rajya Sabha.

MINISTRY OF FINANCE

Clarification in respect of goods taken out of India for exhibition or on consignment basis for export promotion

Several goods are taken out of India on consignment basis for exhibitions or other export promotion events. These goods are sold only when approved by the prospective customers abroad. The unsold goods are then brought back to India. This is a widespread practice in various sectors, including the gems and jewellery industry. Exporters of these items were facing problems due to the the lack of clarity on the procedure to be followed under GST at the time of taking these goods out of India and at the time of their subsequent sale or return to India. Taking cognizance of these problems and in order to help exporters, the Central Board of Indirect Taxes and Customs (CBIC) has now issued a comprehensive clarification in this regard vide **Circular No. 108/27/2019-GST dated 18.07.2019**. The key points clarified in the Circular are the following:

a. The activity of taking goods out of India on consignment basis for exhibition would not in itself constitute a supply under GST since there is no consideration received at this time.
b. The movement of these goods out of India shall be accompanied by a delivery challan issued in accordance with the provisions contained in rule 55 of the CGST Rules.
c. Since taking such goods out of India is not a supply, it necessarily follows that it is also not a zero-rated supply. Therefore, execution of a bond or LUT, as required under section 16 of the IGST Act, is not required.
d. The goods taken out of India in this manner are required to be either sold or brought back within a period of six months from the date of removal.
e. The supply would be deemed to have taken place if the goods are neither sold abroad nor brought back within the period of six months. In this case, the sender shall issue a tax invoice on the date of expiry of six months from the date of removal, in respect of the quantity of goods which have neither been sold nor brought back. The benefit of zero-rating, including refund, shall not be available in respect of such supplies.
f. If the specified goods are sold abroad, fully or partially, within the period of six months, the supply shall be held to have been effected, in respect of the quantity so sold, on the date of such sale. In this case, the sender shall issue a tax invoice in respect of such quantity of goods which has been sold. These supplies shall become zero-rated supplies at the time of issuance of invoice. However, refund in relation to such supplies shall be available only as refund of unutilized ITC and not as refund of IGST.
g. No tax invoice is required to be issued in respect of goods which are brought back to India within the period of six months.

The above points are informative in nature and have been presented in this release in simple language for benefit of all stakeholders. The Circular issued in this regard, i.e. **Circular No. 108/27/2019-GST dated 18.07.2019**, may be referred which alone shall have the force of law.

MINISTRY OF FINANCE

GST rate on all Electric Vehicles reduced from 12% to 5% and of charger or charging stations for EVs from 18% to 5%

The 36th GST Council Meeting was held here Via Video Conference under the chairmanship of Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman. The meeting was also attended by Union Minister of State for Finance & Corporate Affairs Shri Anurag Thakur besides Revenue Secretary Shri Ajay Bhushan Pandey and other senior officials of the Ministry of Finance. The Council has recommended the following:

A. **GST rate related changes on supply of goods and services**

i. The GST rate on all electric vehicles be reduced from 12% to 5%.
ii. The GST rate on charger or charging stations for Electric vehicles be reduced from 18% to 5%.
iii. Hiring of electric buses (of carrying capacity of more than 12 passengers) by local authorities be exempted from GST.
iv. **These changes shall become effective from 1st August, 2019.**

B. **Changes in GST law:**

1. Last date for filing of intimation, in **FORM GST CMP-02**, for availing the option of payment of tax under notification No. 2/2019-Central Tax (Rate) dated 07.03.2019 (by exclusive supplier of services), to be extended from 31.07.2019 to 30.09.2019.

2. The last date for furnishing statement containing the details of the self-assessed tax in **FORM GST CMP-08** for the quarter April, 2019 to June, 2019 (by taxpayers under composition scheme), to be extended from 31.07.2019 to 31.08.2019.

(Note: The recommendations of the GST Council have been presented in this release in simple language for information of all stakeholders. The same would be given effect through relevant Circulars/Notifications which alone shall have the force of law.)

RESERVE BANK OF INDIA

External Commercial Borrowings (ECB) Policy – Rationalisation of End-use Provisions

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to paragraphs 2.1.(v) and 2.1.(viii) of Master Direction No.5 dated March 26, 2019 on the above subject in terms of which, inter alia, ECB proceeds cannot be utilised for working capital purposes, general corporate purposes and repayment of Rupee loans except when the ECB is availed from foreign equity holder for a minimum average maturity period of 5 years. Further, on-lending for these activities out of ECB proceeds is also prohibited.

Based on the feedback from stakeholders and with a view to further liberalise the ECB framework, it has been decided, in consultation with the Government of India, to relax the end-use restrictions. Accordingly, eligible borrowers will now be permitted to raise ECBs for the following purposes from recognised lenders, except foreign branches/ overseas subsidiaries of Indian banks, subject to paragraph 2.2 of the direction ibid:

i. ECBs with a minimum average maturity period of 10 years for working capital purposes and general corporate purposes. Borrowing by NBFCs for the above maturity for on lending for the above purposes is also permitted.

ii. ECBs with a minimum average maturity period of 7 years can be availed by eligible borrowers for repayment of Rupee loans availed domestically for capital expenditure as also by NBFCs for on-lending for the same purpose. For repayment of Rupee loans availed domestically for purposes other than capital expenditure and for on-lending by NBFCs for the same, the minimum average maturity period of the ECB is required to be 10 years.

iii. It has been decided to permit eligible corporate borrowers to avail ECB for repayment of Rupee loans availed domestically for capital expenditure in manufacturing and infrastructure sector if classified as SMA-2 or NPA, under any one time settlement with lenders. Lender banks are also permitted to sell, through assignment, such loans to eligible ECB lenders, except foreign branches/ overseas subsidiaries of Indian banks, provided, the resultant external commercial borrowing complies with all-in-cost, minimum average maturity period and other relevant norms of the ECB framework.

The prescribed minimum average maturity provision, as above, for the aforesaid end-uses will have to be strictly complied with under all circumstances.

All other provisions of the ECB policy remain unchanged. AD Category - I banks should bring the contents of this circular to the notice of their constituents and customers.

The Master Direction No. 5 dated March 26, 2019 is being updated to reflect the above changes.

The directions contained in this circular have been issued under section 10(4) and 11(2) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully

Ajay Kumar Misra
Chief General Manager-in-Charge

RESERVE BANK OF INDIA

Sectoral Deployment of Bank Credit – June 2019

Data on sectoral deployment of bank credit collected from select 39 scheduled commercial banks, accounting for about 90 per cent of the total non-food credit deployed by all scheduled commercial banks, for the month of June 2019 are set out in Statements I and II.

Highlights of the sectoral deployment of bank credit are given below:

- On a year-on-year (y-o-y) basis, non-food bank credit increased by 11.1 per cent in June 2019 - the same rate as in June 2018.
- Credit to agriculture & allied activities increased by 8.7 per cent in June 2019 as compared with an increase of 6.5 per cent in June 2018.
- Credit to industry rose by 6.4 per cent in June 2019 as compared with an increase of 0.9 per cent in June 2018. Within industry, credit growth to ‘infrastructure’, ‘chemical & chemical products’, ‘vehicles, vehicle parts & transport equipment’, ‘cement & cement products’ and ‘all engineering’ accelerated. However, credit growth to ‘basic metal & metal products’, ‘textiles’, ‘food processing’ and ‘construction’ decelerated/contracted.
- Credit growth to the services sector decelerated to 13.0 per cent in June 2019 from 23.3 per cent in June 2018.
- Personal loans increased by 16.6 per cent in June 2019, down from an increase of 17.9 per cent in June 2018.

Ajit Prasad
Director(Communication)