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ASSOCHAM NEWS & VIEWS

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THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

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MINISTRY OF COMMERCE & INDUSTRY

9TH Session of India-Kenya Joint Trade Committee held in New Delhi

The 9th Session of the India-Kenya Joint Trade Committee (JTC) was held on 19th – 20th August 2019 in New Delhi. The Indian delegation was led by Union Minister of Commerce & Industry and Railways, Piyush Goyal. The Kenyan delegation was led by Peter Munya, Minister of Industry, Trade and Cooperatives, Government of the Republic of Kenya.

Piyush Goyal highlighted that India and Kenya enjoy a close and cordial relation. He underscored the friendship and solidarity, strategic partnership and multifaceted- cooperation between the two countries. Relationship between India and Kenya has now evolved into a robust partnership, marked by regular high-level visits, increasing trade and investment as well as extensive people to people contacts, the Commerce and Industry Minister added.

In his remarks, Peter Munya, Minister of Industry, Trade and Cooperatives, Government of the Republic of Kenya, thanked the Indian Government for a warm reception, hospitality and successful hosting of the 9th Session of the India-Kenya Joint Trade Committee. Peter Munya observed that India has a long history of trading relationswith Kenyaand also hoped for a fair balance of trade between the two countries. In this regard, he emphasized the need to facilitate the movement of people, goods and services based on reciprocity.

Both sides acknowledged that the JTC is an ideal framework for trade and economic expansion between the two countries and reaffirmed their commitments to deepen the trade and economic ties further.

Both sides reviewed the developments in their bilateral trade and noted the trends since the last session of the India-Kenya JTC held in August 2018. In 2018-19 India's top items of exports were petroleum products, drug formulations, biological and industrial machinery for dairy, paper, paper board and products, plastic raw materials, two and three-wheelers, iron and steel, manmade yarn, fabrics made-ups, books, publications and printing, electric machinery and equipment. On the import side, it was inorganic chemicals, pulses, coffee, drug formulations, biologicals, copper and products made of copper, wood products, aluminium, products of aluminium, tea and finished leather. Both sides stressed the need to enhance trade relations and also to diversify the trade basket.

Both sides expressed their willingness to explore trade opportunities in sectors like manufacturing, agriculture, agro-processing, floriculture, aquaculture, Information, Communication and Technology (ICT) and in products such as base metals & articles thereof, textiles & textiles articles, vegetables and horticultural products, plastics & rubber, chemical products and machinery & mechanical appliances. They agreed to explore possibilities of exchange of information on investment opportunities, investment-related laws and regulations and exchange of business missions. Kenya welcomed the proposal on investment from India with the hope that it will provide a framework to guide investment flows from both sides. Further, Kenya informed India that there are investment opportunities in the Special Economic Zones (SEZs) of Kenya.

Both sides recalled the productive discussions held in the 2ndmeeting of India-Kenya Joint Technical Committee (JTC) on Housing, held in Nairobi on 30th May 2019, on the sidelines of the 1st UN-HABITAT Assembly and agreed to expand cooperation in the field of housing through capacity building of Kenyan officials. It was also decided to share the policies and best practices in the area mutually and to organize a Conference on Housing in India and exploring partnership between Kenya Institute of Housing and Building Technology (KIHBT) and Building Materials and Technology Promotion Council (BMTPC), India.

Indian and Kenyan delegations also agreed to expand the MoU signed between the Ministry of Housing and Urban Affairs, the Government of the Republic of Kenya on cooperation in the field of National Housing Policy Development and Management on 11th July 2016 to strengthen cooperation in the areas of sustainable urban development including smart cities, water and waste management and urban mobility. Kenya requested for technical assistance to support the implementation of Kenyan urban and affordable housing programmes. The Indian side said that it is open to provide all kinds of technical support in the housing sector.

Progress in cooperation in the power sector, renewable energy, petroleum and natural gas, civil aviation and agricultural research was also reviewed during the 9th session of JTC meeting.

It was agreed to hold the next session of the Joint Trade Committee meeting in Nairobi to be decided mutually through diplomatic channels within the next two years.

MINISTRY OF COMMERCE & INDUSTRY

Stakeholders' Consultations by Department of Commerce on RCEP

In the last 6 years of the Regional Comprehensive Economic Partnership (RCEP) negotiations, more than 100 stakeholders' consultations have been held by the Department of Commerce and other lead Ministries and Departments of the Government of India seeking industry inputs for formulating India's interests, covering a wide spectrum of the economy including agriculture, chemicals, petrochemicals, pharmaceuticals, plastics, textiles, ferrous and nonferrous metals, automobiles and machinery.

The Department of Commerce also got industry feedback in the area of rules of origin, Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT), antidumping, countervailing duties, safeguards measures and Intellectual Property Rights as well. The consultations also included, in recent times, comprehensive interactions with stakeholders under the guidance of the Minister for Commerce and Industry and Railways, Piyush Goyal. Several industry consultations were also organised by ASSOCHAM, PHD Chamber of Commerce and Industry, CII, and DGTR.

State Governments are one of the important stake holders in these negotiations. Recognising this Commerce Secretaries have led delegations to various states and regular engagements have been held with Chief Secretaries and their teams of officials on the various aspects of RCEP so that they may be made aware of the developments and encouraged to further interact with industry and other stakeholders. Delegations have been led to the States of Punjab, Haryana, Andhra Pradesh, Telangana, Assam, Kerala, Karnataka, Tamil Nadu, Gujarat and Rajasthan.

At the Ministerial level, RCEP has been represented and guided by Commerce Ministers Nirmala Sitharaman, Suresh Prabhu, CR Chaudhary and Piyush Goyal over the past five years. Besides, in the various Working Groups/ Sub-Working Groups senior representatives of other Government Ministries/Departments have been leading the negotiations such as Department of Revenue, Central Board for Indirect Taxes and Customs, Department of Economic Affairs, Department for Promotion of Industry and Internal Trade, Ministry of Electronics and Information Technology, Department of Commerce, Directorate General of Trade Remedies, Department of Financial Services, Department of Telecommunication, Competition Commission of India, Reserve Bank of India. On other specific issues pertaining to other line Ministries/Departments, the Department of Commerce has been obtaining their inputs for framing India's negotiating strategy in RCEP.

RCEP negotiations began in November 2012, in Cambodia. RCEP negotiations are held at various levels - Prime Minster of India participates in the RCEP Summits while Commerce and Industry Minister leads the Indian delegation at the RCEP Ministerial Meetings and at the expert level senior officials of Department of Commerce take the lead in the Trade Negotiating Committee (TNC). Till date many officers of the Department of Commerce have led these negotiations like Rajiv Kher, Sumanto Chaudhary, J S Deepak, Dammu Ravi, Arvind Mehta, Anup Wadhawan and Sudhanshu Pandey.

Department of Commerce also entrusted three autonomous think tanks viz. Indian Council for Research on International Economic Relations (ICRIER), IIM Bangalore and Centre for Regional

Trade (CRT), New Delhi for making independent studies on RCEP with exhaustive consultations with stakeholders across the country.

Stakeholders' inputs have been received in person from the Industry Associations/individual industries or industry clusters, by post and email.

The database on Stakeholders' Consultations is uploaded on the website of Department of Commerce at the following link: https://commerce.gov.in/writereaddata/uploadedfile/NTESCL637022544246650798_List_RCEP_stakeholders_consultation_23-08-2019.pdf

The RCEP is a proposed free trade agreement (FTA) between the ten member states of the Association of Southeast Asian Nations (ASEAN) (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam) and its six FTA partners (China, Japan, India, South Korea, Australia and New Zealand).

In 2017, prospective RCEP member states accounted for a population of 3.4 billion people with a Gross Domestic Product (GDP, PPP) of 49.5 trillion USD, approximately 39 percent of the world's GDP, with the combined GDPs of India and China making up more than half that amount.

RCEP is the world's largest economic bloc, covering nearly half of the global economy and is estimated that by 2050 the GDP of RCEP member states is likely to amount to nearly 250 trillion USD with the combined GDPs of India and China making up more than 75 percent of the amount.

MINISTRY OF FINANCE

Sabka Vishwas - Legacy Dispute Resolution Scheme notified ; to be operationalized from 1st September 2019

In the Union Budget 2019-20, the Hon'ble Finance Minister announced the **Sabka Vishwas-Legacy Dispute Resolution Scheme, 2019.** The Scheme has now been notified and will be operationalized from 1st September 2019. The Scheme would continue till 31st December 2019. Government expects the Scheme to be availed by large number of taxpayers for closing their pending disputes relating to legacy Service Tax and Central Excise cases that are now subsumed under GST so they can focus on GST.

The two main components of the Scheme are dispute resolution and amnesty. The dispute resolution component is aimed at liquidating the legacy cases of Central Excise and Service Tax that are subsumed in GST and are pending in litigation at various forums. The amnesty component of the Scheme offers an opportunity to the taxpayers to pay the outstanding tax and be free of any other consequence under the law. The most attractive aspect of the Scheme is that it provides substantial relief in the tax dues for all categories of cases as well as full waiver of interest, fine, penalty, In all these cases, there would be no other liability of interest, fine or penalty. There is also a complete amnesty from prosecution.

For all the cases pending in adjudication or appeal – in any forum - this Scheme offers a relief of 70% from the duty demand if it is Rs.50 lakhs or less and 50% if it is more than Rs. 50 lakhs. The same relief is available for cases under investigation and audit where the duty involved is quantified and communicated to the party or admitted by him in a statement on or before 30th June, 2019. Further, in cases of confirmed duty demand, where there is no appeal pending, the relief offered is 60% of the confirmed duty amount if the same is Rs. 50 lakhs or less and it is 40%, if the confirmed duty amount is more than Rs. 50 lakhs. Finally, in cases of voluntary disclosure, the person availing the Scheme will have to pay only the full amount of disclosed duty.

As the objective of the Scheme is to free as large a segment of the taxpayers from the legacy taxes as possible, the relief given thereunder is substantial. **The Scheme is especially tailored to free the large number of small taxpayers of their pending disputes with the tax administration.** Government urges the taxpayers and all concerned to avail the Sabka Vishwas - Legacy Dispute Resolution Scheme, 2019 and make a new beginning.

MINISTRY OF FINANCE

CBDT issued clarification on eligibility of small Start-ups to avail tax holiday

The Central Board of Direct Taxes (CBDT) has clarified today that small start-ups with turnover upto Rs. 25 crore will continue to get the promised tax holiday as specified in Section 80-IAC of the Income Tax Act, 1961(the ‘Act’), which provides deduction for 100 per cent of income of an eligible start-up for 3 years out of 7 years from the year of its incorporation.

CBDT further clarified that all the start-ups recognised by DPIIT which fulfilled the conditions specified in the DPIIT notification did not automatically become eligible for deduction under Section 80-IAC of the Act. A start-up has to fulfil the conditions specified in Section 80-IAC for claiming this deduction. Therefore, the turnover limit for small start-ups claiming deduction is to be determined by the provisions of Section 80-IAC of the Act and not from the DPIIT notification.

CBDT dispelled the confusion created by some media report claiming discrepancy that the I-T law was yet to reflect DPIIT’s higher turnover threshold of Rs. 100 crore. CBDT said that there was no contradiction in DPIIT’s notification dated 19.02.2019 and Section 80-IAC of the I.T. Act, 1961 because in para 3 of the said notification, it has clearly been mentioned that a start-up shall be eligible to apply for the certificate from the Inter-Ministerial Board of Certification for claiming deduction under Section 80-IAC of the Act, only if the start-up fulfils the conditions specified in sub-clause (i) and sub-clause (ii) of the Explanation of Section 80-IAC. Therefore, the turnover limit for eligibility for deduction under section 80-IAC of the Act, as per the DPIIT’s notification is also Rs. 25 crore.

It is further stated that Section 80-IAC contains a detailed definition of the eligible start-up which, interalia, provides that a start-up which is engaged in the eligible business shall be eligible for deduction, if (i) it is incorporated on or after 1st April 2016, (ii) its turnover does not exceed Rs. 25 crore in the year of deduction, and (iii) it holds a certificate from the Inter-Ministerial Board of Certification.

It was explained that this was the major reason as to why there was a wide difference between the number of start-ups recognised by the DPIIT and the start-ups eligible for deduction under section 80-IAC of the Act. It is pertinent to state that Section 80-IAC was inserted vide Finance Act, 2016 as an exception to the Government’s stated policy of phasing out profit-linked deduction for promoting small start-ups during their initial year of operation. Since the intention was to support the small start-ups, the turnover limit of Rs. 25 crore was considered reasonable for granting profit linking deduction.

MINISTRY OF FINANCE

Government withdraws enhanced surcharge on tax payable on transfer of certain assets

In order to encourage investment in the capital market, it has been decided to withdraw the enhanced surcharge levied by Finance (No. 2) Act, 2019 on tax payable at special rate on income arising from the transfer of equity share/unit referred to in section 111A and section 112A of the Income-tax Act,1961(the 'Act') from the current FY 2019-20.

The following capital assets are mentioned in section 111A and section 112A of the Act:

i. Equity shares in a company;
ii. Unit of an equity oriented fund; and
iii. Unit of a Business Trust

The derivatives (Future & options) are not treated as capital asset and the income arising from the transfer of the derivatives is treated as business income and liable for normal rate of tax. However, in the case of Foreign Institutional Investors (FPI), the derivatives are treated as capital assets and the gains arising from the transfer of the same is treated as capital gains and subjected to a special rate of tax as per the provisions of section 115AD of the Act. Therefore, it is also decided that the tax payable on gains arising from the transfer of derivatives (Future & options) by FPI which are liable to special rate of tax under section 115AD of the Act shall also be exempted from the levy of the enhanced surcharge.

Therefore, the enhanced surcharge shall be withdrawn on tax payable at special rate by both domestic as well as foreign investors on long-term & short-term capital gains arising from the transfer of equity share in a company or unit of an equity oriented fund/business trust which are liable for securities transaction tax and also on tax payable at special rate under section 115AD by the FPI on the capital gains arising from the transfer of derivatives. However, the tax payable at normal rate on the business income arising from the transfer of derivatives to a person other than FPI shall be liable for the enhanced surcharge.

RESERVE BANK OF INDIA

Monthly Data on India's International Trade in Services for the Month of June 2019

The Reserve Bank releases monthly data on India's international trade in services with a lag of around 45 days.

The value of exports and imports of services during the month of June 2019 are given in the following Table.

Table: International Trade in Services		
		(US$ Million)
Month	**Receipts (Exports)**	**Payments (Imports)**
April-2019	18,062	11,402
May-2019	18,679	12,492
June-2019	18,552	11,758
Note: Data are provisional.		

Monthly data on services are provisional and would undergo revision when the Balance of Payments (BoP) data are released on a quarterly basis.

Ajit Prasad
Director (Communications)

RESERVE BANK OF INDIA

Real Time Gross Settlement (RTGS) System – Increase in operating hours

A reference is invited to the circular DPSS (CO) RTGS No. 2488/04.04.016/2018-19 dated May 28, 2019 on 'Real Time Gross Settlement (RTGS) System – Extension of Timings for Customer Transactions'.

At present, the RTGS system is available for customer transactions from 8:00 am to 6:00 pm and for inter-bank transactions from 8:00 am to 7:45 pm. In order to increase the availability of the RTGS system, it has been decided to extend the operating hours of RTGS and commence operations for customers and banks from 7:00 am.

The RTGS time window with effect from August 26, 2019 will, therefore, be as under:

Sr. No.	Event	Time
1.	Open for Business	07:00 hours
2.	Customer transactions (Initial Cut-off)	18:00 hours
3.	Inter-bank transactions (Final Cut-off)	19:45 hours
4.	IDL Reversal	19:45 hours - 20:00 hours
5.	End of Day	20:00 hours

This directive is issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act 2007 (Act 51 of 2007).

Yours faithfully,

(P Vasudevan)
Chief General Manager