IN BRIEF

A320neo delay hits GoAir's overseas plans

MUMBAI

The delayed delivery of Pratt & Whitney engine-powered Airbus A320neo planes along with regulatory approvals has affected GoAir's plans for international operations, which are expected to commence only early next year, an airline source said. The airline has received the government's nod to fly to China, Vietnam, Saudi Arabia, Iran, Uzbekistan, Kazakhstan, Azerbaijan, Maldives and Qatar. PTI

EPFO may lower interest rate for 2017-18

NEW DELHI

Employees' Provident Fund Organisation (EPFO) may lower the interest rate on provident fund deposits this fiscal compared with 8.65% provided to its members for 2016-17, a Labour Ministry official said. EPFO is likely to cut the interest rate on the grounds that it is directly crediting exchange trade funds units into provident fund accounts and lower yields on its other investments. PTI

Outbound forex remittances soar

MUMBAI

Driven by overseas travel and student migration, outbound forex remittances from the country has soared almost eight times since the RBI raised the cap in June 2015. The RBI has been steadily raising outward overseas remittances limits under the liberalised remittances scheme (LRS) facility. The latest revision was in June 2015, when it increased the quantum by 10 times to $2.50 lakh a year. PTI

Digital discount: rise in compliance burden feared

The GST Council's proposal to offer a 2% discount may spur digital payments but would necessitate changes in the GST returns process

TCA SHARAD RAGHAVAN
NEW DELHI

The Goods and Services Tax Council's proposal to offer a 2% discount for electronic transactions, likely to be discussed during its next meeting, will need to be implemented sensibly so as not to add to businesses' compliance burden, according to tax consultants.

"If it has to be operationalised, it will be done as a discount or a rebate, which is given for digital transactions," a tax consultant said on the condition of anonymity, adding that the compliance burden for firms may go up on this account.

"Most probably, what the government will do is to come out with a notification which says that if there is a digital transaction, then after the GST rate, one more line item called digital discount or digital incentive is added, which is subtracted from the GST rate. But this would also mean that each vendor will have to keep two sets of accounts, one digital and another non-digital," he pointed out.

"Incentivising digital transactions by providing a 2% rebate would lead to a significant upsurge in consumers opting for digital payments," said M.S. Mani, partner, GST, Deloitte India. "However, this will require necessary changes in the GST return processes as this would effectively translate to a lower GST rate for both the buyer and the seller."

The ₹100 cap

The proposed discount would be capped at ₹100 per transaction, thus making all retail purchases up to ₹5,000 eligible for the discount. This could result in a revenue shortfall of more than ₹25,000 crore a year, but would spur cashless payments, the government reckons. This digital discount, if implemented, would be applicable on all business to consumer (B2C) transactions on items with a tax rate of 3% or more, according to official documents reviewed by *The Hindu*. One option to implement the discount would be to amend the existing tax rates to include the discounted rates, according to indirect tax consultants.

The coming surge: Revenue authorities estimate the loss due to the 2% digital discount at about ₹25,920 crore.

However, they added that this was the least likely option due to the operational difficulties it would pose, since the GST Council is at present only authorised to implement the tax rates of 0.25%, 3%, 5%, 12%, 18%, and 28%. "It is unlikely that they will implement a change in the rates themselves," another tax consultant said, requesting anonymity as the discount was still only a proposal.

Refund option

"Instead, another way they could do it is for the electronic payment channels, such as the banks behind the debit or credit cards, to refund the 2% amount to the customer once the transaction is done at the normal tax rate. It is unlikely that they will make businesses keep two separate books of account – one electronic and another cash – as that would be a big burden."

Officials in the Finance Ministry said the proposal would come up for discussion in the next GST Council meeting, set to take place in the first week of January.

"This was on the Council's agenda in its last meeting at Guwahati earlier this month and might be taken up during the next meeting," according to a senior Finance Ministry official.

"There have been reports that more transactions are being done in cash to evade GST compliance. But now we have reduced the compliance burden and this move will also make digital payments cheaper, so [cash payments] should end."

"The majority of payments are for ₹5,000 or less, so the ₹100 limit will mean the discount will apply to all these transactions," the official added.

"To incentivise digital transactions, it is proposed to provide a concession of 2% in GST rate on B2C supplies, for which payment is made through digital mode [1% each from applicable CGST and SGST rates, if the applicable GST rate is 3% or more] subject to a ceiling of ₹100 per transaction," the GST Council proposal states.

This concession would, however, not be available for small businesses registered under the Composition Scheme. Businesses registered under the scheme are eligible to pay tax at 1% for traders and manufacturers, and 5% for restaurants.

Taking an average transaction value of ₹1,800 per transaction, the revenue authorities expect the loss to the exchequer due to such a digital discount at ₹25,920 crore, if 40% of all digital transactions get the discount.

"The reduction in GST revenues on account of this would possibly be compensated [for] by the expansion of the tax net and improved compliance by existing taxpayers," Mr. Mani said.

Will help Apple set up facility in India: Centre

Awaiting formal proposal, says Prabhu

PRESS TRUST OF INDIA
NEW DELHI

Commerce and Industry Minister Suresh Prabhu said the Centre would support iPhone-maker Apple to set up a manufacturing unit in the country and is awaiting a formal proposal from them. "Let us get a good proposal from them…we will be very happy to try to facilitate Apple, one of the top brands in the world. We are willing to find out if there is any difficulty they may face. We will be more than happy to resolve that difficulty.

"So we will await a formal proposal," Mr. Prabhu said.

He also said that the Centre was willing to call all State Chief Ministers who are willing to give them the best deal. Apple has asked for certain concessions for setting up a manufacturing unit in the country.

The government had sought investment and job creation details from the iPhone-maker to facilitate setting up its proposed manufacturing facility in India.

In March, the then Commerce and Industry Minister Nirmala Sitharaman said that the government had not accepted 'most of the demands' of the company.

It's time for consolidation of reforms, says NITI VC

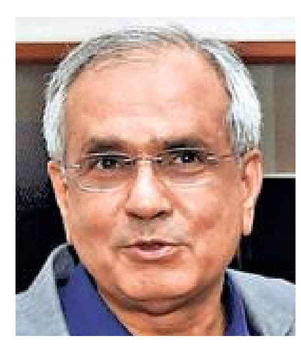
Lack of employment story, an exaggeration: Rajiv Kumar

PRESS TRUST OF INDIA
NEW DELHI

NITI Aayog Vice Chairman Rajiv Kumar said the time has come for consolidation of reforms, including GST, bankruptcy code and benami law, initiated by the NDA Government in the last 42 months to ensure they deliver the "desired fruits."

Health, education

The new initiatives in the next 18 months, Mr. Kumar said, should focus on health and education sectors as these two are going to be critical for human resource development.



Rajiv Kumar

"You know Modi Government has done far too much in those 42 months, it has taken some very major steps.

My view is that time has come for consolidation and making sure that these reform steps which have been taken yield the desired fruits," he said.

On the criticism that the government has failed to create enough jobs, Mr. Kumar said there are a large number of areas which have seen substantial increase in employment opportunities, though they may not be in organised and formal sector.

"Let me say that the lack of employment story, I think, is quite exaggerated," Mr. Kumar said.

'More than a third of registered firms shut'

Active companies' count was 11.3 lakh

PRESS TRUST OF INDIA
NEW DELHI

More than one-third of the total 17 lakh registered companies in the country were shuttered as at the end of October, latest official data showed.

Active firms

While authorities step up their clampdown on companies suspected of being used as a conduit for illegal activities, the number of active firms stood at little more than 11.3 lakh as on October 31. The Corporate Affairs Ministry, which is implementing the Companies Act, has so far struck off the names of about 2.24 lakh entities that have not been carrying out business activities for long.

"The total number of companies registered in the country as on October 31, 2017, stood at 17,04,319... there were 11,30,784 active companies as on October 31, 2017," the Ministry said in a report for October.

According to the report, out of the total, 5.35 lakh companies were closed down, 1,123 were assigned dormant status, 5,957 were under liquidation and 31,666 were in the process of being struck-off, among others.

INTERVIEW | PARESH SUKTHANKAR

'We may be in for a bit of a pause on rates'

Factors driving down interest rates have reversed, says HDFC Bank's Sukthankar

MANOJIT SAHA

With the Reserve Bank of India's (RBI) monetary policy review expected in early December, **Paresh Sukthankar**, *deputy managing director, HDFC Bank, said interest rates could be in the pause mode for some time. Excerpts from an interview:*

Last week, the government promulgated an ordinance to bar defaulting promoters from participating in the liquidation process? Your view?

■ It is a right thing. There will be people who will say that keeping existing promoters out could impact best price realisation because en existing promoter may be able to give the best price, leverage the asset best. But, I still feel, purely on moral grounds, and governance ground....if somebody knows he is not doing well and if he negotiates with the bank and he may not get the kind of haircuts he wants, he will drag the company to insolvency and then, through that door, he will buy back the asset ... which will be a complete shame.

How many HDFC Bank's accounts are there in the two lists of companies that RBI has suggested for bankruptcy proceedings?

■ We had one account in the first list which we had classified as NPA long back. We have couple of more names [in the second list]. We have classified that as NPA long back. So, from a provisioning perspective, we have no impact. In all these cases, we have a relatively smaller exposure.

Do you see an opportunity for HDFC Bank in consumer durable lending – a sector better served by non-banking finance companies?

■ From our point view, we are the largest retail lender. And our focus has been that we have a complete product range.

Consumer durable finance can be made by credit cards which can be converted into EMIs.

So, effectively, we have been in this business for a long time.

From our point of view, we now do some consumer durable finance. It is to ensure our product range is exhaustive, and now, we are catering in both the card route as well as normal instalment route.

How big is the portfolio?

■ The portfolio is still small, but it is growing.

Again, given our overall size and given that these are short duration loans, it is not going to be a large part of our loan book. It is not something that will change the needle.

Retail lending is more than half of your loan book. Where do you see it going ahead?

■ Retail loans are 54% of the overall book. We don't have a set percentage that we want to maintain, because we are well positioned in both wholesale and retail. So, whether one is growing a little faster than the other does not trouble us. Retail is growing fast because of not we want it to grow faster, because that is where the demand is. It is the real economy that creates the demand, a bank just mirrors that.

It is the real economy that creates the demand, a bank just mirrors that

But HDFC Bank is known as a retail-focused bank...

■ If you look at the economy, 60% of India's GDP is domestic consumption. Now, if you are saying 60% of the economy is consumption and you want to have 60% of your loans as term loans then there will a disconnect between your bank balance sheet and the real economy. Because larger amount of money is chasing smaller part of the growth of the economy.

On the liability side we are a very substantially a retail focused bank.

Most of the deposits comes from retail. So far as loans are concerned, we are equally strong in retail and corporate, our loan book is almost half and half. If we are primarily a retail bank, our loan book would have been 80:20 or 70:30, but that is not the case.

And we want to maintain a balance. In maintaining of that balance, which will grow a little faster and which will grow a little slower will depend on underlying factors.

Do you have any concerns on the unsecured portfolio?

■ At this point, no. In this credit cycle, that is the last 4-5 years, the unsecured portfolios behaved very very stable. In fact, in the last three years, in retail lending if there was any bit of increase in NPAs, it was products like commercial vehicle loans, construction equipment loans etc [secured loans]. Having said that, intrinsically unsecured loans do have a higher expected loss which is what you price in.

Do you think we are at the end of the rate-easing cycle?

■ I think we are in for a bit of a pause. Some of the major factors which were driving down rates have reversed. Recent inflation numbers suggest we are off the bottom. Oil prices have gone up. That is a major determinant of monetary policy. Secondly, if you look at the liquidity, the excess liquidity is gradually gone. If you look at these factors they are not supportive of further easing of rates. At the same time, I don't think anybody will be comfortable with rates moving up either.

You see further scope for HDFC Bank to revise marginal cost of funds based lending rate (MCLR) – the benchmark rate for all loans?

■ MCLR will move in line with what happens to deposit rates.

If larger part of deposit rate cycle is through, because fixed deposit rates are not coming down any further, then [there is] not much scope for MCLR to come down.