



TIPS 2016 to be held on 8 November in Brussels

Trade and Investment Partnership Summit (TIPS), the flagship of Europe India Chamber of Commerce's annual events, will be held on 8 November. The venue is: *BNP Paribas Fortis Auditorium Chancellery, 1, Rue de la Chancellerie (Kanselarijstraat 1), 1000 Brussels*. The Summit is dedicated to fostering bilateral trade, investment and economic relations between European Union and India.

The objective of the Trade and Investment Partnership Summit (TIPS) is to create awareness on international business opportunities and feasibility of cross-border expansion for Indian and European business. The Summit will make comprehensive overview on the strategic fundamentals of India-EU bilateral relationship in content and context and will suggest ways to give it a strategic dimension through a full spectrum of presentations and debate. In this sense the TIPS 2016, a unique business and leadership platform, will bring together business leaders, thought leaders, policy makers, regulators, representatives of the European Commission and trade and business bodies and government representatives from Europe and India with an eye to create an innovative way to strengthen the existing trade and economic partnership between European Union and India.

During last two years the Government of India has taken several economic policy reforms aimed at inviting foreign investment in India and as recently as in June the government announced sweeping liberalization of the FDI rules. With these changes, India is now the most open economy in the world for FDI. In the summit, the Government of India will do a **road-show** about the current FDI regime in India and business opportunities for the European companies with focus on the following sectors: Defence, Pharmaceuticals, Smart Cities, Digital India, Food Processing and Civil Aviation. The TIPS 2016 will provide business leaders and decision makers with the opportunity to discover and analyze how Indian companies and firms can serve as potential buyers of European businesses or viable partners in their economic growth; learn the lessons that CEOs and dealmakers have experienced when successfully completing cross-border transactions between India and Europe; gain inside knowledge about augmentation of business capabilities through cross-border acquisitions or direct in-country growth; and network with major influencers and decision makers in the European and Indian business communities.

The Summit is being organized in association with the **Embassy of India** and in collaboration with **Eurochambres, Friends of Europe, Belgo-Indian Chamber of Commerce and Industry, Europe India Foundation for Excellence** and **Flanders Investment and Trade (FIT)**. **BusinessEurope** is likely to join as partnering organisation which will give added value to the issues the Summit will deliberate. A total of specially invited 175 participants from India and European countries will attend. As ever, a diverse group of political leaders and experts from industry, business, finance and the media are being invited.

A delegation from the Government of India will be led by a Cabinet Minister who will deliver the Key Note address. Confederation of Indian Industry (CII), Federation of Indian Chamber of Commerce & Industry (FICCI) and other trade bodies are being invited to send their business delegation to attend the Summit and address in the road-show. EICC will host a working lunch for the participants at the venue and also a Dinner Reception at the Indian Embassy.

The EICC within the framework of the TIPS, will organize a Colloquium titled as: **EU, BREXIT and India – Changing Landscapes**, to discuss the challenges and opportunities for Indian business in the new scenario. We shall invite business leaders, strategists, political personalities and Think Tanks to share their perspective.

FDI surges after 'Make in India', up 46% at \$62 bn

To further boost investment environment and bring in foreign capital, the government is taking various measures like opening up FDI in many sectors, carrying out FDI related reforms and improving ease of doing business, she said.

Foreign direct investment during October 2014 and May this year grew 46 per cent to USD 61.58 billion after the launch of Make in India programme, Parliament was informed recently.

The initiative was launched in September 2014 with an aim to promote India as an important investment destination and a global hub for manufacturing, design and innovation.

“During October 2014 to May 2016, FDI equity inflow has increased by 46 per cent i.e from USD 42.31 billion to USD 61.58 billion in comparison to previous 20 months (February 2013 to September 2014),” Commerce and Industry Minister Nirmala Sitharaman said in a written reply to the Rajya Sabha.

To further boost investment environment and bring in foreign capital, the government is taking various measures like opening up FDI in many sectors, carrying out FDI related reforms and improving ease of doing business, she said.

The Department of Industrial Policy and Promotion has advised ministries and states to simplify and rationalise the regulatory environment through business process re-engineering and use of information technology, she added.

Sectors that attracted maximum FDI include services, trading, automobile and power.

Replying to a separate question, the minister said the total number of Industrial Entrepreneurship Memorandum (IEM) applications decreased from 2,365 in 2013 to 1,801 in 2014, which increased to 1,909 in 2015.

To another query, she said the government has approved as many as 259 proposals for setting up of special economic zones relating to IT/ITeS and electronic hardware sector in many parts of the country.

During the last four years and the current financial year (up to July 15), the Board of Approval, under the ministry, gave more time to as many as 139 developers of SEZs, including the IT/ITeS sector, to complete their projects.

Indian Cabinet approves changes to GST Bill, matter to come up in Upper House

Signaling an end to the logjam over the passage of the GST Bill in the Rajya Sabha, the Union Cabinet on in July approved changes to the GST Constitutional Amendment Bill, providing for full compensation to states for first five years of roll out of the new indirect tax regime.

At a meeting with his state counterparts, Finance Minister Arun Jaitley agreed to include in the Bill the mechanism of compensating states for all loss of revenue for five years.

Furthermore, the Cabinet also agreed to waive off the levy of 1 per cent additional tax levy, one of the key demands of the Congress which has been stalling the passage of the bill in the Upper House.

The Cabinet also dropped a 1 per cent manufacturing tax. The Bill in its present form provides that the Centre will give 100 per cent compensation to states for first three years, 75 per cent and 50 per cent for the next two years.

However, the Select Committee of the Rajya Sabha had in its report recommended 100 per cent compensation for probable loss of revenue for five years.

The Cabinet, headed by Prime Minister Narendra Modi, decided to include in the Constitutional Amendment Bill that any dispute between states and the Centre will be adjudicated by the GST Council, which will have representation from both the Centre and states.

With states on board and the Cabinet approving the amendments, the government is hopeful of passage of the long-pending Goods and Services Tax (GST) Bill in the ongoing monsoon session of Parliament, which ends on August 12.

The GST Bill, with the changes approved by the Cabinet, could come up in the Rajya Sabha as early as this week, but certainly by the first week of August.

The changes approved by the Cabinet are to the Constitutional Amendment Bill that was approved by the Lok Sabha in May (repeated) May last year. Once the Rajya Sabha approves the legislation, the amended Bill will have to go back to the Lok Sabha again for approval.

"The amendments to the GST Constitutional Amendment Bill have been cleared," a top official said after the meeting of the Union Cabinet chaired by Modi.

The amendments were taken up by the Cabinet after Finance Minister Arun Jaitley's assurance to state finance ministers to include in the Bill the mechanism of compensating states for all the loss of revenue for five years.

Terming it a very big development, Chairman of the Empowered Committee of State Finance Ministers Amit Mitra had yesterday said that appropriate wordings on compensation would give confidence to the states regarding Centre.

"I cannot go into details of the wordings, I can only give you spirit of it. States are satisfied that in the constitutional amendment the wording (will be provided) by which states will be guaranteed five years of compensation if there is any loss of revenue," Mitra said.

The government plans to roll out GST by April 1, 2017, and is working overtime to build consensus to get the Bill passed in the ongoing Monsoon Session of Parliament ending on August 12. With Congress demand of getting GST rate capped in the Bill delaying its passage, the Centre yesterday built a broad consensus with the states that the rates should not be mentioned in constitution and instead could figure in GST law.

It was also assured that the tax rate in the new regime, which is to be decided by the GST Council, will be less than what it is at present.

In the new regime, there will be one Central GST or C-GST and State GST or S-GST. States levy sales tax or VAT on goods sold within their jurisdiction and get a Central Sales Tax (CST) on sales made outside their territories.

The GST Bill, which intends to convert 29 states into a single market through a new indirect tax regime, was earlier planned to be introduced from April 1 this year, but the deadline was missed as the legislation to roll it out remains in limbo in the Opposition-dominated Rajya Sabha.

The government is keen to get the GST Bill approved during the current monsoon session of Parliament ending August 12 but is facing opposition from Congress which wants 18 per cent cap on tax rate to be part of the Constitutional Amendment Bill while the one per cent additional tax in hands of states over and above the GST rate be scrapped.

But the government said the demand of cap was difficult to accept because they would need to amend the Constitution every time for changing the rate, which will be decided by the GST council.

The Congress, however, agreed to consider alternative government proposals earlier this month.

By doing away with the 1 per cent inter-state tax over and above the GST rate, the government has met one of the three key demands over which Opposition Congress has been blocking the Bill in the Upper House.

IMF flags decelerating pace of reforms in India

The IMF warned there is a risk that emerging economies do not reduce vulnerabilities and rebuild buffers sufficiently.

Listing out as many as six core areas that need further reforms in India, IMF has warned that headwinds from weaknesses in the country's corporate and bank balance sheets, decelerating pace of reforms and sluggish exports may weigh on its economic growth.

The International Monetary Fund (IMF), which recently lowered its GDP growth projection for India to 7.4 per cent in the current fiscal, said the country's "economy is on a recovery path, helped by lower oil prices, positive policy actions and improved confidence".

"But headwinds from weaknesses in India's corporate and bank balance sheets, a decelerating pace of reforms, and sluggish exports will weigh on growth," the multilateral institution said in a 'Note on Global Prospects and Policy Challenges'.

The note has been prepared for the two-day meeting of the G20 Finance Ministers and Central Bank Governors' Meetings being held in Chengdu, China.

IMF, which has also lowered its global economic growth forecast for 2016 and 2017 by a marginal 0.1 per cent to 3.1 and 3.4 per cent respectively, recommended six 'reform priorities' for India, which is higher than the same for several other emerging markets including China, Brazil and South Africa.

The key areas where IMF has recommended further reforms for India include product market, labour, infrastructure, banking, legal system and property rights, and fiscal structural reforms.

Out of total nine 'reform priorities' taken under consideration by IMF for various countries, India has been found to have done well on three — innovation, capital market development and trade/FDI liberalisation.

In case of China and South Africa, IMF has recommended further reforms in five key areas each, while it is higher at seven for Russia. For Brazil, IMF has sought reforms in just three core areas.

Among advanced economies, the IMF Note recommends further reforms in five core areas each for the US and the UK.

The IMF further warned there is a risk that emerging economies do not reduce vulnerabilities and rebuild buffers sufficiently before capital flow reversals materialise.

Stating that corporate leverage has increased significantly in some emerging economies, including India, in domestic and foreign currency against the background of ample global liquidity, IMF said a strong pullback of capital flows to emerging economies could tighten financial conditions and weaken their currencies.

This may lead to a possibility of significant adverse corporate balance sheet effects and funding challenges, and significant repercussions for banking systems, it added.

It further said, "The quality of fiscal consolidation in India should be improved through a comprehensive tax reform (such as introducing the goods and services tax and improving tax administration) and measures to further reduce subsidies.

"With shrinking fiscal buffers, many commodity exporters need to develop new growth models and tackle fiscal adjustment including through reduced but more efficient public expenditures, stronger fiscal frameworks, and mobilising new sources of revenues."

It opined that emerging economies can continue to be a strong locomotive of global economic and trade growth through well-sequenced structural reforms, if vulnerabilities are addressed.

About India, the IMF also said further steps to relax long-standing supply bottlenecks (especially in the energy, mining, and power sectors) as well as labour market reforms, are crucial to achieving faster and more inclusive growth.

On its recommendations for emerging market economies, IMF listed out "focus on raising public investment efficiency" and strengthening the framework for contract enforcement for countries like India.

Besides, "implementing further subsidy and social spending reforms would create policy space to support other supply-side reforms" in India and some other countries, it added.

"Where policy space is limited, adjusting the composition of fiscal policy can create space to support reforms," the IMF said while talking about India, Russia, Argentina and Mexico.

It also said potential gains from improving the quality and efficiency of public investment could be substantial for India, Saudi Arabia, and South Africa.

“Improvements could come from ongoing project oversight and reviews, and greater use of public-private partnerships. Improving land acquisition laws (for example in India) can stimulate private spending on infrastructure at little to no fiscal cost,” it added.

“Brazil, India, and Indonesia can realize large potential gains within their tighter budgetary constraints by reducing tariffs, lifting domestic content requirements, and pursuing preferential trade agreements,” IMF said.

“By enforcing laws against gender discrimination and improving child care facilities, India and Saudi Arabia could take much better advantage of favorable demographics to boost female labor force participation and demand without straining the budget,” it added.

India to sign new bilateral treaties in next few months

India will likely sign a bilateral investment treaty (BIT) within the next few months with the US, Canada or Cambodia. That taxation matters have been kept out of the BIT is not a cause of concern, as the nations with which India is negotiating the agreement have been assured that the provisions under Double Taxation Avoidance Agreement (DTAA) are adequate to provide protection to foreign companies operating here, government sources told Business Standard.

BIT, the model draft of which was cleared by the Union Cabinet in December 2015, is expected to eventually replace the existing bilateral investment protection and promotion agreements (BIPPAs) that India has signed with 72 nations. India will also sign BITs with countries it has had no comprehensive investment agreements with before, including the US.

BIT keeps taxation out of its ambit with the idea that foreign companies finding themselves in a tax row with the government will not be able to invoke the investment treaty their parent country has signed with India, as is the case with BIPPA.

The model BIT states that India or any other country cannot nationalise or expropriate any asset of a foreign company unless the law is followed, is for the public purpose, and fair compensation paid. Public purpose is not defined in any treaty India has signed with other nations. The BIT states that dispute-resolution tribunals, including foreign tribunals, can question ‘public purpose’ and re-examine a legal issue settled by Indian judicial bodies.

“The government is negotiating BIT with a number of countries, including the US, Canada, Australia, Russia, China, New Zealand and Association of Southeast Asian Nations (Asean) nations,” said a senior official aware of the developments. The Asean is a regional grouping comprising Thailand, Cambodia, Laos, Malaysia, Indonesia, Brunei, Singapore, the Philippines, Myanmar and Vietnam.

“The closest we are to wrapping up negotiations is with the US, Canada and Cambodia. So, any one of these could be signed first,” the official said. “The issue of tax not being covered by the treaty is not a contentious one between us and our global partners, as we have assured them fair protection under DTAA,” the person added.

However, the optimism by the government on signing BITs, especially regarding the US, is in contrast with what Richard Verma, US Ambassador to India, had written in a guest column for Business Standard earlier this month.

In his piece titled US seeks more talks on investment treaty, Verma wrote: "In India's recent model draft BIT, there were departures from the high standards that we had seen in other treaties India had negotiated. The new model actually substantially narrows the scope of investments covered by the treaty and requires that disputes be exhausted in local Indian jurisdictions before alternative investor-state dispute mechanisms can be initiated. We will keep working to narrow our gaps, but today, unfortunately those gaps do prevent us from moving forward and putting in place the kind of structural protections that investors in both our countries have come to expect in international commerce."

Government officials said that in case of countries with which India has signed BIPPA, first those agreements will be notified as null and void before the new BITs are signed.

British telecom major Vodafone had invoked the India-Netherlands BIPPA, seeking international arbitration in its long-drawn Rs 20,000-crore tax dispute, following the cancellation of conciliation talks. Similarly, Finnish mobile handset maker Nokia resorted to this for resolving the tax department's claim of liability, existing and anticipated, for seven years from 2006-07. Cairn Energy, too, recently demanded compensation under the ambit of the India-UK BIPPA for the Rs 10,200-crore tax notice slapped on Cairn India.

Indian economy likely to grow 7.9% this fiscal, but monsoon key

As per the rating agency Crisil's latest report, GDP is expected to grow by 7.9 per cent in 2016-17 as against 7.6 per cent in the previous fiscal if "monsoon is normal and global situation does not deteriorate from here".

Indian economy is likely to grow at 7.9 per cent in the current fiscal provided the country receives normal monsoon as it will boost agriculture growth and lift rural demand, says a report.

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"If the rains are normal, it would give agriculture a one-time growth kick, particularly given the low-base effect of the two previous years... that should lift sagging rural demand and by extension, overall GDP growth," it said.

Accordingly, the rating agency expects the Reserve Bank of India to continue its accommodative monetary stance and cut the repo rate by another 25 bps this fiscal.

Noting that the economy's modest recovery has been shaped by "good luck" on crude oil and commodities, Crisil said the medium-term outlook will be shaped by progress on initiatives such as cleaning up of bank balancesheets and successful implementation of the goods and services tax (GST).

Besides, financial inclusion through initiatives like Jan Dhan and digitisation, among others, will also potentially have a transformative impact on the economy's growth, it added.

On the employment front, Crisil Chief Economist Dharmakirti Joshi noted that the government needs to bring in about 6,000 jobs a month, but it is falling short of the target.

As per the report, addressing core physical infrastructure issues such as seamless availability of electricity, creation of road network and social aspects like health and education are crucial to sustaining growth.

“The current fiscal, therefore, will be closely watched for more reforms and relentless implementation of executive and policy actions already announced,” the report said.

According to Crisil, India’s ranking on ease of doing business and competitiveness is expected to rise in 2016, given the government’s reforms initiatives.

However, it observed that steps to raise efficiency in goods and labour markets, health, education as well as technological readiness are found to be lacking.

India to bid good bye to its ‘old’ financial year in 2018?

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The move is part of three major budget-related initiatives including merger of railway budget with the general budget (likely in 2017-18), and dropping of Plan and non-Plan distinction (certainly from 2017-18) in allocation of resources, an official said.

“If we are able to align our numbers with broader global numbers, it makes sense to make calendar year as financial year compared to April-March spread over two calendar years,” said Devendra Pant, chief economist at India Ratings.

Most of the major economies in the world, barring the notable exception of the US, have January-December as their financial year. Besides, most of the large global firms use calendar year for data reporting. Similarly, multilateral agencies such as World Bank, International Monetary Fund and Asian Development Bank use calendar year as financial year.

On July 6, the government set up a four-member panel headed by former chief economic adviser Shankar Acharya to examine the feasibility of changing India’s financial year.

“Committee will examine the merits & demerits of various dates for commencement of financial year including existing date (April to March),” the finance ministry had said. It will submit its report by December 31.

Other terms of the reference of the panel include the suitability of the financial year from the point of view of correct estimation of receipts and expenditure of central and state governments, the effect of different agricultural crop periods and the relationship of the financial year to the working season.

The panel will also factor in the likely impact on businesses, taxation systems and procedures, statistics and data collections and the convenience of the legislatures for transacting budget work.

Depending on the recommendation of the panel, “the change in the fiscal year will likely happen from 2018-2019,” the official said. If January-December financial year is implemented, India’s annual budget may have to shift to November from February now.

In 1867, the Britishers had introduced April-March financial year in India to align it with its own fiscal cycle. Prior to that, the financial year in India used to commence on May 1 and ended on April 30.

In 1984, the LK Jha committee had recommended that the financial year should start from January mainly considering the impact of the South-West monsoon on the economy. But, the government did not implement this fearing a large number of problems.

In the past:

Before 1867 - India’s financial year was ‘May-April’

1867 - British introduced ‘April-March’ as financial year in India

1984 - LK Jha panel recomm-ended making ‘January-December’ financial year; Govt did not accept, fearing transitional issues

2016 - Govt sets up a panel to examine feasibility of a new financial year

India, Cyprus finalise DTAA; capital gains to be taxed at source country

India and Cyprus have reached an in-principle agreement on all pending issues on Double Taxation Avoidance Agreement, including taxation of capital gains, which once implemented would help remove the island-nation from a non-cooperative jurisdiction for income tax purposes.

An official level meeting between India and Cyprus in New Delhi last week finalized a new India Cyprus Double Taxation Avoidance Agreement, wherein all pending issues, including taxation of capital gains, were discussed, and in-principle agreement was reached on all pending issues.

It was agreed to provide for source based taxation of capital gains on transfer of shares. However, a grandfathering clause would be provided for investments made prior to 1 April 2017, in respect of which capital gains would be taxed in the country of which taxpayer is a resident.

These provisional agreements will now be placed before the cabinet for its approval, subsequent to which the new tax treaty can be signed by the two countries.

Both sides also discussed the issue of notification of Cyprus under section 94A of Income-tax Act, 1961. It was agreed that India will consider rescinding the said notification with effect from 1 November 2013, and will be initiating the process for the same. Both sides expressed satisfaction with the progress achieved at the meeting, and hoped that it would lead to resolution of all pending matters at the earliest.

India ranks 110th on Sustainable Development index

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The Sustainable Development Solutions Network (SDSN) and the Bertelsmann Stiftung launched a new Sustainable Development Goal Index and Dashboard to provide a report card for tracking Sustainable Development Goals (SDG) progress and ensuring accountability.

The index collected available data for 149 countries to assess where each country stands in 2016 with regard to achieving the SDGs.

It ranks countries based on their performance across the 17 global goals, a set of ambitious objectives across the three dimensions of sustainable development – economic development, social inclusion and environmental sustainability, underpinned by good governance.

The index helps countries identify priorities for early actions and shows that every country faces major challenges in achieving the SDGs.

“The Sustainable Development Goals are stretch goals, but they are within reach if countries work towards them with clarity and determination. The SDG Index and Dashboard can help each country to chart out a practical path for achieving the Goals,” said SDSN Director Jeffrey Sachs.

The countries which are closest to fulfilling the goals are not the biggest economies but comparably small, developed countries.

Sweden tops the chart and is followed by Denmark and Norway on the top three performing countries. Germany (6) and the UK(10) are the only G7 countries to be found among the top ten performers. The US ranks 25th on the index, while Russia and China rank 47th and 76th respectively.

India ranks 110th on the list followed by Lesotho on 113th position, Pakistan (115), Myanmar (117), Bangladesh (118) and Afghanistan (139).

Poor and developing countries understandably score lowest on the SDG Index as they often have comparably little resources at their disposal.

The Central African Republic and Liberia are at the bottom of the Index and still have the longest way to go in achieving the SDGs.

A year after world leaders adopted the SDGs, the new index shows that all countries face major challenges in achieving these ambitious goals by 2030.

No country has achieved the SDGs and even top Sweden scores “red” on several goals. The report shows how leaders can deliver on their promise and urges countries not to lose the momentum for important reforms.

In order to achieve the ambitious goals, immediate and comprehensive action is needed in the crucial first years of implementation of the new global agenda, it noted.

The report highlights major challenges per region: Organisation for Economic Co-operation and Development (OECD) countries struggle to meet the goals on inequality, sustainable consumption, climate change and ecosystems, while many developing countries face major difficulties in providing basic social services and infrastructure access to their populations.

East and South Asia outperform many other developing regions but unmet challenges persist in health and education. For Latin America and the Caribbean, high levels of inequality are among the most pressing issues.

In spite of significant progress in recent years in Sub-Saharan Africa, the world's poorest region faces major challenges across almost all SDGs, with extreme poverty, hunger and health as major areas where substantial improvement is needed.
