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1. PLI SCHEME TO MAKE INDIA INTEGRAL PART OF GLOBAL SUPPLY CHAIN: ECO SURVEY

The Rs 1.46-trillion PLI scheme is expected to make India an integral part of the global supply chain and create huge employment opportunities, according to the Economic Survey. The production-linked incentive (PLI) scheme was recently expanded to 10 sectors, after registering traction from global investors in the mobile manufacturing segment.The government in the Survey said the scheme will make "Indian manufacturers globally competitive, attract investment in the areas of core competency and cutting-edge technology." It added that the scheme will also establish backward linkages with the MSME sector in the country, which, in turn, "will lead to more inclusive growth and create huge employment opportunities". The scheme was launched to boost manufacturing in the country and make it self-reliant. The Survey said the PLI scheme will ensure efficiencies, create economies of scale, enhance exports, provide a conducive manufacturing ecosystem, and make India an integral part of the global supply chain especially for the 10 sectors identified under the scheme. Under the scheme, the government has earmarked the highest amount of incentive for the automobile and its components sector amounting to Rs 57,042 crore. The mobile sector had been granted an incentive of around Rs 40,951 crore. Some other sectors included under PLI are advance cell chemistry battery (Rs 18,100 crore), electronic and technology products (Rs 5,000 crore), pharmaceutical drugs (Rs 15,000 crore), and telecom and network products (Rs 12,195 crore). Textile products (Rs 10,683 crore), food products (Rs 10,900 crore), high efficiency solar PV modules (Rs 4,500 crore), white goods (Rs 6,238 crore) and specialty steel (Rs 6,322 crore) are also included in the scheme. The respective Ministries of the sectors included under PLI are working on detailed guidelines for rolling out the incentives. The Ministry of Electronics and IT, which started the scheme, has approved 16 proposals from domestic and international companies entailing an investment of Rs 11,000 crore to manufacture mobile phones worth Rs 10.5 trillion over the next five years. The companies who have applied for the scheme include iPhone maker Apple's contract manufacturers Foxconn Hon Hai, Wistron and Pegatron, apart from Samsung and Rising Star. Domestic companies whose proposals have been approved include Lava, Bhagwati (Micromax), Padget Electronics (Dixon Technologies), UTL Neolyncs and Optiemus. The mobile phone sector is expected to generate over 200,000 direct jobs and nearly 600,000 indirect employment opportunities in the next five years.

(Source: Business Standard)

2. COMPANIES ENTERING TEXTILE SPACE MAY GET HIGHEST BENEFIT UNDER PLI

The government may introduce a category called 'Greenfield' in the recently announced production-linked incentive (PLI) scheme for textiles to encourage companies to venture into the sector. As per the discussions, to be eligible for the scheme, the new entrants would be required to invest at least ₹500 crore for which the initial benefit is likely to be 11%, which is the highest of all categories being discussed. Incentive rate for existing companies in the sector could be 9% of their incremental production in the first year for companies with turnover between ₹100-500 crore, which would be tapered gradually to 5%. Companies with turnover of above ₹500 crore would be eligible for a 7% incentive rate, which would be reduced to 3% eventually. The scheme aims to create 50-60 world class global champion companies in these segments. "We are looking at high potential products and those that are traded the most globally," an official said. "It is only at a proposal stage, but we want new products that can be produced and exported from India to get the incentive." Airbags, sutures, sanitary napkins and bandages could be among 10 products in technical textiles to get a manufacturing boost under the scheme along with another 40 items of man-made fibre (MMF) such as track suits, coats and babies' garments.

(Source: The Economic Times)

3. ANTI-DUMPING DUTY REVOKED ON PTA IMPORT

Purified terephthalic acid (PTA) producers such as Reliance Industries NSE -0.38 % Ltd, Indian Oil Corp, JBF and MCPI face a hit on their margins as the government has abolished anti-dumping duty on the chemical, which is a raw material for synthetic textile. Finance Minister Nirmala Sitharaman said chemicals are vital feedstocks for downstream users. "PTA, for example, is a critical input for textile fibres and yarns. Its easy availability at competitive prices is desirable to unlock immense potential in textile sector, which is a significant employment generator," she said in her budget speech. For PTA producers, the elimination of anti-dumping duty would cut current margin of about $120 per tonne by about 20%, said K Ravichandran, analyst at rating agency ICRA. The anti-dumping duty, imposed by two orders in July 2016 and July 2019, has been revoked on PTA imported from China, Iran, Indonesia, Malaysia, Taiwan, Korea RP and Thailand. Reliance is the biggest PTA manufacturer in the country with a domestic capacity of 4.4 million tonnes per annum. Indian Oil makes 550,000 tonnes per annum.

(Source: The Economic Times)

4. GOVT RELEASES 14TH INSTALLMENT OF RS 6,000 CRORE TO STATES TO MEET THE GST COMPENSATION SHORTFALL

The Ministry of Finance, Department of Expenditure has released the 14th weekly installment of Rs 6,000 crore to the States to meet the GST compensation shortfall. Out of this, an amount of Rs 5,516.60 crore has been released to 23 States and an amount of Rs 483.40 crore has been released to the 3 Union Territories (UT) with Legislative Assembly (Delhi, Jammu & Kashmir & Puducherry) who are members of the GST Council. The remaining 5 States, Arunachal Pradesh, Manipur, Mizoram, Nagaland and Sikkim do not have a gap in revenue on account of GST implementation. Till now, 76 per cent of the total estimated GST compensation shortfall has been released to the States & UTs with Legislative Assembly. Out of this, an amount of Rs 76,616.16 crore has been released to the States and an amount of Rs 7,383.84 crore has been released to the 3 UTs with Legislative Assembly. The Government of India had set up a special borrowing window in

October, 2020 to meet the estimated shortfall of Rs 1.10 lakh crore in revenue arising on account of implementation of GST. The borrowings are being done through this window by the Government of India on behalf of the States and UTs. 14 rounds of borrowings have been completed so far starting from 23rd October 2020. The amount released this week was the 14th instalment of such funds provided to the States. The amount has been borrowed this week at an interest rate of 4.6144%. So far, an amount of Rs 84,000 crore has been borrowed by the Central Government through the special borrowing window at an average interest rate of 4.7395%. In addition to providing funds through the special borrowing window to meet the shortfall in revenue on account of GST implementation, the Government of India has also granted additional borrowing permission equivalent to 0.50 % of Gross States Domestic Product (GSDP) to the states choosing Option-I to meet GST compensation shortfall to help them in mobilising additional financial resources. All the States have given their preference for Option-I. Permission for borrowing the entire additional amount of Rs 1,06,830 crore (0.50 % of GSDP) has been granted to 28 States under this provision.

(Source: Times Now News)

5. INDUSTRY HOPEFUL THAT RODTEP WILL ELIMINATE ALL UNDESIRED TAX COSTS FOR EXPORTERS: ET-ILC MEMBERS

Government of India’s proposal to replace the Merchandise Export Incentive Scheme (MEIS) with the Remission of Duties or Taxes on Export Product (RoDTEP), as the former was not WTO compliant, seems to have gone down well with most industry players. Now, in a recent statement released, the finance ministry has said that the RoDTEP scheme will be extended to all export goods from Jan 1, 2021. The RoDTEP rates, conditions and exclusions under which it can be availed will be detailed by the department of commerce, based on recommendation of the GK Pillai committee that are expected soon. The industry is hopeful that the duty remission scheme will cover all the actual expenses pertaining to unrebated central and state taxes electricity duty, mining taxes, levies imposed on fuel, transportation, etc. The aluminium industry is operating at 90% capacity and is depending heavily on quick RoDTEP implementation since currently 15% of cost of aluminium production is due to unrebated central and state excise duties, the highest in the world. For the automotive industry, the question of global competitiveness is key as the sector exports to over 160 countries with an approximate turnover of USD 27 billion but has less than 2% of the global automotive trade in value terms. This is because of infrastructure inefficiencies and tax costs which are currently in 3-4% range. Even for the auto sector, RoDTEP will have a great positive impact as it is aimed at refunding all the taxes to auto manufacturers such as fuel, electricity duty, road tax, temporary registration changes and non-creditable input on GST, ARAI certification changes etc. The aim of RoDTEP is to refund non-creditable taxes embedded in the export product and the genesis of GST was to create a robust Input Tax Credit mechanism. “However, there are certain products which are out of the purview of GST and few GST payments are not available as ITC. Few of these examples include Excise duty and VAT paid on fuel, GST and Compensation cess paid on coal (which is used in manufacture of electricity), taxes paid to local authorities/state authorities, road tax, toll tax, octroi. All of such taxes should be reimbursed under a RODTEP Scheme,” says Rohit Jain, Partner, Economic Laws Practice. The RoDTEP committee is undertaking a factual data collation exercise in consultation with industry players and the format prepared by the committee is quite comprehensive. “However, in this context, certain tax costs have to be considered based on certain assumptions e.g.,

embedded tax cost in the logistics cost incurred by the exporters, or embedded tax cost in the electricity/power consumption charges. One may not be able to calculate such embedded tax costs easily and therefore, the practical difficulty should be considered and reasonable assumptions should be allowed based on industry research reports," says Satyakam Arya, MD& CEO, Daimler India. Currently the issue that some companies are facing is in collating data with respect to the tax cost pertaining to raw materials, consumables, etc. This issue needs to be solved through consultations. Industry players are hoping that the RoDTEP committee follows a pragmatic approach while determining a benign rate that is reflective of industry average and without any ceiling rate. They'd like the committee to consider all kinds of taxes and duties incurred by the exporter or its suppliers - procurement, production, sale, distribution or even general administration. A liberal approach would be most welcome with the motto to eliminate any direct or indirect cost that hinders competitiveness of Indian products.
(Source: The Economic Times)