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## 1. RAJYA SABHA CLEARS BILL: FACTORING LAW TO DRAW 9,000 NBFCS, BOOST MSME CASH FLOW, SAYS FM NIRMALA SITHARAMAN

The amendments to the factoring law, which were approved by the Rajya Sabha, would enable as many as 9,000 non-banking financial companies (NBFCs) to participate in the factoring market, instead of just 7 now, boosting cash flow to small businesses, Finance Minister Nirmala Sitharaman said. Factoring is essentially a transaction where an entity (like MSME) sells its receivables (dues from a customer) to a third party (a 'factor' like a bank or NBFC) for immediate funds. It often helps a firm satiate its working capital requirement. Many MSMEs, whose payments against supplies are stuck, participate in the factoring business with receivables. However, thanks to certain restrictive provisions in the extant law, amendments were brought in to widen the participation of entities, especially NBFCs, in the factoring business, thus expanding the avenues of working capital credit to even small businesses. The Bill also empowers the central bank to come out with norms for better oversight of the $6-billion factoring market. The Lok Sabha already cleared the Factoring Regulation (Amendment) Bill, 2020, Speaking on the Bill in the Rajya Sabha, Sitharaman said, "You can imagine the number of MSMEs that will directly benefit because of this." Even as the economy is reviving, for MSMEs to have greater access to liquidity and working capital and have the opportunity to sell their receivables to a third party in exchange for cash will make a great difference to them, the minister said. Amid frequent disruptions in House proceedings, the Bill was passed without a proper discussion. The new Bill will basically allow all NBFCs, instead of a select few, to engage in factoring business. Despite growth in recent years, the factoring market accounts for only 0.2% of India's GDP, way behind comparable developing economies such as Brazil (4.1%) and China (3.2%), according to a report of the parliamentary standing committee on finance, which endorsed the Bill. The factoring market worldwide is projected to reach $ 9.2 trillion by 2025. The House panel, in its report submitted in February, stressed the need for the RBI to build sufficient regulatory resources to ensure effective supervision of factoring activities now that a large number of players may take part in such businesses with the implementation of the new norms.
*(Source: Financial Express)*

## 2. INLAND VESSELS BILL 2021 PASSED IN LOK SABHA

The Inland Vessels Bill 2021 was passed in Lok Sabha. It was introduced in the House by Union Minister for Ports, Shipping and Waterways, Shri Sarbananda Sonowal. The Bill seeks to incorporate unified law for the country, instead of separate rules framed by the States. The registration certificate under the new law will be considered valid all over the country, and separate permissions from States shall not be required. The Bill also provides for a central database for recording the details of the vessels and their crew on an electronic portal. Shri Sonowal has said the Bill promotes cheaper and safer navigation, ensures protection of life & cargo and brings uniformity in application of laws related to inland waterways & navigation.

*(Source: pib.gov.in)*

### 3. GST BODY COULD CORRECT INVERTED DUTY ON TEXTILE, FERTILISER, FOOTWEAR IN MARCH

This is an old issue that required urgent attention now as businesses involved in these sectors are unable to claim input-tax credit because of higher levies on raw materials compared to the finished goods The Goods and Services Tax (GST) council the apex federal body on indirect taxation is expected to consider removing inverted duty anomalies suffered by several sectors such as textile, fertiliser and footwear this month, two people aware of the development said. This is an old issue that required urgent attention now as businesses involved in these sectors are unable to claim input-tax credit (ITC) because of higher levies on raw materials (or inputs) compared to the finished goods, they said requesting anonymity. Inverted duty structure is a situation in which inputs are taxed at a higher rate than finished goods. The council could not correct it in the past, particularly during last year due to the pandemic, because it would have had an adverse impact on either GST revenue collections or consumer prices of the finished products, one person said. The GST council is chaired by the Union finance minister and has finance ministers of states as its members. The council's decisions are often unanimous. The council is expected to meet this month, but a date is yet to be finalised, the first person said. "Inverted duty structure can be corrected either by reducing GST on inputs or by raising levies on finished products. Now, with rapid economic recovery and robust GST collections, this matter could be resolved. But, the final decision depends on the GST council," the second person said. The Indian economy has come out of recession in the third quarter of 2020 ending December 31, with a 0.4% growth after remaining in contraction mode for two consecutive quarters due to a 68-day hard lockdown since March 25 to check the spread of Covid-19. This also reflected in the GST collections. After remaining in contraction mode for six months in a row, GST revenue increased from September 2020 and crossed the ₹1 lakh crore mark in subsequent months. Archit Gupta, the founder and chief executive officer (CEO) of the financial technology platform ClearTax, said the GST council had discussed the issue in the past, but without a conclusion. "The main reason is the loss of revenue resulting from any reduction of tax rates on the inputs," he said. "The inverted tax structure causes a ripple effect on the fund flow of a business. It blocks the working capital for businesses due to input tax credit accumulation," he added. According to Divakar Vijayasarathy, the founder and managing partner of consulting firm DVS Advisors LLP, said GST on input is higher than GST on output in some manufactured goods such as footwear, man-made yarn and LED lights. “The most critical impact is on the working capital of the businesses since GST paid at higher rates on inputs is blocked till the grant of refund,” he said. The refund process is cumbersome and tends to be vulnerable to litigations, he added. Experts said such anomalies should also be corrected vis-à-vis service inputs. “The same situation arises when traders use e-commerce platforms to trade lower GST rate items or nil rate items and the platforms charge commission at 18% GST. Input-tax credit on commission pileups is of no use to the taxpayer, which ultimately affects business profitability and increased prices of items,” Kapil Rana, a chartered accountant and founder of HostBooks Ltd, a cloud-based accounting platform, said. “The solution to inverted duty structure is imminent as has been mentioned by the FM in the Budget and the time has come to put the matter for the consideration of the council,” the first person said. Delivering the budget speech on February 1, Union finance minister Nirmala Sitharaman said: “The GST council has painstakingly thrashed out thorny issues. As chairperson of the council, I want to assure the House that we shall take every possible measure to smoothen the GST further, and remove anomalies such as the inverted duty structure.”

## 4. GOVERNMENT LAUNCHES DIGITAL TOOLS TO IMPROVE LOGISTICS EFFICIENCY, SUSTAINABILITY

The government has launched the Secured Logistics Document Exchange (SLDE) along with a Calculator for Green House Gas Emission to improve ease of doing business, logistics efficiency, reduce logistics cost, and promote multi-modality and sustainability. "These digital initiatives have been launched to fill the gap in areas where no action has been taken either by private players or any of the line ministries," The Commerce and Industry Minister said in a release. The SLDE platform is a solution to replace the present manual process of generation, exchange and compliance of logistics documents with a digitized, secure and seamless document exchange system. It will enable generation, storage and interchange of logistics related documents digitally using Aadhaar and blockchain based security protocols for data security and authentication, provide a complete audit trail of document transfer, faster execution of transaction, lower cost of shipping and overall carbon footprint, along with easy verification of authenticity of document. "The proof of concept of the platform has been developed and executed with banks (ICICI, Axis Bank, State Bank of India and HDFC Bank) and stakeholders including freight forwarders, exporters, importers and vessel operators," the ministry said.

*(Source: Economic Times)*

## 5. RBI LAYS OUT NORMS FOR NON-BANKS TO ENTRY RTGS, NEFT TECHNIQUES

The Reserve Bank of India laid out eligibility standards and operational norms for non-bank firms in search of entry to RBI’s centralized funds techniques (CPS), paving method doubtlessly for fintech corporations reminiscent of Paytm and PhonePe to course of RTGS and NEFT transactions. “Direct access for non-banks to CPS lowers the overall risk in the payments ecosystem,” the central financial institution mentioned. “It also brings advantages to non-banks like reduction in cost of payments, minimising dependence on banks, reducing the time taken for completing payments, eliminating the uncertainty in finality of the payments as the settlement is carried out in central bank money, etc," "The risk of failure or delay in execution of fund transfers can also be avoided when the transactions are directly initiated and processed by the non-bank entities," RBI mentioned. Centralised Payment Systems (CPS) in India are Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT) techniques, each owned and operated by the Reserve Bank. The NEFT and RTGS techniques had been made obtainable 24x7x365 with impact from December 2019 and December 2020 respectively. Only banks and choose non-banks reminiscent of NABARD and Exim Bank are presently allowed entry to CPS owned by RBI – NEFT and RTGS. As per the brand new norms, RBI mentioned that entry to non-banks could be allowed in phases. In the primary, topic to eligibility and curiosity, pay as you go fee devices (PPIs), card networks and white label operators shall be allowed entry. "On a review of extant arrangements and after detailed discussions with Payment System Providers (PSPs), it is advised that, in the first phase, authorised non-bank PSPs, viz. PPI Issuers, Card Networks and White Label ATM Operators shall be eligible to participate in CPS as direct members as per the approach presented…" the central financial institution mentioned. RBI listed out 4 main advantages of permitting non-banks to CPS which embrace elevated effectivity, improvements, improved requirements of information safety in addition to higher danger administration. Eligibility standards embrace a minimal internet price of Rs 25 crore, sufficient know-how, and cybersecurity infrastructure in addition to compliance with knowledge localisation norms amongst others. Foreign entities would want India integrated subsidiaries to take requisite approvals from RBI. "Entities incorporated outside India shall empower their local offices to carry out all operations in respect of CPS, but the responsibility for all operations and management of any contingency, including settlement obligations, shall remain with the foreign parent institution, which has taken authorisation as PSP," RBI mentioned.

*(Source: The Greater India)*

## 6. GOVT COMMITTED TO CLEAR MSME DUES WITHIN 45 DAYS

Union Finance minister Nirmala Sitharaman reiterated the Centre's commitment that Micro, Small and Medium Enterprises (MSMEs) will receive their pending payments within the 45-day deadline set by the government. She was replying to a question on the issue in the Lok Sabha. "I have over the last year (2020) reviewed it from the point of view of central government and various departments which owe money to the MSMEs, inclusive of public sector undertakings (PSUs). We have made sure that standard, as per rule 45 days, be not crossed and all dues be paid from the government side to the MSMEs," Sitharaman said. The minister added that the digital platform where MSMEs payments can be discounted is very actively encouraged by the government. "As far as the central government is concerned, we have taken this position that any pending payment will have to be given within 45 days and I a personally monitoring it," said Sitharaman. Talking about the Goods and Services Tax (GST) payments, the finance minister said the GST Council will have to take the final decision in this regard. "The GST Council will have to take a response on how they want the states also to get into this scheme of things. When we say government dues, they are not just central government dues, or central PSU dues, but also from state governments and state government-owned PSUs," said Sitharaman. MSMEs play a significant role in nation-building and making the economy stronger. They contribute about 29 per cent to the country's Gross Domestic product (GDP) and employ more than 11 crore people. Around 1.09 crore MSME borrowers have been provided with guarantee support amounting

to ₹2.73 lakh crore as of July 2 this year under the Emergency Credit Line Guarantee Scheme (ECLGS), MSME minister Narayan Rane said in the Rajya Sabha last week. The scheme was launched for an emergency credit line of up to ₹4.5 lakh crore to businesses including MSMEs and the same is backed by 100 per cent central government guarantee. Rane said that MSME loan accounts with an aggregate amount of ₹55,333 crore have been restructured by public sector banks till June 25 this year.
*(Source: Hindustan Times)*

## 7. I-T PORTAL ISSUES TO BE RESOLVED SOON, SAYS FM

With glitches still haunting the new income tax portal, Finance Minister Nirmala Sitharaman said she wished the Infosys-developed website did not have such a launch but hoped issues will be sorted out soon. Sitharaman said Infosys had done trial runs before the June 7 launch but users faced technical issues in accessing the portal. 'I wish it hadn't happened this way. But we are correcting the course and sooner the portal will be as is planned, easy to use,' she said. The new income tax e-filing portal 'www.incometax.gov.in' had a bumpy start from the day of its launch on June 7 as it continued to face tech glitches. Talking to reporters, Sitharaman said her ministry along with Infosys had done trial runs before launching the portal, but still users experienced 'quite a lot of difficulties' after its launch. 'Infosys is quite closely working with the Institute of Chartered Accountants of India (ICAI) and the ministry and rapidly, at least from what I hear from chartered accountants and income tax professionals, there is definitely a lot of improvement,' she added. Infosys was in 2019 awarded a contract to develop the next-generation income tax filing system to reduce processing time for returns from 63 days to one day and expedite refunds. The government has so far paid Rs 164.5 crore to Infosys between January 2019 to June 2021 for developing the portal. Sitharaman had on June 22 called a meeting with key officials of Infosys to review the issues on the portal. In the meeting, the ICAI members highlighted the issues faced by taxpayers and tax professionals on the portal.
*(Source: Business World)*

## 8. CABINET CLEARS AMENDMENT TO DICGC ACT; BANK DEPOSITORS TO GET COVERAGE OF UP TO RS 5 LAKH

The first 45 days will go for the bank, which has come under stress, to collect all the accounts where the claims will have to be made, and then it will be given to this insurance company, which in real-time will check it all up, and nearer the 90th day, depositors will get the money, she added. In a bid to ensure timely support to depositors of stressed banks, the Union Cabinet approved amendment to the DICGC Act to provide account holders access to up to Rs 5 lakh funds within 90 days of a bank coming under moratorium. Finance Minister Nirmala Sitharaman in her Budget speech had announced that changes will be made to the Deposit Insurance and Credit Guarantee Corporation (DICGC) Act, 1961. Last year, the government raised insurance cover on deposit five-fold to Rs 5 lakh to provide support to depositors of ailing lenders like Punjab and Maharashtra Co-operative (PMC) Bank. Following the collapse of PMC Bank, Yes Bank and Lakshmi Vilas Bank too came under stress, leading to restructuring by the RBI and government. “The Deposit Insurance and Credit Guarantee Corporation Bill 2021 has been cleared by the Cabinet,” Sitharaman said while sharing details about the

Cabinet meeting. The Bill is expected to be introduced in the monsoon session, she said. Once the Bill becomes law, it will provide immediate relief to thousands of depositors, who had their money parked in stressed lenders such as PMC Bank and other small cooperative banks. As per the current provisions, the deposit insurance of up to Rs 5 lakh comes into play when the licence of a bank is cancelled and the liquidation process starts. DICGC, a wholly-owned subsidiary of the Reserve Bank of India, provides insurance cover on bank deposits. Deposit Insurance Credit Guarantee Cooperation (DICGC) insures all bank deposits, such as savings of fixed or current deposits or recurring deposits, and it covers all commercial banks, including foreign bank branches in India, Sitharaman said. With the proposed amendment, each account holder's deposit in banks is insured up to a maximum of Rs 5 lakh, for both principal and interest, she said. "Now, what is the international coverage and what is Indian coverage…in India with the increase of insurance amount from Rs 1 lakh to Rs 5 lakh is going to cover 98.3 per cent of all deposit accounts…in terms of deposit value 50.9 per cent deposits value will be covered. Globally, deposit insurance coverage is only 80 per cent of all deposit accounts and it covers only 20-30 per cent deposit value," she said. At present, it takes 8-10 years for depositors of a stressed bank to get their insured money and other claims. Observing that accessing depositors money has been an issue, Sitharaman said, "now, what we're saying is, even if there is a moratorium on a bank, which means everything is frozen and depositors are not able to take their money out of their accounts, even at that time this measure will set in". The first 45 days will go for the bank, which has come under stress, to collect all the accounts where the claims will have to be made, and then it will be given to this insurance company, which in real-time will check it all up, and nearer the 90th day, depositors will get the money, she added. Every bank used to pay 10 paise as an insurance premium per Rs 100 of deposit. "This is now being raised to 12 paise. We are saying it should not be more than 15 paise at any point in time per Rs 100 deposit. So, that is being made explicit…we will have an enabling provision in case banks feel that this has to go up but within a certain prescribed limit, which will be determined by the government in consultation with the RBI," she said. The Finance Minister in the Budget speech in February said the government had approved an increase in the Deposit Insurance cover from Rs 1 lakh to Rs 5 lakh for bank customers. "I shall be moving amendments to the DICGC Act, 1961 in this session itself to streamline the provisions, so that if a bank is temporarily unable to fulfil its obligations, the depositors of such a bank can get easy and time-bound access to their deposits to the extent of the deposit insurance cover. This would help depositors of banks that are currently under stress," she had said. It could not be presented in the Budget session due to curtailment of the session following the spread of the second wave of the COVID-19 pandemic. It is to be noted that the enhanced deposit insurance cover of Rs 5 lakh is effective from February 4, 2020. The increase was done after a gap of 27 years as it has been static since 1993.

*(Source: Hindustan Times)*