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NEWS CHRONICLE

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Editorial Team: Knowledge Management @ Acquisory

<p>Corporate Tax Rate: Significant Reduction</p> <ul style="list-style-type: none"> ❑ Applicable for Companies not availing tax exemptions: ✓ Corporate taxes reduced from 34.94% to an effective rate of 25.17%. ✓ No requirement of MAT for domestic companies. ✓ Domestic manufacturing companies incorporated after 01.10.2019 can pay taxes at a concessional rate of 17.01%. ❑ MAT reduced from 18.5% to 15% for companies availing tax exemptions/ incentives 	<p>Bank loans to be linked to Repo rates</p> <ul style="list-style-type: none"> ✓ Effective 01.10.2019, all banks are required to link all new floating rate loans to an external benchmark via repo rate, 3/6 months T-bill yield or any other benchmark published by FBIL. ✓ Under this proposed approach, the rates will be reset within 3 months ✓ Borrowers will be able to take the benefit of cheaper loans sooner. ✓ At present, rates are reset after a specified time period with lag of almost a year.
<p>Roll back of enhanced surcharges for FPIs</p> <ul style="list-style-type: none"> ✓ To encourage flow of funds, the enhanced surcharge will not apply to capital gains arising on: <ul style="list-style-type: none"> ▪ Sale of equity shares, if STT are paid ▪ Sale of any security, including derivatives in the hands of FPI 	<p>Promotion of Exports</p> <ul style="list-style-type: none"> ✓ Replacement of the MEIS with RoDTEP. ✓ Textiles and all other sectors which enjoy the incentives of 2% under MEIS will transit into RoDTEP w.e.f. 1st January 2020. ✓ The rates for benefit under this new scheme are yet to be decided.
<p>Expanding the Scope of CSR activities</p> <ul style="list-style-type: none"> ✓ Companies are now allowed to spend 2% of the funds allocated for CSR activities on: <ul style="list-style-type: none"> ▪ State or union government aided incubators, ▪ public funded universities, ▪ state universities, ▪ IITs and public funded entities. 	<p>Revision of PSL Norms</p> <p>RBI is considering revision in PSL norms which will then release an additional ₹36,000 crores to ₹68,000 crores as export credit under priority sector. This is expected to boost exports.</p>

ACQUISORY VIEW: SOME POSITIVES, MORE IS NEEDED

THE GOOD

Lower corporate taxes and relaxation in MAT are expected to make corporate sector more attractive to domestic and foreign investors. Shareholders' value is also expected to receive a boost as reduction in taxes has a direct bearing on bottom line of corporates. In addition, the expansion in scope of CSR activities is expected to move excess funds from high earning corporates to the start-up segment, which is in need of finances.

The above announcements have made an impact of the sagging confidence of the corporates and the customers and we expect the "feel good" factor to continue.

THE BAD

The grinding slowdown in the economy to a six-year low of 5% in the June quarter is partly because Indians have stopped buying or postponed their purchases of goods and assets. Unless the Corporates pass on the benefit of a lower tax to consumers, this fillip is not going to have a long-term effect.

The other critical factor is fiscal deficit. The lower taxes will result in government bearing a massive ₹1.45 lakhs crore tax loss. The current budget has an ₹1.7 lacs crores deficit, which was partially mitigated by the windfall transfer from the RBI. That opening was a one-time event.

GST & OTHER TAX UPDATES

A. Major Highlights:

1. Aadhar to become mandatory for registration of taxpayers under GST and also for claiming refunds.
2. New returns which were to be made functional from October 2019 have been deferred till April 2020 to avoid transitional difficulties during the financial year.
3. The GST council has revised rates of various items and services affecting various industries such as jewellery, caffeinated beverages, hydrocarbon exploration policy, hotel accommodation, etc.

For item-wise details of revised rates, please [click here](#)

B. Exemptions announced by GST Council:

The GST Council in its 37th meeting announced exemptions to various sectors such as:

1. Warehousing (storage & warehousing of cereals)
2. Trade Facilitation (extension of conditional exemption on export freight)
3. Insurance (Group Insurance Funds for Central Armed paramilitary forces)
4. Sports (supply of goods and services for U-17 women's FIFA)
5. Food and Agriculture (exemption to agricultural machinery)

For more details, please [click here](#)

INDUSTRY UPDATES

➤ APTEL APPROVES ACQUISITION OF PPGCL BY TATA POWERS

APTEL has approved acquisition of 75% stake by TATA Power in 1,980 MV Prayag Power project through Resurgent Power Ventures Pte Ltd. Resurgent is a JV of Singapore based Tata Power International Pte Ltd. and ICICI Bank, Kuwait Investment Authority and State General Reserve Fund of Oman.

The tribunal, however, has not allowed for reduction of adopted power tariff of the project. PPGCL had become an NPA (bad loan) due to financial and operational stresses. With TATA buying the project, we expect this project to restart.

➤ CCI APPROVES SAUDI ARAMCO'S ACQUISITION OF 70% STAKE IN SABIC

The CCI has approved acquisition of 70% stake by Saudi Aramco in Saudi Basic Industries Corporation (SABIC). SABIC is engaged in the supply of petrochemical and agro-nutrients in India while Saudi Aramco supplies crude oil, liquefied petroleum gas, base oil and petrochemical products in the country. The value of the deal is estimated to be around \$69.1 billion.

GLOSSARY

APTEL	Appellate Tribunal for Electricity	MAT	Minimum Alternate Tax
CCI	Competition Commission of India	MEIS	Merchandise Exports from India Scheme
CSR	Corporate Social Responsibility	NPA	Non - Performing Assets
FAO	Food and Agriculture Organisation	PPGCL	Prayagraj Power Generation Company Ltd
FBIL	Financial Benchmarks India Pvt. Ltd.	PSL	Priority Sector Lending
FPI	Foreign Portfolio Investor	RBI	Reserve Bank of India
GST	Goods & Services Tax	RoDTEP	Remission of Duties or Taxes on Export Product
ICICI	Industrial Credit and Investment Corporation of India	SABIC	Saudi Basic Industries Corporation
IGST	Integrated GST	STT	Securities Transaction Tax
JV	Joint Venture	T-Bills	Treasury Bills

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