

# Info Capsule

## **CABINET APPROVES POLICY FOR PROVIDING PREFERENCE TO 'MAKE IN INDIA' IN GOVERNMENT PROCUREMENTS<sup>1</sup>**

The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved a policy for providing preference to 'Make in India' in government procurements. The new policy will give a substantial boost to domestic manufacturing and service provision, thereby creating employment. It will also stimulate the flow of capital and technology into domestic manufacturing and services. It will also provide a further thrust towards manufacture of parts, components, sub-components etc. of these items, in line with the vision of 'Make in India'.

The new policy is the reflection of the Government of India to encourage 'Make in India' and promote manufacturing and production of goods and services in India with a view to enhancing income and employment. Procurement by the Government is substantial in amount and can contribute towards this policy objective. Local content can be increased through partnerships, cooperation with local companies, establishing production units in India or Joint Ventures (JV) with Indian suppliers, increasing the participation of local employees in services and by training them.

### **Details:**

The policy will be implemented through an Order pursuant to Rule 153(iii) of the General Financial Rules, 2017 to provide purchase preference (linked with local content) in Government procurements. Under the policy, preference in Government procurement will be given to local suppliers. Local suppliers are those whose goods or services meet prescribed minimum thresholds (ordinarily 50%) for local content. Local content is essentially domestic value addition.

In procurement of goods for Rs. 50 lakhs and less, and where the Nodal Ministry determines that there is sufficient local capacity and local competition, only local suppliers will be eligible.

For procurements valued at more than Rs. 50 lakhs (or where there is insufficient local capacity/competition) if the lowest bid is not from a non-local supplier, the lowest-cost local supplier who is within a margin of 20% of the lowest bid, will be given the opportunity to match the lowest bid. If the procurement is of a type that the order can be divided and given to more than one supplier, the non-local supplier who is the lowest bidder will get half of the order and the local supplier will get the other half if it agrees to match the price of the lowest bid. If the procurement cannot be divided, then the lowest cost local supplier will be given the order if it agrees to match the lowest bid.

Small purchases of less than Rs.5 lakhs are exempted. The order also covers autonomous bodies, government companies/ entities under the government's control.

The policy also requires that specifications in tenders must not be restrictive e.g. should not require proof of supply in other countries or proof of exports in respect of previous experience. They must not result in unreasonable exclusion of local suppliers who would otherwise be eligible, beyond what is essential for ensuring quality or creditworthiness of the supplier.

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<sup>1</sup> Available at: <http://pib.nic.in/newsite/erelease.aspx?relid=0>

The policy lays down a procedure for verification of local content relying primarily on self-certification. There will be penal consequences for false declarations. In some cases, verification by statutory / cost auditors etc. will be required.

A Standing Committee in Department of Industrial Policy and Promotion will oversee the implementation of this order and issues arising therefrom, and make recommendations to Nodal Ministries and procuring entities.

The policy has been developed keeping in view the core principles of procurement including competitiveness and adhering to sound procurement practices and execution of orders. The policy would continue to maintain the balance between promoting 'Make in India' and ensuring timely, value-for-money products for the procuring entities.

## **CABINET APPROVES PHASING OUT FOREIGN INVESTMENT PROMOTION BOARD<sup>2</sup>**

The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has given its approval to the phasing out of Foreign Investment Promotion Board (FIPB). The proposal entails abolishing the FIPB and allowing administrative Ministries/Departments to process applications for FDI requiring government approval.

Henceforth, the work relating to processing of applications for FDI and approval of the Government thereon under the extant FDI Policy and FEMA, shall now be handled by the concerned Ministries/Departments in consultation with the Department of Industrial Policy & Promotion(DIPP), Ministry of Commerce, which will also issue the Standard Operating Procedure (SOP) for processing of applications and decision of the Government under the extant FDI policy.

In addition, Foreign Investors will find India more attractive destination and this will result in more inflow of FDI. The move will provide ease of doing business and will help in promoting the principle of Maximum Governance and Minimum Government.

### **Background**

The proposal for abolition of FIPB was approved by the Cabinet in its meeting on 24-05-2017. Presently, applications are considered by FIPB in Department of Economic Affairs (DEA), Ministry of Finance comprising of various Secretaries of Government of India for making recommendation on FDI applications. After the Cabinet decision, it would be handled independently by Administrative Ministries as per Sector.

## **INCOME TAX DEPARTMENT STEPS-UP ACTIONS UNDER BENAMI TRANSACTIONS (PROHIBITION) AMENDMENT ACT, 2016<sup>3</sup>**

The Income-tax Department (ITD) has initiated actions under the new Benami Transactions (Prohibition) Amendment Act, 2016 (the Act) w.e.f. 1st November, 2016. The Prohibition of Benami Property Transactions Rules, 2016 have been framed in this regard. As per the Act, Benami property includes movable or immovable property, tangible or intangible property, corporeal or incorporeal property. It empowers provisional attachment and subsequent confiscation of benami properties. It also allows for prosecution of the beneficial owner, the benamidar, the abettor and

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the inducer to benami transactions, which may result in rigorous imprisonment up to 7 years and fine up to 25% of fair market value of the property.

The Income-tax Directorates of Investigation have identified more than **400** benami transactions up to 23 May, 2017. These include deposits in bank accounts, plots of land, flat and jewellery. Provisional attachment of properties under the Act has been done in more than **240 cases**. The market value of properties under attachment is more than **Rs. 600 crore**. Immovable properties have been attached in **40 cases** with total value of more than **Rs. 530 crore** in Kolkata, Mumbai, Delhi, Gujarat, Rajasthan and Madhya Pradesh.

In one case in Jabalpur, the benamidar, a driver, was found to be owner of land worth Rs 7.7 crore. The beneficial owner is a Madhya Pradesh based listed company, his employer. In Mumbai a professional was found to be holding several immovable properties in the name of shell companies which exist only on paper. In another case in Sanganer, Rajasthan a jeweller was found to be beneficial owner of nine immovable properties in the name of his former employee, a man of no means. Certain properties purchased through shell companies have also been attached by the Department in Kolkata.

The Government is keen to implement the new Benami Act in an effective manner with visible outcomes on the ground. For this purpose, **24 dedicated Benami Prohibition Units (BPUs)** have been set up all over India in the last week. These units are under the overall supervision of the Principal Directors of Investigation in the Income-tax Department to enable swift action and follow up, especially in cases where criminality has been detected.

In addition, the Income-tax Department, has undertaken searches on **10** senior government officials during the past one month, keeping in view its policy to unearth black money earned through corrupt practices and introduce accountability and probity in public life. The crackdown on all forms of illicit wealth is being spearheaded by the ITD to ensure that any economic misdeed is immediately identified and actions as per law follows.

*Team ICSI*

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