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Chidu sends GAAR into two-year hibernation

- Chidambaram says anti-avoidance rules would not apply to foreign funds that were not taking tax benefits from India's tax treaties with other nations

In a move that would come as a breather to taxpayers, including international investors, the government on Monday deferred the implementation of the controversial General Anti Avoidance Rules (GAAR) provisions by two years to April 1, 2016 and exempted non-resident Indians in foreign institutional investors (FIIs) from its purview.

The decision was greeted with a thumping rally from stock market investors and is likely to help attract more capital inflows.

GAAR, targeted at companies and foreign investors routing money through tax havens like Mauritius, was introduced in the Budget 2012-13 by the then Finance Minister Pranab Mukherjee to check tax avoidance.

It was scheduled to be implemented from April 2014. They will now come into effect from April 1, 2016.

GAAR had evoked sharp reactions from foreign as well as domestic investors who feared that the law could be misused by taxmen to harass investors.

Clearing the air on GAAR provisions, Finance Minister P Chidambaram said the changes, based on views of the Parthasarathi Shome Committee, would address concerns of worried investors and will ensure that the same income is not taxed twice. The finance minister clarified that investments made before August 2010 will be grandfathered.

> It was scheduled to be implemented from April 2014. It will now come into effect from April 2016

Chidambaram said GAAR provisions would apply on those FII investments, which seek benefits under Sec 90 and Sec 90(A) of the I-T Act (dealing with DTAA).

"No investor should now have any apprehension about his investments in India. Only those arrangements, which have been made for the purpose of tax avoidance, will be brought under GAAR," he said.

Under the modified norms, business arrangements would be termed 'impermissible' if its main purpose is to avoid tax. In such cases, GAAR can override international tax treaties.

"The modifications that we have done are fair, non-discriminatory, just and strike a balance between interest of revenue and interest of investors. So, all apprehensions should now be set addressed," he said, adding the government would come out with appropriate amendments to the I-T Act in the Budget.

Chidambaram said another round of meeting on the DTAC is scheduled in February or March.

SOURCE: FREE PRESS JOURNAL

NSE to suspend trading in 'Deccan Chronicle' shares

- The exchange said that the newspaper publisher had failed to provide shareholding and financial information

The National Stock Exchange (NSE) has said that trading in shares of the debt- ridden newspaper publisher Deccan Chronicle Holdings Ltd. (DCHL) will be suspended from 23 January for non-submission of financial results, shareholding pattern, corporate governance report and reconciliation of share capital audit report for the quarter ended 30 September.

"The company has failed to respond satisfactorily to the notice of the exchange for non- compliance with the provisions of listing agreement," said NSE in a circular.

DCHL has not published its financials for the first two quarters in the current fiscal year and annual report for the financial year ended March 2012. In August, DCHL said it received approval from the registrar of companies, Andhra Pradesh, to extend its financial year 2011-12 by six months.

T. Venkattram Reddy, DCHL's promoter chairman, did not respond to Mint requests for comment. DCHL plunged into a financial crisis last year under the weight of debt to the tune of Rs.5,000 crore.

HT Media Ltd, publisher of Mint and Hindustan Times, competes with DCHL, publisher of the Deccan Chronicle, Financial Chronicle and Asian Age, in some markets.

SOURCE: LIVE MINT

Local MFs outpace foreign players in asset growth in 2012

- While assets of local players rose 16.7%, the foreign players could manage a meagre growth of 5.5%

Local mutual fund houses are back with a big bang as far as growth in their assets under management (AUM) is concerned in CY2012. They have emerged better placed by not only outpacing the foreign players (which have been growing assets faster during past two years) but also surpassed the overall industry's asset growth rate during the year.

This once again suggests the comfort which country's investors have with local names than foreign brands, say industry observers. Be it the Indian dominated banks-sponsored joint ventures (JV) or Indian institutions sponsored fund houses - UTI and LIC MF, or for that matter pure private local players; all have shown rise in their assets in the year.

At a time when industry's asset grew 15.4% from Rs 6.81 lakh crore to Rs 7.86 crore in 2012, assets of local players rose 16.7%. However, foreign players could manage a meagre growth of 5.5%, way below industry's average. For instance, IDBI MF and UTI MF, put together, managed a growth of over 20% in assets while SBI MF, Canara Robeco MF, Union KBC MF and Bank of India Axa MF, reported a rise of a massive 30% in their collective assets.

On the other hand, several foreign MFs saw erosion in their assets which include ING MF, Daiwa MF, BNP Paribas MF and Pramerica MF.

SOURCE: BUSINESS STANDARD

Indian companies park $2.57 billion overseas in December: RBI

Indian companies directly invested $2.57 billion overseas in December, higher than $2.31 billion a month earlier, data from the Reserve Bank of India suggests.

Bank guarantees for such investments rose to $1.38 billion, from $1.37 billion in November, though equities fell to $676.30 million from $713.27 million.

Loans increased sharply to $517.98 million from $225.85 million, the data showed.

SOURCE: FREE PRESS JOURNAL

YES Bank in talks to acquire retails business of RBS

Private sector Yes Bank is in talks with Royal Bank of Scotland (RBS) for acquisition of the retail and commercial assets of the UK-based lender. According to sources, a team of YES Bank is visiting London in this connection.

Last year, HSBC aborted the deal to buy the retail and commercial banking business of RBS on valuation issues.

More than two years ago in July 2010, RBS had announced sale of its retail and commercial banking business in India, estimated to be worth $1.8 bn (about

- RBS's Indian unit has 31 branches, 4,00,000 customers and was profitable, with assets of £190 mn

Rs.8,500 cr) at that time, at a premium to rival British bank HSBC.

The deal was part of RBS' plans to exit from some of the businesses outside its home country, although the bank was looking to retain its wholesale and investment banking businesses in India even after this sale.

RBS's Indian unit has 31 branches with 4 lakh customers generated revenue of 42 million pound. Total assests of the RBS stood at 190 million British pounds as on September 30, 2012.

However, these businesses account for only 0.5 per cent of the group's remaining non- core assets worth over 65 billion British pounds.

YES Bank recorded a 32.2% rise in its net profit at Rs.596.2 cr during the first half ended September 2012 compared to Rs.451.1 cr in a same period a year ago.

Advances witnessed a 22.9% growth at Rs.42,019.3 cr, while deposits jumped 18.6% to Rs.52,290.8 cr in the first half.

SOURCE: FREE PRESS JOURNAL

IMF cautions against giving bank licences to conglomerates

The International Monetary Fund (IMF) has cautioned the government against any hasty move to grant banking licences to corporate houses saying the country needs to improve its financial system supervision and crisis preparedness.

IMF's Financial System Stability Assessment Update said that it would be prudent for India to first put in place and gain sufficient experience in implementing a comprehensive framework for this purpose before even considering whether to proceed with the entry of conglomerates into commercial banking. " The legal, operational and regulatory framework for consolidated supervision of both bankled groups and financial conglomerates is still missing some important elements," it said, adding that in the current context, the risks outweigh the benefits.

> "It would be prudent for India to first put in place and gain sufficient experience in implementing a comprehensive framework for this purpose before even considering whether to proceed with the entry of conglomerates into commercial banking."
> -IMF

The RBI is in the process of finalising the guidelines for giving new bank licences after Parliament approved Banking Laws (Amendment) Bill last month.

As per the draft guidelines on new bank licences, business houses with successful track record and a minimum capital of Rs 500 crore will be allowed to set up commercial banks.

Global experience supports the prudent policy position of disallowing industrial houses from promoting and owning banks, IMF said.

" Consolidated supervision frameworks and capabilities are weak even for bankled groups in the majority of jurisdictions assessed under the (assessment update), and frameworks for the oversight of financial conglomerates continue to be a ' work in progress' at the international level."

SOURCE: FREE PRESS JOURNAL

Public holding norms: Sebi may create more avenues

India's capital markets regulator is planning to create more avenues for listed firms to comply with the minimum public shareholding norms before the June deadline set by the Securities and Exchange Board of India or Sebi.

The regulator may soon enable preferential allotments and qualified institutional placements (QIPs), too, as legitimate routes to offload promoter holdings in publicly traded firms to comply with the minimum stockholding norms.

Sebi chairman U.K. Sinha confirmed this on the sidelines of a conference in Mumbai on Wednesday, adding that the regulator is

- Sebi may allow listed firms to dilute promoter shareholding through preferential allotment of shares

also planning to simplify the norms under the existing routes to help companies meet the deadline.

The regulator is also reviewing the takeover regulations in the backdrop of evolving markets, said Sinha at the conference organized by Financial Planning Corp (India) Pvt. Ltd on financial sector reforms.

Sebi, while introducing the new takeover code in 2011, had mentioned that the new norms will be subject to a review every year. The regulator has started relooking at the implementation of the new takeover regulations as it was planned and, in a couple of months, there may be some changes in the applicability of the code, Sinha said. He did not provide details.

QIPs and preferential allotments are classified as private placements as the shares under these routes are typically sold to less than 50 selected investors, which is a threshold to make an issuance a public one.

SOURCE: LIVE MINT

RCom signs $1 bn network deal with Alcatel

- A similar contract with Ericsson expected

Reliance Communications Ltd (RCoM) on Wednesday signed an eight-year end-to-end network managed services contract with Alcatel-Lucent for $1 billion (around Rs 5,481 crore), covering India's eastern and southern markets.

The move is expected to be followed by a similar contract with Ericsson for the northern and western markets, to be announced soon.

The comprehensive managed services deal covers wireless, wireline and utilities. It is different from other contracts signed for managed services in the country by competing telcos, which have been limited to wireless services. The deal will also help RCom to dramatically trim its work force, with a little over 4,000 or 15 per cent of its total of around 26,000 shifting to Alcatel within the next 90 days.

Once the Ericsson deal is also sealed, 9,000 to 10,000 employees involved in the network business are expected to shift to the two companies.

Currently, RCom has a 33:67 joint venture (JV) with Alcatel-Lucent, announced in 2008 for managed services but was restricted to only wireless. After this deal, the JV will cease to exist. Explained Gurdeep Singh, president and chief executive for the wireless business: "The deal will mean that we do not have to deal with multiple vendors, which is essential as the market moves towards high quality data services. Also, it will ensure predictability in our cost structure, as it will be linked to quality of service and customer satisfaction."

He declined to comment on the proposed deal with Ericsson, saying an agreement with another equipment company would be announced soon. Sources in the know say the savings in cost after both deals get through could 15-20 per cent, significant in the business.

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- The comprehensive managed services deal covers wireless, wireline and utilities of RCom
- The deal will help RCom to dramatically trim its workforce
- The contract also aims to cut costs and improve efficiencies for RCom

SOURCE: BUSINESS STANDARD

India Inc against higher taxes for rich

There should not be any increase in taxes for the 'super rich' as it would dampen business sentiments lead to relocation of professionals to low tax regions, says India Inc

The government's immediate priority is to keep the investment cycle going. Finance Minister P Chidambaram has told the industry which asked the Centre not to consider imposing higher taxes on high income individuals.

India Inc said that there should not be any increase in taxes for the " super rich" as it would dampen business sentiments lead to relocation of professionals to low tax regions like Singapore, Dubai and London.

They also sought early implementation of GST and continuance of the existing corporate tax rate.

"... there are some positive signs in the economy but no discernible trend so far,"

> The 'super rich' seeks early implementation of GST and continuance of the existing corporate tax rate

Chidambaram said during his pre- Budget consultations with industry and trade. According to an official release, the Finance Minister said both domestic and foreign investments are not an option but an economic imperative for the government.

At a pre- Budget meeting with the Finance Minister, representatives of industry chambers, including CII, FICCI and Assocham also cautioned the government against imposition of Inheritance Tax, saying such a step would penalise savings and investments and discourage capital formation.

" A higher rate of tax on high income group taxpayers is uncalled for as this would discourage entrepreneurship.

It could lead to professionals relocating to low tax domiciles such as Singapore, Dubai or London," said Naina Lal Kidwai, president, Federation of Indian Chambers of Commerce and Industry (FICCI) said at a meeting with Finance Minister P. Chidambaram here. " Moreover, it is not the time to further damage the confidence of the investor community which has already been shaken badly on account of last year's tax amendments.

SOURCE: FREE PRESS JOURNAL

Kumar Birla to be Birla Sun Life AMC chairman

The Birla Sun Life Asset Management Company is set to witness a change in its board composition, with Kumar Mangalam Birla taking over as chairman from its Canadian partner Sun Life's representative, Donald Stewart. This is expected n a few weeks.

Birla takes over as chairman after his group increased its stake to 51 per cent in November 2012 from the earlier 50 per cent. Till now, he was an associate director in the AMC, with two other Birla group representatives, Ajay Srinivasanand Pankaj Razdan. Apart from Stewart, Sun Life was represented by associate directors Kevin Strain and Sandeep Asthana. The board had six independent directors.

When contacted, a Birla Group spokesperson said: "Earlier the chairman of the board of Asset Management company was nominated in a rotation of two years by Sun Life, as well as Aditya Birla Group. Now the chairman will always be nominated by Aditya Birla Group. The business remains as usual. This will mainly bring permanency to the chair. Earlier also, the business was getting the guidance of Mr Birla and other board members and it will continue."

Analysts say the board recast shows the Birlas' willingness to take a more active role in the joint venture. The Birlas and Sun Life had set up the mutual fund venture in 1994. Since then, it has grown into one of India's leading MF companies, with assets under management of Rs 72,900 crore as of September 2012, growing at an annual rate of 8.5%.

SOURCE: BUSINESS STANDARD

AMFI to waive registration fees from first time mutual fund distributors

Industry body Association of Mutual Funds in India (AMFI) today decided to waive registration fees, estimated at Rs 3,000, for first time distributors for a period of five months beginning February 1.

The initiative is aimed at enlarging distribution network and attracting new cadre of distributors or Independent Financial Advisors (IFAs) for selling mutual fund products, AMFI said in a release here.

AMFI has "decided to waive registration fees for all registrations of first time distributors for a period of five months from February 1, 2013 to June 30, 2013."

The objective is to create larger number of 'feet-on-street' to distribute mutual fund products, AMFI Chief Executive H N Sinor said.

In November last year, AMFI had slashed registration fees to Rs 3,000 for three years per distributor from Rs 5,000.

The distributors registering under the category of individuals, including senior citizens and new cadre of distributors, need not pay the registration fees during the five-month period, the release said today.

After two years of successive decline, the mutual fund industry managed to register rise in assets base nearing Rs 8 lakh crore with an increase of about Rs 2 lakh crore in 2012.

As per industry data, the total assets under management (AUM) of all the fund houses put together rose by 30 per cent on strong inflows in fixed income, gold schemes and liquid funds.

SOURCE: FINANCIAL EXPRESS

RBI joins issue with IMF on regulatory autonomy

Irda says it has complete oversight over LIC

The Reserve Bank of India (RBI) has differed with the International Monetary Fund (IMF)'s observation that there are some limits on the independence of the banking and insurance regulators of the country.

In the Financial Sector Stability Assessment for India report, IMF identified some gaps, including in international and domestic

supervisory information sharing and co-operation and consolidated supervision of financial conglomerates, and some limits on the de jure independence of the regulators (RBI and the Insurance Regulatory and Development Authority--Irda).

In its response, the central bank has made it clear that there is no interference in the functioning of the regulator.

"The de facto position, too, reveals no interference in the functioning of regulators. Steps are under way to accord a statutory basis to the pensions regulator also," RBI said.

SOURCE: BUSINESS STANDARD

Budget will outline amendments to constitution on GST: Chidu

▶ FM asks states to give speedy clearance to projects falling in their jurisdictions to speed up investments at pre-budget meet

Finance Minister P Chidambaram may announce a new plan of action for implementation of the much-awaited goods and services tax (GST) in the forthcoming budget.

In his pre-budget meeting with state finance ministers on Wednesday, the finance minister indicated that if the Centre and the states arrive at a consensus regarding the design of GST, some indicative announcement could be made.

The finance minister, in November, had constituted two committees comprising central and state government officials including revenue secretary Sumit Bose to solve the two contentious issues of central sales tax (CST) compensation and the current structure of GST as envisaged by the constitution amendment bill.

The Centre and the states have already held three rounds of talks since December on this far-reaching tax reform that aims to integrate the country into a common market.

While the committee on the design of GST will hold its last round of discussions on 21 January, the committee on CST compensation has also finalized its report.

SOURCE: LIVE MINT & PTI

Govt priority is to keep the investment cycle going: FM

The Union Finance Minister P Chidambaram said that immediate priority of the government is to keep the investment cycle going.

He said that both domestic and foreign investments are not an option but an economic imperative for the government. The Finance Minister said that there are some positive signs in the economy but no discernible trend so far.

He said that the Cabinet Committee of Investment is constituted to resolve inter ministerial issues and to speed-up the clearances of projects.

The Finance Minister P Chidambaram was making his opening remarks during his seventh Pre-Budget Consultation Meeting with the representatives of Industry and Trade Sector.

Various suggestions were made by the representatives of trade and industry including present rates of excise and service tax rates be maintained if not reduced, government may allow 2 % interest rate subvention for all sector of exports, allow 25% accelerated depreciation for investment in plant and machinery for pre-defined period of 3-5 years to prepone investments without affecting revenues, 250 % weighted tax deduction on expenditure incurred by companies on going green, unutilised assets of Public Sector Enterprises be monetized and revenues generated be used for investment in infrastructure.

SOURCE: MINISTRY OF FINANCE

POLICY PICK

Aligning NIF operation to enhance disinvestment policy

The Cabinet Committee on Economic Affairs has approved the following:

(i) The disinvestment proceeds with effect from the fiscal year 2013-14 will be credited to the existing "public account" under the head National Investment Fund (NIF), and they would remain there until withdrawn/invested for the approved purposes.

(ii) The NIF will be used for the following purposes:

(a) Subscribing to the shares being issued by the Central Public Sector Enterprise (CPSE) including Public Sector Banks (PSBs) and Public Sector Insurance Companies, on rights basis so as to ensure that 51 percent ownership of the Government is not diluted.

(b) Preferential allotment of shares of the CPSE to promoters as per Securities and Exchange Board of India SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 so that Government shareholding does not go down below 51 percent, in all cases where the CPSE is going to raise fresh equity to meet its capex programme.

(c) Recapitaliztion of PSBs and Public Sector Insurance Companies.

(iii) Fund Managers presently managing the NIF will stand discharged of their responsibility from the date the funds and the interest income are transferred to the fund.

SOURCE: MINISTRY OF FINANCE

Auction of government stocks

Government of India have announced the sale (re-issue) of (i) "8.07 percent Government Stock 2017-JUL" for a notified amount of Rs. 6,000 crore (nominal) through price based auction, and (iii) "8.97 percent Government Stock 2030" for a notified amount of Rs. 3,000 crore (nominal) through price based auction. The auctions will be conducted using multiple price method. The auctions will be conducted by the Reserve Bank of India, Mumbai Office, Fort, Mumbai on January 18, 2013 (Friday).

Up to 5% of the notified amount of the sale of the stocks will be allotted to eligible individuals and Institutions as per the Scheme for Non-Competitive Bidding Facility in the Auction of Government Securities.

Both competitive and non-competitive bids for the auction should be submitted in electronic format on the Reserve Bank of India Core Banking Solution (E-Kuber) System on January 18, 2013. The non- competitive bids should be submitted between 10.30 a.m. and 11.30 a.m. and the competitive bids should be submitted between 10.30 a.m. and 12.00 noon.

The result of the auctions will be announced on January 18, 2013 and payment by successful bidders will be on January 21, 2013 (Monday).

The Stocks will be eligible for "When Issued" trading in accordance with the guidelines on 'When Issued transactions in Central Government Securities' issued by the Reserve Bank of India vide circular No. RBI /2006-07/178 dated November 16, 2006 as amended from time to time.

SOURCE: MINISTRY OF FINANCE

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