



Info Capsule

RBI SEEKS COMMENTS/FEEDBACK ON REPORT OF THE WORKING GROUP ON HEDGING OF COMMODITY PRICE RISK BY RESIDENTS¹

The Reserve Bank of India has placed on its website the Report of the Working Group on Hedging of Commodity Price Risk by Residents. The detailed report is available at <https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=880>

Suggestions/comments, if any, on the Report may be forwarded to:

The Chief General Manager, Reserve Bank of India
Financial Markets Regulation Department
1st Floor Mumbai Regional Office,
Shahid Bhagat Singh Marg,
Mumbai – 400001

Or by email at fmrdfedback@rbi.org.in with subject line: Feedback on Hedging of Commodity Price Risk by December 15, 2017.

Background:

Exposure of Indian entities to commodity price risks has been accentuated by the growing integration of the Indian economy with the rest of the world and rising volumes of cross border trade. The Reserve Bank of India had set up a working group to review the guidelines for hedging of commodity price risk by residents in the overseas markets during the development phase of our domestic commodity derivative market with the following terms of reference:

- i. Assess the risks faced by resident entities and their hedging requirements,
- ii. Identify gaps in the existing regulatory framework in relation to the hedging requirements viz. coverage of commodities, participants and products,
- iii. Suggest the broad principles for guiding the regulatory regime for overseas hedging of commodity risks,
- iv. Recommend a modified framework for residents hedging commodity risk overseas,
- v. Any other related matter.

RS 83,346 CRORES COLLECTED UNDER GST FOR THE MONTH OF OCTOBER 2017, RECEIVED IN NOVEMBER (UPTO 27th NOV 2017)

A sum of Rs 83,346 crores has been collected as Total Revenue Collection under GST for the month of October, received in November till 27th November 2017. 95.9lakh taxpayers have been registered under GST so far, of which 15.1 lakh are composition dealers who are required

¹ Available at: https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=42293

to file returns every quarter. 50.1 lakh returns have been filed for the month of October till 26th November 2017.

Revenue of States: The States have collected a total of Rs. 87,238 crores by way of SGST in the months of August, September, October and November 2017 (till 27th November). Further on all inter-state trade, a net amount is transferred from IGST account to the SGST account whenever IGST collected is used for payment of SGST. By way of settlement an amount of Rs. 31,821 crores has been released to the States for the months of August, September and October 2017. Rs.13,882 crores is being released by way of settlement to all the States for the month of November 2017. Further, as per Goods and Services (Compensation to States) Act 2017, the States revenues are fully protected against any shortfall in GST collections. A compensation amount of Rs. 10,806 crores has been released to all the States for the months of July and August 2017 and a compensation of Rs.13,695 crores for the months of September and October 2017 is being released. The States revenues have thus been fully protected taking base year revenue as 2015-16 and providing for a projected revenue growth rate of 14%.

Centre's Revenue: The total CGST income in the months of August, September, October and November (till 27th November) has been Rs.58,556 crores. In addition to this, an amount of Rs.16,233 crores has been transferred from IGST account to CGST account by way of settlement of funds on account of inter-state supply of goods and services in the month of August, September and October, 2017. Further, Rs. 10,145 crores is being transferred to CGST account from IGST account for the month of November 2017 by way of settlement. The major reason for the gap in income of CGST and SGST has been that more CGST liability has been discharged using transition credit rather than by way of cash. Thus, taxpayers are using the balance credit available with them in the previous tax regime, which is the reason why there is an additional revenue gap in the Centre's revenue.

The reason for downward trend of tax revenue under GST could be attributed to the following factors:

- Because of the first time requirement of paying IGST on transfer of goods from one state to another state even within the same company, there was an additional cash flow of IGST in the first 3 months. As and when the final transaction of these goods takes place, the credit for IGST is being utilized for payment of SGST and CGST and therefore, the inflow of new taxes is low;
- Since the overall incidence of taxes on most of the commodities have come down under GST, it would naturally have some implication on the revenues of the Government.
- The tax administration of GST is now based on self-declared Tax Return, in which the assessee decides on his own how much tax liability he has and claims input tax credit as per his own calculations. Since implementation of some of the main features of GST such as, matching of returns, e-way bill as well as reverse charge mechanism have been postponed the tax compliance may not be up to the mark.

Returns filed: The total number of GSTR 3B returns filed for the return period July, August, September and October 2017 till 26th November is 58.7 lakh, 58.9 lakh, 57.3 lakh and 50.1 lakh respectively.

Team ICSI

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