

DAILY FINANCIAL NEWS ANALYSIS

**UPSC
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RBI
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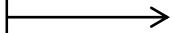
by Prashant Mavani

**FOR ALL
COMPETITIVE EXAMS**

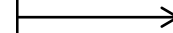
28 Apr 2020



RBI aid for MFs



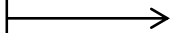
**Steps to Re-
Start
Economical
Engine**



Lockdown 3.0?



Google tax



**GST
Compensation**



UPSC/IAS

(Pre + Mains)



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RBI aid for MFs

- RBI opened a ₹50,000 crore flexible liquidity window to help mutual funds cope with **redemption pressure**, tempering investor anxiety.
- The central bank said it would **offer the money to banks** against government bonds and they would lend this exclusively to **asset management companies**.
- The window will be open until **May 11**.
- **Mutual funds** welcomed the move saying that this would provide confidence to investors.



Steps to Re-Start Economical Engine

➤ Relax the fiscal deficit target

- It can release **Rs 3-3.5 lakh crore** of extra spending
- Income transfers
- Food support
- Facilitate business disruption **loans**
- Soften the blow to **services**
- Upgrade **health** infrastructure

➤ Liquidity support to small businesses

- Without increasing risk for **lenders**.
- Even **big companies** will **delay payments**.
- This will impact **working capital** requirement.
- One way would be to provide specific **funding lines** at a **very low cost** (subsidised by Gov) for paying their vendors.
- Using technology, money can be **remitted directly**.
- This will improve the **liquidity** of smaller entities **without exposing banks** to additional risks.

➤ **Support to farmers**

- **Protect food supply chain**
- **Farmgate prices** shouldn't crash
- Improving supply chain **logistics** and **procurement**
- Farmers should be able to **sell their perishables**

➤ **Middle-class relief**

- Temporary **reduction** in **personal tax** rates for low income brackets
- Universal access to **paid sick leave**
- Protection for **gig workers**

➤ **Extend moratorium on bank loans**

- Moratorium on **loans** may be extended by **90 days** from June 1.
- **NBFCs** should get benefits of moratorium
- NBFCs have to give **extend the moratorium** to their borrowers.

➤ **Liquidity tap debt markets**

- Ensure the Targeted Long-Term Repo Operations (**TLTRO**) window of **Rs 1lakh crore** flows into the larger corporate bond and commercial paper market as intended.
- Also, utilisation of the **Rs 50,000 crore** earmarked for the secondary market can be monitored based on liquidity and redemption requirements of investors such as mutual funds.
- The flow of **Rs 50,000 crore** earmarked under TLTRO 2.0 for **NBFCs** should also be monitored.

➤ Liquidity support to NBFCs

- This will enhance market **confidence in NBFCs** and improve the resilience of the Indian financial system.
- Provide special Covid-19 loans at **concessional rates**
- Extend the timeline or limited period deferral for payment of advance **I-T** and **GST**
- Quickly release tax refunds and clear dues beyond 30 days to government contractors and vendors
- Reasonably and uniformly interpret the **force majeure** clause by governments and their agencies.

Lockdown 3.0?

- PM Modi asked **CMs** to work towards progressively moving districts out of the Covid-19 lockdown.
- PM urged the CMs to “think of ways to **energise the economy and reforms.**”
- Long-drawn battle ahead.
- Biggest problem: ‘**red list**’ are **urban centres**.
- Everyone’s aim must be **rapid response**.

WHAT AFTER MAY 3

Red zones likely to remain under a prolonged lockdown

No change in worst Covid-hit urban centres such as Delhi, Mumbai and Pune

Districts in green & orange zones may see more relaxations for industry and shopkeepers

People may not get to move from one zone to another

Masks, social distancing to be mandatory

THREE ZONES

RED Areas with substantial number of Covid-19 cases

ORANGE No positive case reported in last 14 days

GREEN With no case in last 28 days or no cases at all



PM highlighted the importance for states to enforce guidelines strictly in red zones. He said the efforts of the states should be directed towards converting the red zones into orange and thereafter to green zones

PMO STATEMENT

Google tax

- **USA** is not happy with **India's 6% equalisation levy** on foreign online advertising platforms.
- **USA:** may impede its overseas trade and increase the risk of **retaliation** from countries where Indian companies are doing business
- Its provisions do not provide **credit for tax paid in other countries** for the service provided in India.
- **Draft Ecommerce Policy:** data localisation requirements, restrictions on cross-border data flows, expanded grounds for forced transfer of intellectual property and proprietary source code, and preferential treatment for domestic digital products.



- Digital taxation mechanisms should be developed on a multilateral basis to **prevent double taxation**.
- The **equalisation levy** was first imposed in **2016** to tax companies such as **Google, Facebook and Netflix** on their **online advertising**.
- This year, India **expanded** its scope **to all** overseas ecommerce transactions originating from India.
- India permits **100% FDI** in **business-to-business** or market place based ecommerce, **but prohibits** foreign investment in **business-to-consumer** or **inventory-based** online trade.
- US said the only exceptions for FDI in **inventory based** ecommerce were for **food product retailing** and **single brand retailers** that met certain conditions.

GST Compensation

- Opposition-ruled states including **Punjab, Kerala** and **Delhi** pitched for **extension of goods and services tax compensation** to the states for **two years beyond 2022** to tide over the crunch they may face in the post-Covid-19 scenario.
- State finance ministers, during a **video conference** on Monday, also discussed issues arising out of the lockdown, including the urgent requirement of some form of aid for micro, small and medium enterprises, which have been affected the most, besides relief for the services sectors.

- While this issue was to be raised at a separate **GST Council meeting**, it could not be done due to the lockdown.
- **Kerala** has already said it is undergoing a financial crisis and has pitched for additional funds from the Centre.
- **West Bengal** asked the Centre to transfer its pending dues immediately, stating that it had received only an inappreciable amount.
- **Delhi** has taken up the issue of release of funds for the national capital to fight Covid-19.
- The Centre recently paid **₹34,053 crore** in pending GST compensation cess for **October and November**, in two tranches, with the second tranche released earlier this month.

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