



Short on detail

GST becomes a confusing affair for exporters

MOHAN R LAVI

After the implementation of GST, the Government has gone on an extensive media campaign clarifying various issues under the tax law apart from extolling its benefits. The GST twitter handle is responding to an eclectic variety of questions from taxpayers. Exporters had a lot of questions to ask since the procedures for export of goods under GST were not laid out unlike the erstwhile Central Excise procedures. The Central Board of Excise and Customs has responded in what is going to be a norm in the GST era — issuing a notification and a circular that draw reference to each other.

Export matters

Under GST, it appears that exporters have three options: pay ICGT and claim a refund, provide a letter of undertaking (LUT) or provide a bond. Notification No 16/2017 states that a status holder (which means a trading house which has earned itself one to five stars) who has received the due foreign inward remittances amounting to a minimum of 10 per cent of the export turnover, which should not be less than ₹1 crore in the preceding financial year and who has not been prosecuted for any offence either under the erstwhile indirect tax laws or under GST can provide a LUT. The prosecution should have been for an offence exceeding ₹25 crore. One is not sure if the intention really was to fix the limit at ₹25 crore. The LUT would be valid for a period of 12 months. All exporters who do not meet these criteria would need to file a bond. Circular No 4/4/2017 clarifies that the bond would cover the amount of tax involved in the export based on estimated tax liability as assessed by the exporter himself. The exporter shall ensure that the outstanding tax liability on exports is within the bond amount. In case the

bond amount is insufficient to cover the tax liability in yet to be completed exports, the exporter shall furnish a fresh bond to cover such liability.

Rule 96A of the CGST Rules requires furnishing a bank guarantee with the bond. The Board has clarified that that the jurisdictional Commissioner may decide about the amount of bank guarantee depending upon the track record of the exporter. If the Commissioner is satisfied with the track record of an exporter then furnishing of bond without bank guarantee would suffice. In any case the bank guarantee should normally not exceed 15 per cent of the bond amount.

The instructions get even more interesting. It states that the Bond/LUT shall be accepted by the jurisdictional Deputy/Assistant Commissioner having jurisdiction over the principal place of business of the exporter. The exporter is at liberty to furnish the bond/LUT before Central Tax Authority or State Tax Authority till the administrative mechanism for assigning of taxpayers to respective authority is implemented. However, the Commissioner of State Tax can direct the Bond/LUT in all cases to be accepted by Central tax officer till such time the said administrative mechanism is implemented. In short, the notification seems to suggest that the Bond/LUT can be submitted to any tax authority.

Though there is some clarity on exports, taxpayers have reasons to worry. The circular states that the notification is dated July 1, but the actual date of the notification is July 7. The notification draws reference to Paragraph 5 of the Foreign Trade Policy of 2015-2020 but the reference should have been to the summary of the Foreign Trade Policy and not the policy itself. In its bid to hasten clarifications, the CBEC is missing many detail and the smaller aspects of the law.

The writer is a chartered accountant

We need a newer energy policy

Niti Aayog's emphasis on coal as the source for India's future power needs is at variance with the ideals of sustainability



SHASHI THAROOR

I have often remarked that India is a land of paradoxes. The old joke about our country is that anything you say about India, the opposite is also true. We like to think of ourselves as an ancient civilisation but we are also a young republic; our IT experts stride confidently into the 21st century but much of our population seems to live in each of the other 20 centuries.

Yes, it's a cliché. And yet, clichés are clichés because they are true, and the paradoxes of India say something painfully real about our society.

Keen followers of Prime Minister Modi's endeavours abroad might recall his recent visit to Germany and the signs of a heady friendship with Chancellor Angela Merkel, in significant part based on both countries' commitment to address climate change and their joint ventures into renewables. One also remembers the tense hours following US President Trump's rather dramatic (although predictable) decision to withdraw his country from the hard-fought Paris Climate Accord and the plaudits India won across the world, when New Delhi promised to uphold its signature on the deal, winning moral brownie (or greenie!) points for the Government's stand.

Muddled vision

But in keeping with India's talent for paradox, at the very time the country was earning plaudits abroad for its resolute defence of environmentalism, the government's highest thought body, charged with the task of creating structures and implementation

strategies for the government's lofty ideals, is busy undermining such a commitment.

To be fair, the Niti Aayog's latest draft National Energy Policy is an ambitious vision statement as it exhorts de-carbonisation, energy efficiency and renewable energy. However, it is also fraught with contradictions and omissions, thanks to its projected dependence on coal for the future energy needs of the country.

This is because, while it foresees India's power demand shooting up over four-fold by 2040 (assuming 8 per cent annual economic growth), it also estimates coal-fired power capacity to grow to 330-441 GW by 2040, anticipating an annual coal demand of 1.1-1.4 billion tonnes.

Such a scenario is in direct conflict with the declared twin goals of sustainability and security and comes ironically at a time when solar and wind tariffs appear to be reaching historic new lows. These plummeting tariffs, when seen in conjunction with how energy storage is making enormous technological advances, make it clear that going forward, solar and wind power (along with hydro power) will be the logical economic and ecological choice to power India's energy transformation. Even banks are increasingly reluctant to fund thermal power projects, given how much more viable alternative energy sources seem to be. It seems odd that the future of coal

(and fossil-fuel based power in general) is decidedly bleak, the Niti Aayog has chosen to place such high emphasis on, and seek future dependence on, coal-fired power.

Perpetuating what's passé

The sarkari think-tank also forecasts that "our coal industry will emerge as an exporter of coal". It seems the Niti Aayog is out of touch with the shocking drop in demand for coal from most industrialised economies — a trend that will only amplify as renewable power attains grid parity in more regions. Given our country's laudable international commitments to tackling climate change, it really does beg the question — where would India export its poor quality coal, and how will it justify such a move to the global community?

In terms of tackling air pollution, the draft policy proposes "geo-graphic concentration of power plants... so sited that they do not damage air quality in human habitations. Water supply to power plants ought to be priced as per its scarcity value." This makes little sense; building dirty power stations that are further away from human habitation and that are supported by our increasingly stretched fresh water resources is simply not an answer to the problem.

Instead, the focus should be on phasing out our existing thermal power stations and replacing them with clean energy alternatives. But rather

than doing so, the Niti Aayog suggests out-of-date approaches such as bailing out stranded gas projects. Such double-speak is not only unfortunate, but it also creates doubt in the minds of the very investors the country is seeking to attract.

Public health concerns

In terms of public health, the draft policy again falls short of expectations. While it briefly touches upon public health in terms of exposure to indoor air pollutants (from household cooking fuels), such consideration is immediately relevant only to the semi-urban and rural regions of India. What about the millions of inhabitants in our cities, who have to grapple with air pollution caused — in no small measure — by dirty thermal power stations? There are already a multitude of studies that show how our average life expectancy is being dangerously cut short due to air pollution, including some studies that have reported that the combustion of coal releases mercury into the atmosphere — a devastating killer if inhaled.

Is nuclear power viable?

We should also not forget nuclear power. The draft calls nuclear energy as the only "green energy" source to be relied upon for base-load power requirements. This is indeed surprising, because even if the assertion is true today, given how rapidly energy storage technology is maturing, it won't be so in the next few decades. Also, investing in nuclear power is highly cost-intensive. Recent news reports suggest that the fifth and sixth units of the much celebrated Kudankulam nuclear power plant will cost the country ₹50,000 crore. And the units will only go online more than five years after construction, with Russia lending India \$4.2 billion to help construct the units in the first place. Surely we can spend less and gain more by shifting our

focus to solar?

Does India really need to spend such a staggering amount on a technology that cannot be brought on stream immediately, and that is not locally scalable? How many reactors will India spend on to bring electricity to the nearly 300 million people who are not yet connected to the grid?

And what about the technology's inherent risk of disaster? Granted, India has an enviable record of operating nuclear power stations, but after the incident at Fukushima, Japan, is it wise to take chances? Germany and Switzerland certainly don't think so, and have voted emphatically to not build any new nuclear power stations.

And lastly, what about India's ageing reactors? Will the government borrow even more money to upgrade them? Or wouldn't it be instead more prudent to invest that amount in technologies that are actually infinitely scalable, deployable almost anywhere and sustainable, such as solar, wind and tidal energy? India is certainly well endowed with natural resources when it comes to any of these technologies.

A World Bank report has claimed that India is emerging as a front-runner in the fight against climate change. The report's release coincided with the G20 Summit where India stood strong on climate action along with 18 other world leaders at the Summit from the north and south, isolating the US. Despite this, for the Niti Aayog to project coal-based power as the bedrock of India's energy policy for many more years seems to be an acutely contradictory and myopic approach.

If the Government is serious about breaking away from old paradigms, it needs to stop perpetuating paradoxes. Send Niti Aayog back to the drawing board. We need a newer energy policy.

The writer is a Congress MP

5 THINGS to WATCH OUT for TODAY

**Prime Minister** Modi will review the FDI policy today with a view to removing bottlenecks to overseas inflows. At the meeting, the commerce ministry will make a detailed presentation on proposed changes to streamline the FDI regime. Finance minister Arun Jaitley and commerce minister Nirmala Sitharaman will attend the meeting.

**Infosys** will release June quarter earnings report today. Infosys' profit is seen falling 4.9 per cent sequentially to ₹3,426 crore and revenue may slip 0.6 per cent to ₹17,014 crore in the quarter ended June 2017.

**The PIL** seeking legalisation of sports betting has been listed for hearing today, along with the Cricket Association of Bihar issue, which has resulted in sweeping directions from the apex court, overhauling the functioning of the cricketing body BCCI.

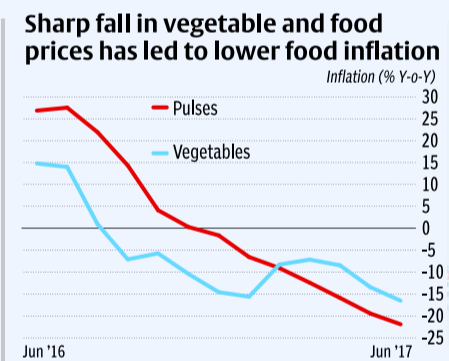
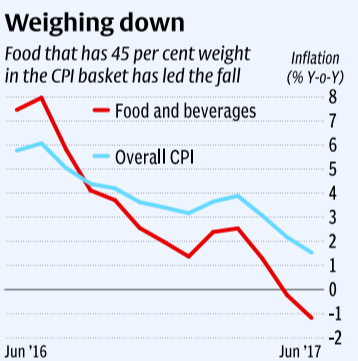
**Japanese** car maker Honda's tenth-generation Accord will make its global debut today in Detroit. Set for a generation change, the new Honda Accord 2018 will feature the brand's new modular design along with a host of comfort and connectivity fitments.

**Commander-in-chief** of Myanmar armed forces, Myan General Min Aung Hlaing, is slated to meet PM Narendra Modi, defence minister Arun Jaitley and national security advisor Ajit Doval today, after an extensive tour of India that began at Gaya on Friday.

RADHIKA MERWIN STATISTALK

Honey, what shrunk the inflation?

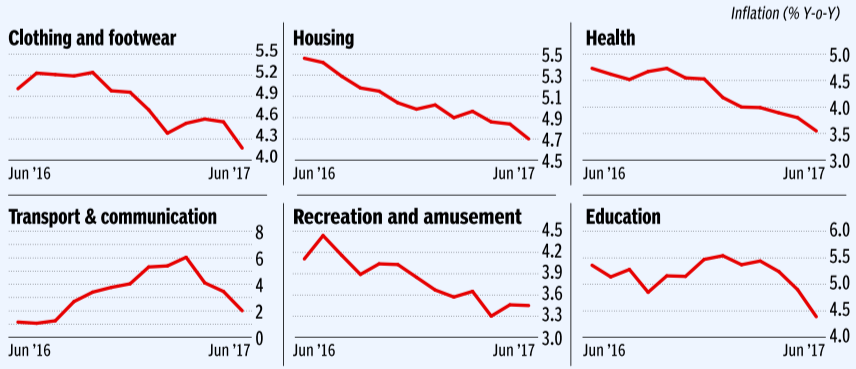
**Consumer price index (CPI)-based inflation eased to 1.5 per cent in June, pegged as the lowest in many years. This has once again triggered hopes of a rate cut by the RBI in the upcoming policy. So what has led to the fall in inflation over the past year?**



Problem of plenty

Table with 2 columns: Pulses (in million tonnes) and Vegetables (in 1000 MT) for years 2010-11 to 2016-17. Pulses values range from 16.35 to 22.40. Vegetables values range from 146554 to 175008.

Core inflation which has been under the RBI's radar has also fallen steadily



EASY

ACROSS

- 01. Rushed about wildly (8)
07. American march composer (5)
08. Bosun's pipe (7)
09. Stung with annoyance (7)
10. Writing points (4)
12. Absence of sound (7)
14. One who saves a person (7)
17. Deep mud (4)
18. This point, a favourable position (7)
21. Flourish on trumpets (7)
22. Awaken in the mind (5)
23. Verdure (8)

DOWN

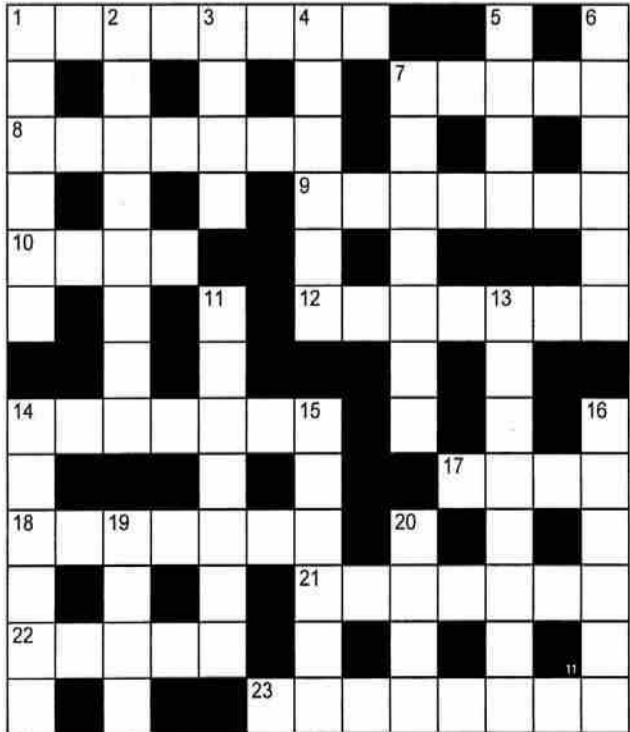
- 01. Using oars (6)

- 02. Letter-sacks (8)
03. Pieces of legislation (4)
04. Incidents, occurrences (6)
05. Male elephant (4)
06. Walk in shallow water (6)
07. Composed (7)
11. Daring, romantic undertaking (7)
13. Put name forward (8)
14. Critical examination (6)
15. Midshipman; marijuana cigarette (6)
16. Blanched stalks eaten with cheese (6)
19. Advertising sign gas (4)
20. At a former time (4)

SOLUTION: BL Two-way Crossword 892

ACROSS 7. Clerical error 8. Double entry 12. Refers 14. Summer 16. Itches 18. Angers 19. Free-and-easy 23. Everlastingly
DOWN 1. Clad 2. Prau 3. Scolds 4. Alters 5. Fret 6. Tory 9. Officer 10. Rompers 11. Arms 12. Ruin 13. Rye 15. Urn 17. Seaman 18. Audits 19. Five 20. Eire 21. Anna 22. Yolk

BL TWO-WAY CROSSWORD 893



NOT SO EASY

ACROSS

- 01. The racket, though old, was running wild (8)
07. Thus America was one to produce marches... (5)
08.... and got this to stop on tour, electioneering (7)
09. Is stung by having caught it from the sea when about fifty (7)
10. Crushed cocoa beans for the writers (4)
12. Golden it is, voicelessness (7)
14. One is relieved to be in his hands (7)
17. I'm going back with the sappers in the mud (4)
18. Point after deuce gave Shakespeare his opportunity (7)
21. Blow this flourish! (7)
22. Call to mind woman it's all right to have in (5)
23. Foliage seen by author Graham on the railway (8)

DOWN

- 01. Having an argument while being a wet-bob (6)
02. Where posts are concerned, they give one the sack (8)
03. Takes part, or parts of play (4)
04. Things that happen despite the street being up (6)
05. Papal edict is eyed at the centre (4)
06. Go with trousers rolled up to shift the canoe? (6)
07. Resolved the argument and paid the bill (7)
11. Sex appeal, in unrefined circumstances, caused a holy war (7)
13. Formally propose one with no name, it appears (8)
14. Look again at what the critic has written (6)
15. Coat at which one may drag (6)
16. To weep about half the eleven sticks (6)
19. Light the gas? (4)
20. Solitary occasion when cone was put out (4)