NITI considers separate PLI scheme for MSMEs

Seeks different schemes for firms with higher targets, and smaller ones

NIKUNJ OHRI
New Delhi, 6 April

The NITI Aayog is working on a dedicated production-linked incentive (PLI) scheme for micro, small and medium enterprises (MSMEs) to help them enhance capacity, said a top government official, who is privy to the discussion.

The policy think tank is considering if the PLI scheme should be divided into two parts — one larger scheme for big companies with higher targets, and another for smaller ones, which are the backbone of the Indian economy and are critical to the supply chain. Last month, *Business Standard* had reported the NITI Aayog has recommended extending the PLI scheme across sectors to medium-sized industries to make the country self-reliant and lift domestic manufacturing. However, it is now felt that there should be a dedicated scheme for smaller businesses.

The government has extended the PLI scheme to 13 sectors to integrate India's manufacturing ecosystem with global supply chains. The scheme entails providing incentives to firms on incremental sales for five years over the base year of 2019-20. The NITI Aayog, it is learnt, feels wherever there is scope there should be separate PLI schemes, with different parameters, for bigger and smaller companies. The issue is currently being deliberated internally, and a final decision is yet to be taken, the official said.

AT A GLANCE

- Talks on to design separate scheme based on sectoral analysis, examining business models
- PLI scheme for MSMEs should be present in sectors with adequate demand
- The issue is being deliberated internally and a final decision is yet to be taken
- The government has extended the scheme to 13 sectors to integrate India's manufacturing ecosystem with global supply chains

For small businesses, a new scheme should be formulated by undertaking sectoral analyses and examining business models and profiles, said the official. This should be done to enlarge the size of the business based on demand, he added. There shouldn't be any blanket application of the scheme along with larger businesses, such that there isn't scope for their smaller peers. Instead, there should be demand-based application of the PLI scheme for MSMEs, where they actually tend to benefit, the official said.

The PLI scheme so far has been targeted only at large businesses, and small businesses have not yet benefited, said Anil Bhardwaj, secretary general of the Federation of Indian MSMEs. The PLI scheme does not currently focus on making MSMEs a part of the supply chain, Bhardwaj said. He added that incentives for small businesses should be higher as investment by such firms would not be as high as larger players.

Any concrete scheme with incentives for small businesses will definitely help MSMEs, said NR Bhanumurthy, vice-chancellor of Bengaluru Dr BR Ambedkar School of Economics University.

"There is asymmetry of information with regard to problems faced by MSMEs — financial constraints, cost of production, competition and their capacity," Bhanumurthy said. Hence, it is necessary to better understand the issues related to specific sectors that will help small businesses expand their size, Bhanumurthy said. "Evidence-based policy intervention is needed that will help small businesses compete with larger ones domestically and internationally," he added.

Bangalore Metro chief Ajai Seth new DEA secy

Tarun Bajaj to take full-time charge of revenue

SHRIMI CHOUDHARY
New Delhi, 6 April

The government on Tuesday appointed Bangalore Metro Rail Corporation managing director Ajai Seth as the new economic affairs secretary. He will replace Tarun Bajaj, who will be the new revenue secretary. Bajaj was holding additional charge of revenue secretary.

The latest bureaucratic reshuffle saw movement of eight secretaries and promotion of six additional secretaries to the post of special secretaries.

Seth is a 1987 batch Indian Administrative Service (IAS) officer of Karnataka cadre. According to the executive record-sheet, he is back in central posting after a gap of 13 years. His last posting was as advisor with Asian Development Bank in Manila (2004-08). Prior to that, he was director in the Department of Economic Affairs (DEA). Besides heading the Bangalore Metro Rail Corporation, he's served many roles in Karnataka, including commissioner of commercial taxes. He is scheduled to be in service till June 30, 2025.


Ajai Seth (*left*) and Tarun Bajaj

As economic affairs secretary, Bajaj, a 1988-Haryana cadre senior officer, held additional charge of revenue after the superannuation of Ajay Bhushan Pandey.

An old hand at the finance ministry, he is expected to streamline the transformation of the goods and services tax and resolve challenges associated with it. Bajaj was brought into the finance ministry in 2020 for the third time, when India saw its worst growth contraction in history on account of the pandemic. By taking full-fledged charge of the revenue department, he is also expected to tackle a fiscal crisis which could resurface after the second wave of the pandemic. Earlier, he was additional secretary in the Prime Minister's Office (PMO). The DEA under Bajaj worked on some major policies, including privatisation of public sector enterprises, which are expected to usher in radical changes in the functioning of state-run entities.

Other appointments

Among other new appointments, Gyanesh Kumar (1988 batch IAS officer of the Kerala cadre) will be the new parliamentary affairs secretary, while Ali Raza Rizvi will take charge as secretary in the Department of Public Enterprises.

Indevar Pandey (1988 batch IAS officer of the West Bengal cadre) will be new secretary in the Department of Administrative Reforms and Public Grievances.

Kerry: India getting job done on climate

US Special Presidential Envoy for Climate John Kerry praised India as a world leader in renewables as he began talks with government leaders aimed at cutting carbon emissions faster to slow global warming.

India is the world's third biggest emitter behind the United States and China and is under pressure to commit itself to net zero emissions by 2050, in line with pledges made by several other countries. India is getting the job done on climate, pushing the curve," Kerry said.

"You (India) are indisputably a world leader already in the deployment of renewable energy."

Government sources told Reuters that India was unlikely to bind itself to a goal of net-zero greenhouse gas emissions by 2050 as its energy demand was projected to grow more than that of any other nation over the next two decades.

Kerry is leading efforts to get countries to step up commitments ahead of a summit of 40 leaders on April 22-23 called by U.S. President Joe Biden.

Later this year, world leaders are due to gather for a U.N.climate summit to build on the 2015 Paris accord to limit global warming.

Kerry said India was setting a "very strong example" for other nations on powering a growing economy with clean energy. REUTERS

US calls for duty on Indian wind energy equipment manufacturers

TWESH MISHRA
New Delhi, 6 April

The International Trade Administration (ITA), under the United States department of commerce, has recommended levying a countervailing duty against wind energy equipment manufacturers from India. The recent steps are a stark reminder of the Obama era battle in the World Trade Organization (WTO) between India and the United States to protect the latter's local renewable energy industry.

With the Joe Biden-led Democrats now in office, the US clean energy lobby appears to be back in action.

A notice by the department of commerce said, "The department of commerce preliminarily determines that countervailable subsidies are being provided to producers and exporters of utility scale wind towers from India. The period of investigation is April 1, 2019, through March 31, 2020."

In November last year, the US department of commerce published its initiation of the countervailing duty investigation of utility scale wind towers from India.

In February 2021, nine additional new subsidy allegations were filed and the department recommended initiating investigations on eight programmes under question.

Among the Indian government programmes under investigation are the priority sector lending programme, concessional Customs duty exemption certificate and the enhancement of competitiveness in the capital goods sector: technology acquisition fund programme. The incentives to industries under the Gujarat industrial policy are also subject to investigation.

The ITA said, "The merchandise covered by this investigation consists of certain wind towers, whether or not tapered, and sections thereof. Certain wind towers support the nacelle and rotor blades in a wind turbine with a minimum rated electrical power generation capacity. This is in excess of 100 Kw and with a minimum height of 50 m measured from the base of the tower to the bottom of the nacelle when fully assembled."

Vestas Wind Technology India is the only individually examined exporter/producer in this investigation. The department of commerce has preliminarily determined a subsidy of 3.74 per cent. It has estimated a rate of 397.16 per cent (subsidy) against Naiks Brass & Iron Works, Nordex India, Prommada Hindustan, Suzlon Energy, Vinayaka Energy Tek, Wish Energy Solutions and Zeeco India based on the adverse facts available.

This aggressive posturing by the US government is similar to the stand taken during the previous stint of Democrats in the US. India had faced criticism at the WTO for its domestic content requirement clause in government tenders.

The US had then alleged that Indian tenders were discriminating against American businesses that wanted to participate in India's solar energy deployment programmes. India had lost this case at the WTO in 2016.

India to buy one-third less oil from Saudi

Indian refiners will buy less oil from Saudi Arabia next month as they snap up supplies outside of the Middle East as part of diversification drive amid weakening domestic fuel demand on the resurgence of Covid-19. IOC and three other refiners have sought just 65 per cent of the monthly average of about 15 million barrels from Saudi Arabia in May, three sources with knowledge of the matter said. The move follows tensions between India and Saudi Arabia over the Kingdom's hawkish stance on boosting production to cool prices. With Saudi Arabia ignoring its pleas to lift output curbs, the Indian government last month asked state refiners to look for sources outside of the Middle East. PTI

'Big players stayed away from Vivad se Vishwas'

DILASHA SETH
New Delhi, 6 April

The government may have managed to resolve nearly 30 per cent of the pending direct tax disputes under the Vivad se Vishwas (VsV) scheme, but only about 10.07 per cent of the disputed tax amount has been settled, clearly suggesting that large players chose to stay away.

In an interview to *Business Standard*, Central Board of Direct Taxes (CBDT) Chairman P C Mody attributed the trend to 'large players being able to afford the cost of litigation'. "This scheme has been a grand success. Rather than focusing on collection, the intent of the scheme was the settlement of disputes," said Mody.

P C Mody, CBDT chairman

THE LOWDOWN

Pendency of disputes (as on 31.01.2020)

	No. of cases	No. of declarations filed	Disputed tax as per Form 1 filed (₹ cr)	Payments against disputed tax (₹ cr)
Central PSUs	2,676	1,385	35,109	27,718
State PSUs/ boards	6,409	870	1,615	1,020
Others	501,406	131,582	63,713	25,267
Grand total	**510,491**	**133,837**	**100,437**	**54,005**

Source: CBDT

The scheme announced in the Budget last year allowed for the settlement of tax disputes due up to January 31, 2020. The declaration window, after several extensions, closed on March 31 this year, but payments will be allowed till April 30.

Public sector enterprises accounted for 35 per cent of the settled disputed tax, but just 1 per cent of the disputed cases have been cleared.

Of the 510,491 pending dispute cases with a disputed tax amount of ₹9.7 trillion, nearly 148,690 cases have been settled involving a disputed tax amount of ₹1.03 trillion, according to the data shared by the CBDT. This signifies that only smaller disputes were settled under the scheme. "Large players have the wherewithal to fight litigation, while a mid-bracket taxpayer would say it is better to settle the issue. Also, in older cases, where penalty and interest burden were higher, they have opted for the scheme. No interest and penalty were good incentives to settle under VsV," said Mody.

Of the total settled disputes, 97 per cent pertain to cases where appeals have been filed by assessees; in the rest 3 per cent, appeals have been filed by the department. The scheme allowed 50 per cent waiver in disputed tax amount and waiver of interest and penalty where appeal had been filed by the income-tax department, whereas 100 per cent principal tax amount is payable with a waiver in interest and penalty where the income-tax department has filed an appeal.

While the CBDT has received ₹54,-005 crore so far, another ₹20,000 crore is expected by April 30 — the last date for making payments under the scheme. Since the government will need to issue refunds for the tax amount already paid by the assessees, the net collection for the government from the scheme will be lower. Mody said it would be somewhere close to ₹50,000 crore.

Mody said that litigation management has been high on the government's list of priorities.

FROM PAGE 1

'Our infrastructure will be on a par with US in 3 yrs'

Is the vehicle-scrapping policy final and is the auto industry ready to give incentives beyond 1 per cent?

We have notified the policy and it would benefit the country's automobile industry. Our automakers export 50 per cent of what they manufacture and once the policy comes into play, which is in the next two-three years, we would become a ₹10-trillion industry.

The auto industry generates maximum employment and also maximum revenues for both the state and central governments. We intend to become a manufacturing hub for the world.

We have issued an advisory suggesting that vehicle manufacturers should incentivise more. Some have assured us that they are ready to give incentives up to 5 per cent. We feel that competition will take care of the incentive part and as far as the nudge from the government is concerned, we have issued an advisory if one follows it, others will also follow. I have also requested the finance minister to give some rebate under goods and services tax (GST) to a consumer who is scrapping an old vehicle for a new one. The proposal has to go to the GST Council.

With the second wave of Covid-19, do you think lockdown should be an option?

Because of Covid lots of problems have come. Small businessmen and traders have to face these problems. We need to understand the art of living with Covid-19 and take all precautions. The economic situation is challenging but we have to win this.