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OECD Fixes Minimum Tax of 15% on MNCs from 2023

MNCs with global sales above €20B & profits more than 10% will be covered by new rules

Our Bureau

New Delhi: Multinational corporations will be subject to a minimum tax of 15% from 2023 and those with profits above a threshold will have to pay taxes in the markets they derive business from, as OECD on Friday finalised a landmark reform of international tax system.

The new framework, backed by 136 countries, including India, seeks to ensure a fair share of taxes for countries where multinationals and global digital companies such as Netflix, Google earn revenues from.

"The landmark deal, agreed by 136 countries and jurisdictions representing more than 90% of global GDP, will also reallocate more than $125 billion of profits from around 100 of the world's largest and most profitable MNEs (multinational enterprises) to countries worldwide, ensuring that these firms pay a fair share of tax wherever they operate

THE AGREEMENT

The landmark deal was agreed by 136 countries and jurisdictions representing more than 90% of global GDP

and generate profits," the OECD (Organisation of Economic Cooperation and Development) said.

The two-pillar solution will be delivered to the G20 finance ministers meeting in Washington DC on October 13, and then to the G20 Leaders' Summit at the end of October. Countries are aiming to sign a multilateral convention during 2022, with effective implementation in 2023, it said.

Under the agreement, countries levying tax on digital transactions would have to withdraw those levies.

India, for instance, will have to withdraw its equalisation levy that it imposes on overseas digital companies. "No newly enacted digital services taxes or other relevant similar measures would be imposed on any company from October 8, 2021 and until the earlier of December 31, 2023 or the coming into force of the multilateral convention," said Sandeep Jhunjhunwala, partner at professional services firm Nangia Andersen. "The modality for the removal of existing digital services taxes and other relevant similar measures needs to be appropriately coordinated."

New Delhi has backed the OECD-Base Erosion Profit Shifting talks since the beginning and has been keen on the deal.

The framework has two pillars. Pillar one seeks to ensure a fairer distribution of profits and taxing rights among countries with respect to the largest and most profitable multinational enterprises.

Multinational enterprises with global sales above €20 billion and profitability above 10% will be covered by the new rules, with 25% of profit above the 10% threshold to be reallocated to market jurisdictions.

Pillar two introduces a global minimum corporate tax rate set at 15%. The new minimum tax rate will apply to companies with revenue above €750 million and is estimated to generate around $150 billion in additional global tax revenues annually. This will bring more certainty and help ease trade tensions, the statement said.

'Learnings from Air India Sale Will Make Future Deals Simpler, Faster'

The successful disinvestment of Air India at such challenging times reflects the single-minded efforts of the government and will pave the way for disinvestment of bigger public sector enterprises including Bharat Petroleum Corp, NITI Aayog chief executive **Amitabh Kant** tells **Yogima Seth Sharma** in an interview. Excerpts:

AI disinvestment is finally happening. Does this mark the start of big-ticket privatisation and strategic sales?

Yes, absolutely. Air India was a hugely challenging disinvestment given its service nature and very high debt. Its successful disinvestment at a time when the aviation sector is significantly impacted by Covid is a sign of the abilities, conviction, focus and single-minded efforts of the leadership of the Prime Minister to deliver the first true privatisation in over a decade.

ET Q&A

With AI going, which are the next big PSUs that are likely to be privatised?

There is an attractive pipeline and the most attractive of which is BPCL given the tremendous rise in petroleum prices and demand as the recovery progresses, as well as the fact that it is already listed and the current circumstances have a very buoyant stock market. These factors should result in a tremendous boost in proceeds from what was envisaged earlier. BPCL will get greater attention and given favourable market dynamics and the learning curve with AI, should happen much faster.

Will AI divestment template be used going ahead and will it speed up strategic sale?

The new template after many revisions is significantly simpler and faster, and better aligns stakeholder incentives and goals. Disinvestment from this point onwards should be much faster than the AI transaction that can be regarded as early in the learning curve of the current round of disinvestment.

The FY22 disinvestment target of ₹1.75 lakh crore is quite robust. How optimistic are you of this being achieved?

If current market buoyancy holds up, and the current environment of ample liquidity persists, there is no reason why the target should not prove conservative. There are sure signs that the Indian economy continues to accelerate faster than the rest of the world and with more optimistic prospects than the rest of the world. Both Indian and global investors are looking far more optimistically at India.

The asset monetisation pipeline is the next big idea driven by Niti. What progress do you expect on that?

There has been tremendous investor appetite and lots of support from the involved line ministries and departments. I see no reason why the progress should not be as envisaged in the published report. If anything, fundamentals and market conditions have only improved since the release.

Will we see more loss-making PSUs now being sold?

The focus of the new PSE policy is not just loss-making, but all non-strategic CPSEs to be privatised or closed and in the four strategic categories only the bare minimum to be retained with the rest being privatised, consolidated, or closed. This will include loss-making and profitable CPSEs in sectors where government's active presence is not required.

Air India had only two bidders. Do you see successful privatisation inviting more interest going ahead?

The interest in privatisation has been and is very high. The government is in the fortunate position of being selective on bidder criteria. Air India had more than two interested parties. The government had strict criteria in qualifying bidders to protect the interests of stakeholders of Air India including the customers, employees, citizens and taxpayers that reduced the number of qualifying bids. We will continue to maintain strict criteria to protect the interests of stakeholders, but my expectation is that for very large transactions there will be limited bidders, but for transactions in less-concentrated industries with less capital involved, there will be many more bidders.

The second attempt at AI disinvestment was very systematic and quick. Who has been the driving force behind this?

The driving force behind the execution is the department responsible for the process. DIPAM (Department of Investment and Public Asset Management) should get full credit for the rapid progress in this complex transaction where many innovations and material changes were required to be pushed through at a very busy time for the system (given the pandemic) to ensure that the transaction happened and all the myriad of issues and questions that arose were dealt with in a timely manner. This would not have happened without the clear vision and perspective of the Prime Minister, Shri Narendra Modi and the single-minded pursuit of finance minister Nirmala Sitharaman.

RBI Looks to Red Flag DeFi Applications

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Mumbai: The Reserve Bank of India (RBI) is looking to red flag DeFi (decentralised finance) applications and projects and has sought legal advice on their workings, said two people close to the development.

Legal experts point out that currently India doesn't have any regulation to deal with cryptocurrencies let alone something as disruptive as DeFi.

"As of today, there is no clarity around regulations on cryptocurrencies so platforms offering decentralised financing or crypto banking are operating in a regulatory vacuum. Also, which regulator should monitor these platforms that offer cryptocurrency-based banking is also a question," said Rashmi Deshpande, partner at law firm, Khaitan & Co.

DeFi is the financial ecosystem built on blockchain applications that can used for remitting money or buying insurance or even borrowing money against cryptocurrencies. Currently, very few platforms are offering these services but many Indian apps are exploring launching DeFi services via industry trackers.

A London-based online cryptocurrency platform, Cashaa, for instance has tied up with United Multistate Credit Co-Operative Society and has launched— UNICAS— the world's first crypto friendly financial institution with physical branches and operations. Unicas offers facilities similar to a bank—saving accounts, debit cards, crypto loans and loans to buy crypto and monthly INR deposit to Indians.

Legal experts fear that when more players join the race to operate applications, it could also pose a larger risk.

Need to Renegotiate FTA with ASEAN to Stop Misuse by Third Parties: Goyal

Our Bureau

New Delhi: Commerce and industry minister Piyush Goyal on Friday called for a renegotiation of the India-ASEAN free trade agreement (FTA) to prevent its misuse by third parties and pushed for removal of trade and non-tariff barriers that have hurt Indian exports.

ASEAN, or Association of Southeast Asian Nations, comprises 10 countries—Indonesia, Thailand, Singapore, Malaysia, the Philippines, Vietnam, Myanmar, Cambodia, Brunei and Laos.

"It is unfortunate that in the recent past India had to deal with several restrictive barriers on our exports in the ASEAN region, particularly in the agri and the auto sector," Goyal said at an event organised by the Confederation of Indian Industry.

The minister said these barriers only result in reciprocal action from other countries, including India, and will hurt the long term desire of our leaders to expand trade.

"Therefore, I think there is a need for renegotiating the existing trade relationship, trade barriers, relooking at our FTA with ASEAN and focusing on new rules to eliminate the misuse of the FTA, eliminating non-tariff barriers, and that can ultimately lead to building confidence on both the sides to reduce tariffs for inter-Asean and India trade," he said.

Goyal said such a review will enable alignment with contemporary trade practices, procedures and regulatory harmonisation, curbing the misuse of FTAs, often by third parties outside of the ASEAN region. The ASEAN-India Trade in Goods Agreement was signed in 2009 and came into force in 2010.

Goyal said India has a big role to play to mitigate global health risks in future as 70% of global vaccines are now produced here.

"We assure ASEAN full cooperation in generic drug manufacturing. There is an opportunity for collaboration in pharma production, including vaccines, and capacity-building between India and the ASEAN," Goyal said.

On the underdeveloped infra and connectivity in the region, he said that nine of 10 ASEAN nations touch the sea, giving the region the potential to become a major hub of port logistics.

India Inc's Hiring Activity Up 57% in Sept: Naukri JobSpeak

Our Bureau

Mumbai: India Inc's hiring activity surpassed pre-Covid levels last month, buoyed by accelerated pace of vaccination, rise in consumer demand and a host of positive economic indicators leading to increased confidence among organisations, according to jobs portal Naukri.com.

Naukri JobSpeak, a monthly hiring activity index based on job listings on Naukri.com, grew for the third consecutive month in September to hit a record high of 2,753, growing 21% over September 2019 levels and 57% year on year.

"India is witnessing a never-seen-before activity in hiring," said Pawan Goyal, chief business officer of Naukri.com. "Fuelled by the demand for IT professionals, it truly is heartening to see the industries recover at the onset of the festive season. Majority of the sectors, cities and experience bands have recorded positive growth," he said.

Hiring in the IT-software/software services sector grew 138% y-o-y in September led by an accelerated pace digitisation post pandemic.

Even sectors like hospitality and retail, which were among the sectors most impacted by the pandemic, saw significant growth of 82% and 70%, respectively, year on year with several hotels and physical store outlets across the country gradually reopening.

Hiring activity has also grown in education (+53%), banking/financial services (+43%) and telecom (+37%) sectors as compared to a year ago, the latest Naukri JobSpeak report said.

Metro cities recorded 88% annual growth during September, surpassing tier 2 cities that grew by 30%.

Over 76,000 clients use Naukri.com.

Continuous positive growth of the IT-software/software services sector has enabled major IT hubs to outperform other cities in the annual growth charts. Bengaluru (+133%), Hyderabad (+110%), Pune (+95%) and Chennai (+85%) recorded the highest y-o-y growth in September.

Subramanian to Return to Academia

Our Bureau

New Delhi: Chief economic advisor KV Subramanian on Friday said he will return to academia after his three-year stint in the government. KV Subramanian joined as chief economic advisor or CEA in December 2018 for a three-year term.

Subramanian, 50, currently on leave, is a professor of finance at the Indian School of Business (ISB), Hyderabad. "I have received tremendous encouragement and support from within the government and have been fortunate to enjoy a warm relationship with senior functionaries," he said on Friday adding that he will happily return to serving the country as a researcher after fulfilling his commitment. Subramanian had succeeded Arvind Subramanian.

Subramanian hailed Modi's leadership and said that the momentous change in India's economic thinking post the pandemic – inter alia embracing ethical wealth creation by empowering the private sector and economic recovery driven by government capital expenditure—bears testimony to that.

He holds PhD degree in Financial Economics from the Booth School of Business, University of Chicago (2006) and an MBA in Finance from IIM, Calcutta (1999).

Ethanol Blending Programme in All States Now

Our Bureau

Pune: India's ambitious ethanol blending programme (EBP) launched in 2013-14 has now reached in all the states of the country with Sikkim becoming the last state join EBP this week.

C Sridhar Goud, executive director at HPCL, revealed this at a webinar organised by Indian Sugar Mills Association (ISMA) on Friday.

India has set the ambitious target of blending 20% ethanol in petrol by 2025. "In the present ethanol supply year (ESY) that runs from December to November, we have achieved 7.89% blending and by the end of November, are likely to hit 8.1% to 8.2% blending," Goud said.

On the projections of ethanol procurement by OMCs for 2021-22 ESY, he said, "As petrol sales in the country have gone back to the pre-pandemic levels, ethanol uptake will continue to pre-pandemic levels or might increase. The ethanol demand for next year will be presented accordingly."

OMCs have been looking at alternatives to transport of ethanol by road. They have started using pipelines and railways takes and are exploring option of coast shipping. "By 2025, we may need 400,000 trucks to transport ethanol by road and we do not want to do it this way," Goud said.

Units Importing Coal Can Sell Electricity on Exchanges

Our Bureau

New Delhi: The government on Friday invoked provisions under the National Tariff Policy that will immediately enable power projects running on imported coal to sell electricity on the exchanges to cool prices in the spot market, averaging at a record Rs 16 per unit.

With this order, Adani Power and Tata Power are expected to begin generation

Coal prices in international market have touched $150 a tonne, from around $60 in March

not operating despite a severe power scenario in the country, since coal prices in the international market have touched $150 a tonne, from around $60 in March.

The power ministry's new guidelines will act to build consensus between the imported coal-based plants that will restart ge-

rate their projects, states too will benefit as prices on exchanges fall and also they get to share half the gains made by the generation units through the sale, an official said.

The official said the guidelines do not breach the legal sanctity of power-purchase agreements (PPAs) executed between the generators and procurer states and are well within the ambit of the National Tariff Policy. The guidelines said some power plants are not generating to

any given time and

ity remains idle as

er power purchase

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