

Stock markets decline in early trade as RBI signals more tightening

MUMBAI, OCT 8: Benchmark indices Sensex and Nifty drifted lower in early trade on Thursday as growing prospect of tighter domestic and global monetary conditions persisting for longer, surging crude oil prices and foreign fund outflows dented sentiment.

The 30-share BSE Sensex declined 264.97 points to 72,408.15 in early trade. The 50-share NSE Nifty was down 87.50 points to 22,507.65.

Among the 30 Sensex firms, ITC, Adani Ports, Bharat Electronics, Bajaj Finance, Bajaj Finserv and InterGlobe Aviation were among the major laggards. Tata Consultancy Services, HCL Tech, Tech Mahindra and Infosys were among the winners.

Brent crude, the global oil benchmark, traded 2.02 per cent higher at USD 102.2 per barrel.

Foreign Institutional Investors (FIIs) offloaded equities worth Rs 6,121.37 crore on Wednesday, according to exchange data.

"The outlook for Indian equities remains cautious after the RBI raised its repo rate to 5.50 per cent, tightening domestic financial conditions at a time when global markets are already contending with elevated Treasury yields and geopolitical uncertainty. Tighter domestic financial conditions and a fragile global risk backdrop could keep investors



defensive," Ponmudi R, CEO of Enrich Money, an online trading and wealth-tech firm, said.

The Reserve Bank of India raised its benchmark repo rate by 25 basis points to 5.50 per cent on Wednesday, its first hike in nearly four years, while signalling that rate cuts are off the table in the near term and that further hikes could follow amid rising inflation, a weak rupee and high crude oil prices.

The six-member Monetary Policy Committee (MPC) of the RBI voted unanimously to raise the

repo rate, and sprang a surprise with a shift in policy stance to "calibrated tightening" from "neutral".

In Asian markets, South Korea's Kospi, Japan's Nikkei 225 index, Shanghai's SSE Composite index and Hang Seng index quoted lower.

US markets ended lower on Wednesday.

"The key overhang is no longer the RBI's rate increase alone, but the growing prospect of tighter domestic and global monetary conditions persisting for longer, potentially keeping pressure on

risk appetite and foreign flows.

The RBI's shift to calibrated tightening, followed by Federal Reserve minutes indicating another US rate increase may be required this year, could limit risk appetite," Hariselman Radhakrishnan, Founder & CEO of HST Wealth, a research analyst firm, said.

On Wednesday, the Sensex fell 429.11 points, or 0.59 per cent, to settle at 72,638.70. The Nifty declined 173.05 points, or 0.76 per cent, to end at 22,603.05. (PTI)

GST Council meet: Scrapping tax officers' arrest powers, decriminalisation among reforms on agenda



NEW DELHI, OCT 8: The GST Council, chaired by Finance Minister Nirmala Sitharaman and comprising state ministers, on Thursday started deliberations on sweeping policy reforms, like scrapping arrest powers of GST officers and easier registration, under GST 2.0, to ensure ease of doing business by following a trust-based taxation approach.

In a little over a year's time since the Council approved a complete overhaul of the tax rates and slabs under Goods and Services Tax (GST), the GST Council in its 57th meeting will deliberate on decriminalising the law by removing criminal liability for nine offences and softening the provisions for 24, and raising the threshold for initiating criminal prosecution to Rs 5 crore.

It would also discuss a common standard to be followed by GST officers across states for raising demands with a mandatory intimidation to be sent before a formal notice, thereby giving opportunity to the taxpayer to be heard.

Also, if approved, no GST notice would be issued wherein the tax demand is less than Rs 10,000. Such cases currently account for about 20 per cent of all cases by number and involve a negligible amount of tax.

To deal with the fake input tax credit and notices on mismatch in credit availed, the Council will also discuss 'invoice matching system' in GST monthly returns

wherein reconciliation of buyer and supplier invoices will happen and tax credit can be legitimately claimed.

To make compliance easier for small businesses selling on e-commerce platforms, the Council is likely to allow them to use the platform's warehouse as a registered place of business in states where they have no premises of their own. The small supplier only needs a place of business in one state where he would be required to complete physical verification and Aadhaar authentication, and registration in other states will be as per platform's consent with no involvement of tax officer.

This would enable around 9.5 lakh small sellers to access a national market without opening physical offices across states, establishing tax parity across competing platform business models. The proposed changes to the GST law would be implemented in a staggered manner beginning early next year.

The GST Council is also likely to discuss a proposal of taking up tax rate changes only once a year and making them effective from the beginning of next fiscal year, a move which would give stability to businesses.

The major change that the GST Council will deliberate on Thursday is amending the GST law and scrapping of arrest powers of GST officers, besides raising the threshold to Rs 5 crore for launching prosecution.

For offences like late filing of returns classification disputes and delay in tax payment due to cash position, a taxpayer will be able to skip arrest by paying tax, interest, and a proportionate penalty. GST officers will focus on recovering taxes, while law enforcement agencies will deal in cases of legal proceedings.

Currently, GST officers have the power to arrest, after prior authorisation from a Commissioner-level officer, in cases of major offences where tax evasion, fraudulent input tax credit (ITC), or wrongful refunds exceed Rs 1 crore.

The Council would also deliberate on intelligence-led logistics and transit checks, wherein vehicles in transit will only be stopped based on specific prior authorisation by a senior officer and solely by the state of origin (except when documents are missing or buyerliable tax applies).

This will eliminate multi-state road stoppages, drastically reduce transit times and freight costs, and make cargo movement predictable for domestic and export goods.

To streamline the GST registration process, the Council will discuss redesigning the forms so it can be completed correctly, easily with guidance at each step and the list of documents to be uploaded. If a taxpayer is registered in another state, his details are carried over and he may need to fill up only one form

for obtaining registration in multiple states.

To make it easier for exporters of goods and services to claim refund and credit, the Council will also consider a proposal to make the definition of exports aligned with commercial activities earning foreign exchange and also remove ambiguity over the export status of services supplied through an Indian company's overseas branch, sources said.

Further, the Council will also consider withdrawing IGST exemption on import of gold, silver and platinum imports by specified banks and nominated agencies.

Currently, imports of gold, silver, and platinum are subject to a 3 per cent IGST. However, this tax is exempt when these precious metals are imported by banks and nominated agencies, which are periodically listed by the government.

A proposal allow employees to claim input tax credit (ITC) on premiums paid for insurance coverage provided to employees will be discussed by the Council.

Under the Goods and Services Tax law, GST is exempt on individuals buying life or health policies for themselves or their family. However, when a company buys life or health cover for its employees, an 18 per cent GST is levied on that cover, and until now the business could not claim ITC on it.

The GST Council is also likely to consider recasting its tax officers' committees, making them leaner as the indirect tax regime completed nine years since its rollout on July 1, 2017.

The structure of the committee, which supports the Council in overall functioning, is proposed to be recast into three consolidated bodies -- the Secretariat, the implementation committee, and a single standing committee of officers.

Currently, the GST tax officers' committee consists of the Secretariat, an implementation committee, eight standing committees, including Fitment and Law committees, and 18 sectoral groups. (PTI)

Rupee rises 10 paise to 96.65 against US dollar in early trade

MUMBAI, Oct 8: The rupee traded in a narrow range and edged up 10 paise to 96.65 against US dollar in early trade on Thursday on likely intervention by the Reserve Bank of India.

Forex traders said rupee is under pressure amid persistent macroeconomic headwinds, including global dollar strength (DXY trading near multi-month highs), elevated Brent crude prices hovering near USD 102 per barrel.

Moreover, relentless foreign fund outflows as well as fall in forex reserves by USD 50 billion in just three weeks from the high of USD 786 billion in September dented investor sentiments further.

At the interbank foreign exchange market, the rupee opened at 96.71, then gained some ground to touch 96.65, registering a rise of 10 paise over its previous close.

On Wednesday, the rupee closed at 96.75 against the American currency.

"Strong corporate importer demand for dollars together with safe-haven capital shifts overpowered the RBI's hawkish policy stance, driving USD/INR higher through the afternoon until routine state-run bank interventions helped



stem further losses," said Anil Kumar Bhansali Head of Treasury and Executive Director Finnex Treasury Advisors LLP.

Forex traders said investors will wait for RBI to take action against speculation on the USD/INR pair with the Governor assuring to help in finding rupee to its true value which is undervalued presently.

Meanwhile, the dollar index, which gauges the greenback's strength

against a basket of six currencies, was trading at 102.25, higher by 0.01 per cent.

Brent crude, the global oil benchmark, was trading higher by 2.17 per cent at USD 102.37 per barrel in futures trade amid concerns over disruptions to crude supplies through the Strait of Hormuz.

"The main reason for the rebound in crude oil prices is persistent concern over Middle East supply and

shipping disruptions, particularly with attacks on tankers in the Gulf and around the Strait of Hormuz intensifying," Bhansali said.

Sensex declined 264.97 points to 72,408.15 in early trade, while Nifty fell 87.50 points to 22,507.65.

Foreign Institutional Investors (FIIs) offloaded equities worth Rs 6,121.37 crore on a net basis on Wednesday, according to exchange data. (PTI)

Govt should withdraw proposed UPI charges: Global Trade Research Initiative

NEW DELHI, Oct 8: The Government should withdraw the proposed UPI charges, scheduled to take effect on October 15, and keep the digital payment system free for merchants and consumers, economic think tank GTRI said on Thursday.

It said that charging merchants could raise prices, squeeze small business earnings and weaken household demand.

The charges would also reduce UPI's price advantage over cards, benefiting US card networks and payment platforms, the Global Trade Research Initiative (GTRI) said, adding that an independent audit should establish and publish UPI's actual running costs.

"The government should withdraw the proposed UPI charges scheduled to take effect on October 15 and keep UPI free for merchants and consumers," said GTRI Founder Ajay Srivastava.

Ending nearly six years of fully free UPI payments, the government has introduced a 0.4 per cent fee on transfers worth more than Rs 2,000 made to merchants through the platform from October 15, while explicitly ring-fencing everyday person-to-person transactions as well as small payments from any charge.

Srivastava said that



banks save on handling cash and operating ATMs and branches when customers use UPI, and payment apps gain customers' spending data and opportunities to sell loans, insurance and mutual funds in a market serving more than 55 crore Indians.

The government, he said, benefits from wider digital payments and greater visibility of economic transactions.

"These benefits support the case for sharing UPI's running costs. If these institutions fund the system, UPI can remain free and preserve its advantage over cards. Charging merchants reduces that advantage and creates commercial opportunities for competing payment networks," he said.

He added that PhonePe and Google Pay, which to-

gether handle more than 80 per cent of UPI transactions, could earn a share of merchant fees if the fee-sharing arrangement provides for it.

"Their market dominance would give them a large potential base for such earnings," Srivastava said, adding, "Visa and Mastercard could benefit when UPI loses part of its price advantage. Free UPI allows merchants to receive the full payment. An MDR reduces that benefit and could make cards more competitive. The card networks also seek access to UPI comparable to that enjoyed by RuPay credit cards."

India should resist US pressure to weaken UPI, drawing on Brazil's defence of Pix, its domestic digital-payment system, he said, adding that UPI's

affordability and widespread acceptance are economic strengths that India should preserve.

Further, he said that annual UPI payment value exceeded 91 per cent of India's GDP last year, indicating the system's reach, but the proposed fees could affect the economy beyond the transactions directly charged.

"Higher prices would leave households with less money for other purchases. Where competition prevents price increases, farmers, vendors and businesses would absorb the cost through lower earnings," the GTRI Founder said.

He added that weaker earnings and demand could lead firms to buy less stock, postpone investment and hire fewer workers. (PTI)

Asian shares decline under pressure from rising bond yields, surging oil prices

HONG KONG, OCT 8: Asian shares fell, and oil prices surged Thursday after stocks on Wall Street retreated from their latest records.

US equity futures were mixed.

Stocks once again have retreated under pressure from rising yields in the bond market. The yield on the 10-Year US Treasury stayed near a multi-decade high after minutes released Wednesday from the US Federal Reserve's most recent meeting showed that most Fed officials expect another interest rate hike this year.

Japan's Nikkei 225 fell 0.9 per cent to 69,438.77. South Korea's Kospi lost 0.8 per cent to 6,750.25. Hong Kong's Hang Seng declined 0.2 per cent to 24,072.98.

The Shanghai Composite index edged down 0.1 per cent to 3,840.03.

Australia's S&P/ASX 200 slipped 0.6 per cent to 8,677.20.

Taiwan's Taiex dropped 0.7 per cent.

On Wednesday, Wall Street's benchmark S&P 500 dropped 0.2 per cent a day after reaching an all-time high. The Dow Jones Industrial Average slipped 0.7 per cent, while the technology-heavy Nasdaq composite declined 0.2 per cent from its record.

Inflation in the US remains above the Fed's 2 per cent target. In September, the Fed raised rates for the first time in three years by a quarter percentage point to a range of 3.75 per cent to 4.00 per cent.

Rising bond yields hurt stock prices, in part because companies and consumers face higher borrowing costs. Yields on US Treasuries have surged as the global energy shock driven by the Iran war pushed prices higher, while the US national debt has continued to grow.

The yield on the US 10-Year Treasury was at around 5.31 per cent after rising as high as 5.36 per cent on Wednesday, its highest level since 2002.

Adding to worries over inflation, oil prices have bounced back given the uncertainties over global crude supplies. The US and Iran have yet to reach a deal to end their war. A report Wednesday by The Atlantic, citing two unnamed officials, said that the White House

had asked the Pentagon to develop strike options against Iran before the midterm elections in November.

Early Thursday, Brent crude, the international standard, was up 2.2 per cent at USD 102.43 per barrel. Benchmark US crude rose 1.9 per cent to USD 89.96 a barrel. The International Energy Agency said Wednesday that its members support faster releases of oil from inventories.

The US dollar rose to 158.20 Japanese yen from 158.08 yen. The euro was trading at USD 1.1198, up slightly from USD 1.1197, as elevated yields for bonds in France and growing worries about its government debt added pressure to the euro. (AP)