NEWS FLASH – 18th FEBRUARY, 2016

SUGAR

Sugar production up at 173 lakh tonnes so far: ISMA

Exports stand at a mere 9.5 lakh tonnes due to fall in global prices and slow pace of shipments

Sugar production by 472 mills was higher at 173.37 lakh tonnes in the ongoing 2015-16 marketing year that runs from October-September (till February 15), compared with 167.24 lakh tonnes (lt) produced by 516 sugar mills in the same period last year, the Indian Sugar Mills Association has said.

The sugar producers' body also said that the mills had started repaying loans taken last year and said they were facing "difficulties" in paying cane arrears to farmers.

However, it said ex-mill sugar prices has started improving from the beginning of the current season but had seen a fall in the past 15 days, by a couple of rupees per kg.

With a fall in global prices, the pace of contracts for further exports has slowed down.

"Around 9.5 lt of sugar has been despatched by mills across the country for exports against the quota fixed by the government. With a fall in the global prices, the pace of contracts for further exports is slowed down," it added.

Overall sugar production this season is up by 6.13 lt compared with the corresponding period last year, ISMA said, adding that of the 511 mills that started crushing in 2015-16 sugar season, 39 had closed their operations.

Mills in Uttar Pradesh have so far produced 45.55 lt (42.25 lt). However, output was lower in drought-hit Maharashtra with 177 sugar mills producing 62.70 lt – 3.5 per cent lower than last year's 65 lt.

In Karnataka, 64 sugar mills produced 32.21 lt (28.55 lt).

(Source- This article was published in the Business Line print edition dated February 18, 2016.http://www.thehindubusinessline.com/todays-paper/tp-agri-biz-and-commodity/sugar-production-up-at-173-lakh-tonnes-so-far-isma/article8249962.ece)

COGEN

India to save Rs 30,000 crore in FY16 by cutting down coal imports

India will save Rs 30,000 crore in 2015-16 by cutting down on coal imports as domestic production has picked up, coal secretary Anil Swarup said. The government is aiming to completely eliminate the import of the kind of coal that is available domestically, he added.

Coal India, the state-run company that is the largest coal producer in the country, plans to double its production to 1 billion tonne by 2020. In the current year through March, it would have scaled up production to 1 billion tonne by 2020. In the current year through March, it would have scaled up production to 550 million tonne which is likely to increase to 600 million tonne next year.

"Imports have already started coming down. This year, imports are already down by 16% resulting in savings of Rs 22,000 crore so far. We would probably save Rs 30,000 crore by the end of this year," Swarup told ET on the sidelines of the Edelweisss India Conference. "We will eliminate import of such quality of coal which is available in India in two years," he said. Power plants in the coastal areas are designed to run on high-grade coal, which has higher calorific value and low ash content as compared with the local coal and, to that extent, the country would continue to import this grade of coal. Of the total 212 million tonne of coal imported last year, around 30-40 million tonne were of the quality that is not available locally. "We have so far focused on increasing quantity and its showing results.

Now, the focus is on improving quality of coal. We want to ensure only crushed coal moves out of mines and from January 1st, it has already started happening. This ensures that power plants don't receive coal with high amount of stones as they did in the past," Swarup said. The ministry has also set up a mechanism for third-party coal sampling to avoid slippages and has pushed for setting up 15 coal washeries to ensure quality. Swarup said of the 29 mines that were in production were de-allocated and then bid out, 10 have started production again. "These 10 mines are producing 8 million tonne so far. Other mines had issues and some are in court. But we are hopeful that over two-three months, other mines will also start (production)."

Swarup said the power ministry's Ujjwal Discom Assurance Yojana initiative will benefit power distributors, increase power demand and subsequently boost coal production.

(Source- This article was published in ET Bureau on 17th February, 2016 http://economictimes.indiatimes.com/articleshow/51016686.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

ETHANOL

In the true spirit of GST

States should include alcohol in goods and services tax. This will nip the parallel economy it generates in the bud

The GST Constitutional Amendment Bill is currently a work-in-progress in the Rajya Sabha. After it is passed there, the Bill will be debated and taken up for voting in the State assemblies.

While the States are worried about protecting the tax base, the Centre is concerned about the compensation it will need to pay to nudge the States towards faster implementation. In itself, compensation is critical enough to impact the very design of the GST regime.

This ongoing negotiation recalls a major standardisation and unification exercise undertaken in relation to local sales tax when value added tax (VAT) laws were introduced to replace the archaic sales tax regime in various States, a decade ago. Compensation was a serious issue then, and it is a serious issue now.

Simple in theory

Practical experience underscores the need for a robust and comprehensive input tax credit mechanism such as GST in respect of all the items. All taxes paid on purchases should be subtracted from the sales tax collected on sale of goods and services, and the balance should be paid to the government. In practice, however, it is not so simple. Not all the goods will be part of the GST regime.

States generate a major portion of their revenues from levies on alcoholic beverages, land and buildings, petro products, stamp duties and municipal levies, and thus these levies have been kept out of the current GST design.

Petro products are part of the GST Bill but will be brought under the GST chain sometime. However, tax on alcoholic beverages has been carved out as an exception to the definition of GST itself. Accordingly, another historical and extremely laborious exercise of constitutional amendment and consensus building across India will be required to bring alcoholic items under GST regime.

State governments control the entire cycle of manufacturing, distribution, retailing and pricing of liquor. The output of liquor factories is subject to State excise duty and sales tax. All imported raw material and constituents are subject to customs duty on imports.

The liquor taxation policy in States is the single biggest source of opacity, political patronage, nepotism and corruption. Non-transparent systems, price distortions, illegal imports in the high tax States or those under prohibition, and systemic distortions are the other hallmarks of the current State specific regimes. The compliance mechanism, including return filing and processing, leaves much to be desired in terms of speed of disposal of assessments, appeals, and reduction of backlog; this is despite the introduction of electronic and computerised filing in many States.

In all such cases, manual filings and systemic processes leave a lot of scope for subjectivity, document pilferage and lack of audit trail. If State level levies such as alcohol excise and other taxes are brought under GST, there will be an incentive to make a complete record of all the manufacturing and trade in liquor. It is an open secret that much of the trade in liquor is off the books leading to wholesale leakage and unbridled corruption. This will also help reduce spurious liquor and law and order issues.

Alcohol under GST

Interestingly, various reports indicate that organised domestic and multinational players themselves want the inclusion of alcohol under GST. Their argument is that leaving out alcohol creates distortion as all inputs and imports will suffer GST and outputs from factories will attract State excise and sales tax. In other words, the input tax credit chain will break leading to cascading and high prices. Incentives to continue major amount of trades in a parallel economy will be strong.

In the somewhat pro-socialist set-up of public policy discourse in India, it is difficult to talk about ushering in transparency and simplicity in a sector as 'sinful' as alcohol for human consumption. In fact, a usually safer bet is to advocate levy of exorbitant 'sin' tax on such 'demerit' goods.

However, key items cannot be left out of the reach of GST merely because negotiations on such items are complicated and involve a mutual give and take between the Centre and States.

The issue merits a debate with an open mind, given the changes in the consumption pattern of liquor in various States.

(http://www.indiansugar.com/NewsDetails.aspx?nid=5265, Article published on 17th Feb, 2016)

THOUGHT OF THE DAY:

"One best book is equal to hundred good friends but one good friend is equal to a library"

– Dr. A. P.J Abdul Kalam

HEALTH TIP OF THE DAY:

Don't eat too much salt. The recommended daily intake is 5-6g. An average fry-up contains 10g of salt per plateful. Some brands of breakfast cereal contai as much salt per bowlful as a packet of crisps.