



**FINARATHA**

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## Use artificial intelligence for tax compliance

The direct tax panel, headed by Akhilesh Ranjan, has recommended, among a slew of changes in tax rate structure, use of artificial intelligence (AI) in the tax-compliance and administration process. This, sources in the know said, would compel an income bearer and a potential taxpayer to be a part of the tax net, thereby improving the tax base and compliance.

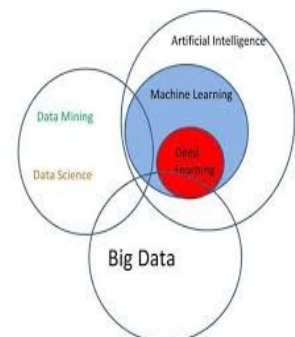
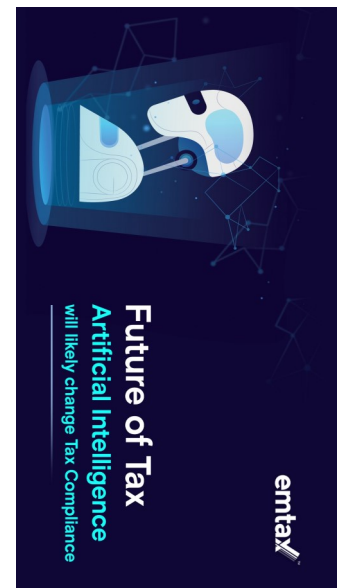
The panel has also proposed to introduce collaborative compliance in direct tax administration, which would integrate data from banks, financial institutions and the goods and services tax (GST) network to ensure that the scope of taxable income increases.

This will be complemented with a reduced rate of tax, especially the corporation tax rate, to incentivize businesses. The panel submitted its report to Finance Minister Nirmala Sitharaman on Monday.

"IT for IT, is the mantra: Information technology for income tax administration. The use of AI to make the system foolproof of manual interference and leakages has been envisioned," said a person in the know, on condition of anonymity. According to sources, the tax panel has recommended reduction in corporation tax rate to 25% for all companies, including foreign companies, in addition to relief for middle class individual taxpayers in terms of liberalized tax rates. "These measures would build a tax system with inherent checks and balances which would be very difficult to evade," said the person quoted above.

"It would be like a CCTV at a traffic signal. Once it's in place, a car driver would dare not jump the red light," he added.

The former panel headed by Arvind Modi is learnt to have recommended a sharp cut in corporation tax rate to 15 per cent, but with an assumption that compliance would improve 0.8 per cent with every percentage point of reduction in corporation tax rate.



Credit: Matthew Mayo, KDnuggets

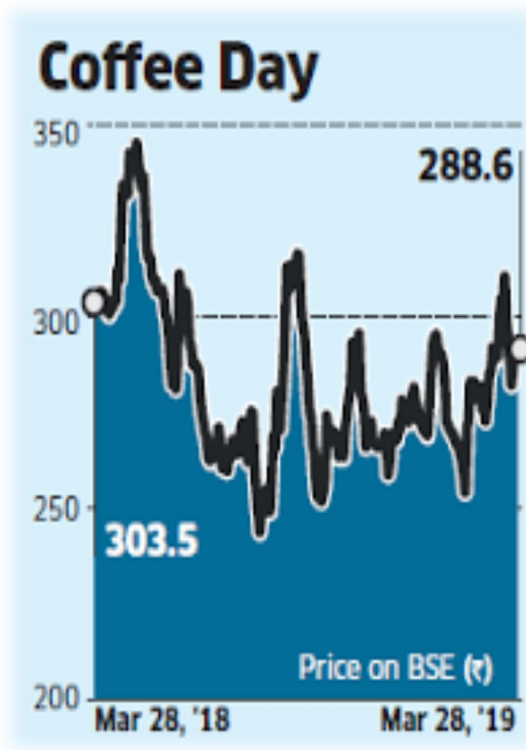
Source: Economic Times

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## CCD AND COCA COLA DEAL!

Promoters of Coffee Day Group were likely to resume talks with Coca-Cola for a possible stake sale in the Bengaluru-based coffee chain to lower its debt burden, reports The Economic Times.

The company's late founder VG Siddhartha had begun talks with the beverage giant but was reluctant to sell a majority stake, it said. Coffee Day Enterprises (CDE) owns Café Coffee Day, India's largest cafe chain that operates 1,750 outlets across the country. A spokesperson for Coca-Cola declined comment when approached by ET while CDE had not responded to the paper's request for a reaction. Siddhartha was seeking a valuation of Rs 8,000-10,000 crore for the company when the discussions commenced in June, the report said. The group's coffee business is expected to generate sales of Rs 2,250 crore in FY20, a senior executive told the publication. The move will help Coffee Day Group clear some of its debt obligations. The group's total external borrowings stand at Rs 4,970 crore. The group recently sold Global Village Tech Park in Bengaluru to Blackstone Group for about Rs 3,000 crore. The total debt position of Coffee Day Group will reduce by Rs 2,400 crore after the payment for the deal is received. The divestment by CDE will also help Coca-Cola gain a foothold in the café space, as it tries to expand beyond its core carbonated drinks portfolio.



EDITED BY DEVANSH CHOKHANI 19PGPM089



## THE WAR OF CURRENCY

Recently china devaluated its currency (Yuan) by more than 7 units, so what lead to this huge depreciation, is a question to ponder upon. To answer this question we need to have a clear idea of what devaluation actually means.

Devaluation means that more local currency is needed for importing goods and exporters earn more local currency when they convert the “export proceeds” to local currency; which implies that imports become more expensive, and exports become cheaper because the cost of exports remains same. With this information on hand let us look upon the cause for the effect.

On August 1, 2019 Donald Trump announced 10% tariffs on another US\$300 billion of Chinese goods ,which will be effective from September 1, 2019. This was a setback for China, as their goods would face a price hike in American market. So, in response to that, the Chinese government depreciated its currency, the Yuan, by more than 7 against the dollar, which is the lowest in the decade. The US government then formally labeled china as a “CURRENCY MANIPULATOR”, who gains unfair competitive advantage against the tariffs imposed by the US administration.



The Treasury department of US said “China had a long history of facilitating an undervalued currency through protracted, large-scale intervention in the foreign exchange market”. In response to it, china has its reasons to follow, as it has a trade surplus and to avoid the effect of US tariffs it depreciated its currency. Its economies main driver is exports which contribute around 20% to its GDP and builds a manufacturing sector that employs millions of people and serves as a factory to the world. China also supply their currency to shell companies which in turn buy dollars in foreign exchange market and ultimately increased supply of Yuan, which leads to further depreciation of currency and the exports become more competitive in global markets. This trade war between US and China seems to have no end but we expect in the near future that such kind of currency wars could be mitigated because they pose a threat to world economy.

ARTICLE BY JITENDER KUMAR(19PGPM023)

## OVERVIEW!

### U.S. economists expect recession in 2020 or 2021: survey



A majority of economists expect a U.S. recession in the next two years, but have pushed back the onset amid Federal Reserve actions, according to a survey released on August 19.

The survey came out after President Donald Trump pushed back against talk of a looming recession as a raft of US data reports last week showed a mixed picture on the economy.

The [National Association for Business Economists \(NABE\)](#) found far fewer experts now think the next recession will start this year compared to a survey in February. NABE conducted its policy poll as President Donald Trump put the Fed under constant attack, demanding more stimulus, but before the central bank cut the benchmark lending rate on July 31. However, the Fed was already sending strong signals that it intended to pull back on the rate increases made in 2018 due to concerns starting to dog the economic outlook, including the trade war with China.

**“Survey respondents indicate that the expansion will be extended by the shift in monetary policy”** said NABE President

**The results show 46% expect at least one more rate cut this year from the Fed, while about a third see policy holding where it is now, with 2.25% as the top end of the policy range.**

**"A budget  
is telling your money  
where to go  
instead of wondering  
where it went."**

Dave Ramsey

### *DID YOU KNOW??*

Poker and gambling are popular examples of zero-sum games.

Zero-sum is a situation in game theory in which one person's gain is equivalent to another's loss, so the net change in wealth or benefit is zero

Source: Live Mint, News In Shorts

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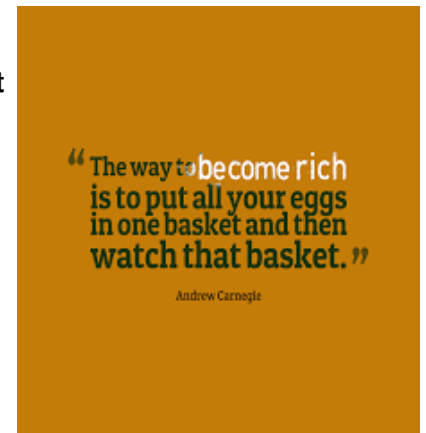
LEARN WHAT THEY WANT!!

## STARTUPS? KNOW WHAT A VENTURE CAPITALIST LOOK FOR!

Venture capital financing is provided to the startups generating innovative ideas and solutions. VC provide the risk capital which can bring them to the market.

But that is it! VC motivation is not to nurture startups for their entire lifetime but to for a certain range of investment time horizon, typically ranging from 3-7 yrs. What is notable is that VC takes into consideration the (infamous) 80-20 rule. This actually acknowledges that some of the investment might fail. To ensure that the investment prospects fall under 20 percent success category there are certain factors they look for. Foremost, A Business plan, something which is executable and realistic ofcourse but at the same time which addresses a problem that has not been addressed. This brings us to our second factor, Revenue potential. This might have come to as a obvious one but this is generally overlooked. If you have a plan which has the potential to be the next youtube, adobe, facebook, a sharp sighted investor would be offering you funds irrespective of revenue. There is no hard and fast rule on how much revenue is enough but providing a model that can be scaled will interests a VC. Thirdly, a competitive structure. We know innovation is the only sustainable competitive advantage a company can have. This is surely not just limited to a business plan but also on how one differentiates his business from his competitors in terms of utility, cost and quality. As Steve Job said "great things in business are never done by one person, they are done by team of people" fourthly we have, a team strength. Backgrounds and experiences of co-founders and employees are important since success will be entirely dependent on their capabilities and efforts. Finally, fund asked. How much money is proposed to be raised and what will it be used for. This also covers how long this funding will last and what will be its consequence. Indication of further fund-raising in subsequent rounds is also looked at.

But wait, what is very relevant and is generally considered by VC is the road map for exit. Which brings us to exit options. This include other investors who will buy the stake (this will need to be backed by data on other deals in the same sector) or what the IPO prospects are like.



### **BHARI GYAAN**

BlockTrade?

A block trade is the sale or purchase of a large number of securities. A block trade involves a significantly large number of equities or bonds being traded at an arranged price between two parties

*Edited by, Neha Kedia | MDIM | PGPM 2019-21*