India, US near tax pact to boost foreign investment

REUTERS, *Mumbai*

India is set to strike a bilateral tax agreement with the United States as early as this weekend, hoping to boost foreign investment and ease concerns raised by bruising disputes including cases against Vodafone and Shell.

The pact, which industry executives say would specifically target the prickly issue of transfer pricing, is part of the Indian government's broader push for bilateral tax deals with top trading partners including Britain.

A finance ministry source said there was already a broad agreement between the Indian and US tax authorities. Several tax officials said a deal could be signed during US President Barack Obama's visit to India, which begins on Sunday.

Transfer pricing, or the value at which multinational companies trade products or services between their units across borders, has been a contentious issue in India in recent years, with the tax department aggressively pursuing billions of dollars of claims.

The tax department has worried that foreign companies have been underpricing goods or services provided by their Indian units, in order to pay less tax.

Tax officials and lawyers with direct knowledge of the matter said the aim of the pact was to make it easier to predict the fiscal impact of doing business in India.

"This is a very positive framework where the government is saying that we don't always have to go ahead and litigate in most of the transfer pricing cases," said Sanjiv Malhotra, a partner law firm BMR & Associates LLP's direct tax practice.

REUTERS

Kite-maker Jagmohan Kanojia displays kites, with portraits of Indian Prime Minister Narendra Modi, *right*, and US President Barack Obama, ahead of Obama's visit, in the northern Indian city of Amritsar yesterday.

India entered into its first transfer pricing tax pact with Japan last month.

The Indian tax department is also in talks with Britain, as well as a couple of other European nations, with agreements likely to be signed later this year, said the tax officials, declining to be named ahead of an announcement.

A slew of multinational companies including Vodafone Group Plc, Royal Dutch Shell Plc, IBM Corp, Microsoft Corp and Hewlett-Packard Co have fallen foul of India's tax collectors in last couple of years.

The tax department charged the firms with under-invoicing the value of products, services or shares offered to parents and, therefore, lowering tax liabilities.

A few companies including Shell have won favourable rulings in the Indian courts on those tax claims, but many other cases are still being litigated, and, tax lawyers said, the agreements between India and other countries won't involve those cases.

Finance Minister Arun Jaitley has repeatedly asked tax officials to move towards a tax-friendly regime to erase the "bad name" India has earned among foreign investors.

Last year, in his interim budget, he announced new measures to reduce litigation on the transfer pricing issue.

Under the bilateral pacts, the Indian government will enter into so-called advance pricing agreements, which set the tax liability of the transfer pricing value for the next four to five years, with other countries.

India introduced an advance pricing agreement in 2012 and talks between the United States and New Delhi for a pact first started in late 2013, but Washington's push to settle past transfer pricing cases have delayed the process.

"The agreement with the United States will give a major boost to the companies operating in India. The scope for litigation will come down significantly," said a consultant for transfer pricing taxation with a leading global firm.

Petrol crisis forces Pakistan PM to cancel Davos trip

AFP, *Islamabad*

The Pakistani prime minister has cancelled his trip to the World Economic Forum in Davos to deal with a severe petrol shortage at home, officials and state media said Thursday.

State media said Nawaz Sharif cancelled the visit "in view of the prevailing domestic situation" and had convened a high-level meeting in Islamabad to review petrol supplies.

The fuel crisis began last week when Pakistan State Oil was forced to slash imports because banks refused to extend any more credit to the government-owned business, which supplies 80 percent of the country's oil.

The situation has eased slightly, but queues of vehicles were still seen at filling stations in Islamabad and other parts of the country, particularly central Punjab province.

A spokesman for Sharif confirmed to AFP in a short text message that the "Prime minister has cancelled his trip" to Davos.

Sharif has suspended five top officials over the crisis, which has seen buses taken off the roads and angry scuffles at petrol stations, with tempers fraying as people waited in long queues for fuel. Some filling stations were forced to close.

Anger is growing over the shortage amongst Pakistanis -- who already have to deal with chronic power cuts that can see them struggle without electricity for 12 hours a day or more - at a time of a global glut in oil supplies.

Solving Pakistan's energy crisis was a key campaign pledge for Sharif in the run-up to the 2013 general election, and the shortage is heaping fresh pressure on his government.

A spokesperson for opposition leader Imran Khan's Pakistan Tehreek-i-Insaaf (PTI) party has said it was planning nationwide protests over the petrol crisis.

India asks refiners to cut Iran oil imports ahead of Obama visit

REUTERS, *New Delhi*

India has asked its refiners to slash oil buys from Iran in the next two months to keep the imports in line with the previous fiscal year's levels, sources with knowledge of the matter said, days ahead of US President Barack Obama's visit to New Delhi.

India has raised its crude shipments from Iran around 40 percent over the first nine months of the current fiscal year, when as part of the temporary deal that eased some sanctions on Tehran it was meant to hold them steady.

India and the United States will discuss the status of the Iran nuclear negotiations, Ben Rhodes, deputy national security advisor in the White House told reporters in a teleconference detailing Obama's visit.

India's higher imports from Iran would also be on the agenda, the two sources in India said.

"The refiners will have to virtually halt Iranian oil imports in February-March to retain purchases at last year's levels," said one of the sources with knowledge of the matter. The sources did not want to be named because of the sensitivity of the issue.

India's imports from Iran rose 41 percent to 250,200 bpd in April-December compared with the same period a year ago, according to tanker arrival data made available to Reuters.

One of the sources said India's federal oil ministry told Essar Oil, Mangalore Refinery and Petrochemicals Ltd and Indian Oil - the only Indian companies that buy from Iran - to cut imports.

Iran and six major world powers will meet next month to narrow differences over Tehran's nuclear programme after making limited progress earlier in January to clinch a full blown deal by June 30 deadline.

MRPL and Essar declined to comment on any requests to cut purchases from Iran. IOC's finance head did not respond to phone calls.

Google to sell wireless service

REUTERS

Google Inc is preparing to sell mobile phone plans directly to customers and manage their calls and mobile data over a cellular network, The Information reported, citing people familiar with the matter.

Google is expected to reach deals to buy wholesale access to Sprint and T-Mobile mobile voice and data networks, making it a mobile virtual network operator, the technology news website said.

The project, codenamed "Nova", is expected to be launched later this year, The Information said.

Google was considering launching mobile phone plans for markets where it sells Google Fiber Internet service, according to the report.

ROBI

Animesh Kundu, Otobi's managing director, and Supun Weerasinghe, managing director of Robi Axiata, exchange documents of a corporate agreement at Otobi Centre yesterday.

Swiss central bank says franc move was 'best option'

AFP, *Geneva*

Switzerland would have had to spend more than $100 billion this month alone if it had continued efforts to hold down the value of its currency, a senior central bank official said Thursday.

In a shock move a week ago, the Swiss National Bank scrapped a three-year-effort to keep down the value of the franc, sending the Swiss currency soaring by as much as 30 percent. The soaring franc wreaked havoc on global markets and bankrupted several foreign exchange traders.

But the central bank has ardently defended the move, insisting its efforts to enforce the ceiling, including purchasing massive amounts of foreign currency, were no longer sustainable.

"In the days running up to the decision to abolish the ceiling the sum ploughed in was increasing," Fritz Zurbruegg, a member of the Swiss National Bank's governing board, told the Blick daily.

If the bank had continued its efforts, "we would have spent about 100 billion francs (100 billion euros, $116 billion) for January alone," said Zurbruegg, the number three in the bank. "We came to the conclusion that the best option was to free up the exchange rate," he added. The decision was taken by the bank's top triumvirate: chief Thomas Jordan, vice-president Jean-Pierre Danthine and Zurbruegg.

The SNB had been defending the exchange rate since September 2011 in an effort to protect the country's vital export and tourism industries. The franc has stabilised around parity with the euro, a strengthening of some 17 percent from the previous limit of 1.20 francs to the euro.

The rate was introduced as the eurozone crisis sent investors scurrying to the safe haven currency. More recently, the Russian ruble crisis put renewed pressure on the franc.

> *If the bank had continued its efforts, "we would have spent about 100 billion francs (100 billion euros, $116 billion) for January alone," said Fritz Zurbruegg, a member of the Swiss National Bank's governing board*

The bank's decision to allow the franc to float has generated widespread criticism, but Zurbruegg insisted that the bank's "credibility" was intact. "We have had no sign of a deflationary spiral," he said.

Swiss businesses, which have seen their shares take a bashing since the decision, are not convinced.

The banking lobby has for instance warned that the strong franc could pose a problem for private banks which earn up to 80 percent of their revenue in foreign currencies with higher cost-income ratios.

Switzerland's iconic watch industry, which exports nearly 95 percent of its top-end products to markets where revenues are earned in dollars and euros, has also said the move will take a harsh toll on sales and margins.

IMF's Lagarde defends Europe in heated Davos debate

AFP, *Davos, Switzerland*

It was supposed to be a serious debate about the merits of monetary stimulus, but instead a panel in Davos on Thursday featuring IMF chief Christine Lagarde, quickly degenerated into a skirmish over the European economy.

"There is a general expectation to compare the US economy and the euro area and I don't think that's a reality," Lagarde said after an onslaught from her largely American co-panelists, including the CEO of megabank Goldman Sachs.

Hand-wringing over the fate of a wobbly Europe has become a Davos tradition, ever since debt-wracked Greece threatened to destroy the eurozone in 2010.

This year was no different, especially with Greek elections set for Sunday and the imminent decision by the European Central Bank to unleash a massive bond-buying scheme despite the opposition of the bloc's most powerful member, Germany.

But unlike Greece, or other usual targets France and Italy, it was Germany that stirred debate, blamed for a blind push for austerity and imposing its singular economic vision on others.

"It is the failure to recognise that a one-off model that worked to produce export-led growth for Germany in the early part of the decade will lead to an outcome that is worse for everyone now," said former US treasury secretary Lawrence Summers.

AFP

Managing Director of the International Monetary Fund Christine Lagarde speaks during a session of the World Economic Forum's annual meeting in Davos yesterday.

"It is the error of assuming that the strategy that worked for one once, when applied universally will work," he said.

Lagarde however doubted that there was that much space for Germany to do anything to help out its neighbours and that little room existed for more public spending.

Options were limited "given that we're in a high-unemployment, high-debt environment, and given that structural reforms are fine but effectively what we need the most is demand, and not many in the eurozone have fiscal space to do that," she said.

Summers decried a "lack of imagination" by the Europeans to solve their problems, bringing a sharp rebuke from Ana Patricio Botin, the new CEO of Spain's Banco Santander, Europe's biggest bank by assets.

"So you say Europe is less imaginative than the US?," she called out to Summers, who now teaches at Harvard University.

"I'm much less negative on Europe than most Americans. We raised nine billion dollars and a lot of that came from Americans and may I say that was very smart money," she said.

Speaking moments later at a panel on Europe, German Vice Chancellor Sigmar Gabriel said the reforms Germany passed almost a decade ago "took a long time to implement".

"Some of these reforms that countries like Italy (and) France have to take are much larger than what we had to take," Gabriel, a social democrat said sympathetically.

Gabriel acknowledged that the "task for Germany today ... through its own polices, its own investment is to support the EU," he said.

But the challenge was to "persuade countries that they will benefit from structural reforms. That their children will be better served by them," he said.

Speaking later to AFP on the Davos sidelines, Eurogroup chief Jeroen Dijsselbloem praised the authorities in France and Italy but warned the task was not yet over.

"The present governments in France and Italy are much more ambitious in terms of reforms but it still has to be done," said Dijsselbloem, who is also finance minister of the Netherlands.

Hyundai Motor net profit slumps 22pc

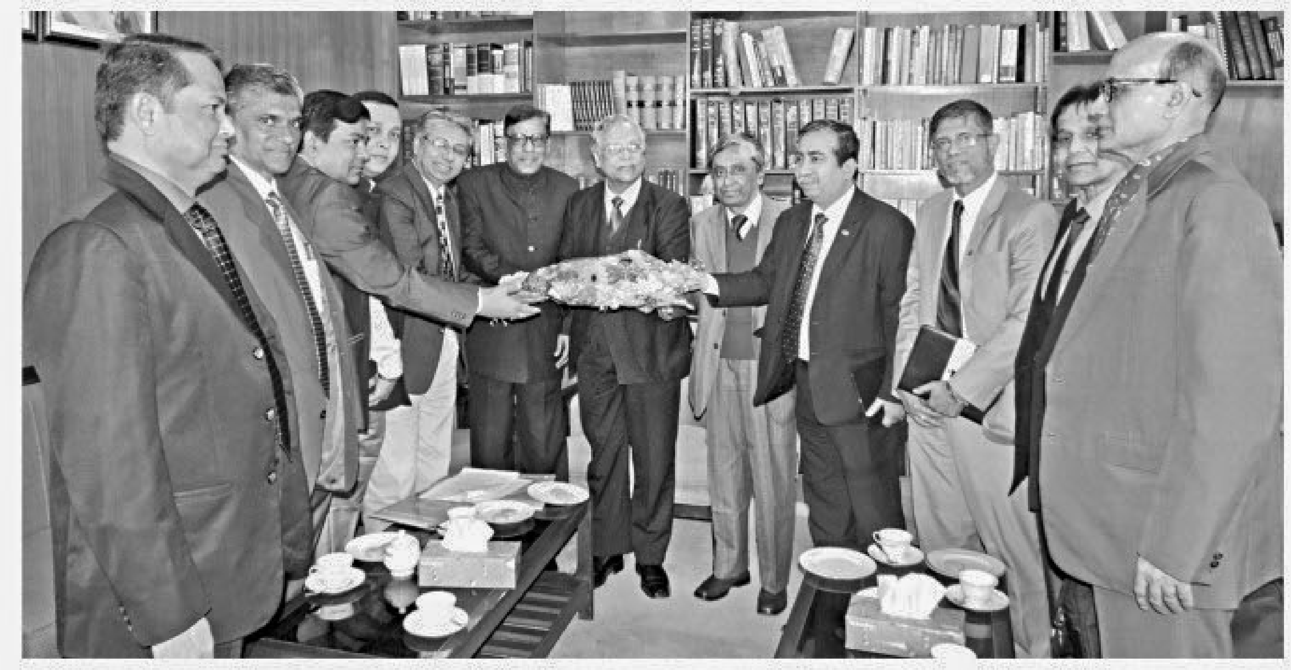
AFP, *Seoul*

Hyundai Motor on Thursday posted a steep drop of more than 20 percent in fourth quarter profits as a strong won continued to blunt its price competitiveness against Japanese rivals.

Net profit for the October-December period was down 22.2 percent from a year ago at 1.65 trillion won ($1.51 billion), South Korea's largest automaker said in a statement.

Operating profit also tumbled 7.6 percent year-on-year to 1.88 trillion won, while sales rose 7.5 percent to 23.6 trillion won, it said.

The company, which along with its smaller affiliate Kia is the world's fifth-largest automaker, has for the past decade steadily expanded its presence in the global market including the US, nipping at the heels of Japanese giants like Toyota and Honda.



BIAA

MS Siddiqui, president of Bangladesh Indenting Agents' Association, leads a delegation of the association's officials to call on ABM Khairul Haque, chairman of Bangladesh Law Commission, in Dhaka on Tuesday.