India talks tough on black money in hunt for hidden billions

AFP, New Delhi

WHEN an Indian deadline for declaring illegal assets expires Wednesday, billions of rupees hidden in foreign bank accounts or funnelled into property abroad will emerge into the light -- or so the government hopes.

Prime Minister Narendra Modi took power last year pledging to crack down on the "menace" of so-called black money -- vast piles of wealth kept secret from the tax authorities -- with a battalion of new measures.

A three-month window ending on September 30 allows tax evaders to declare their stash and pay a softer penalty, with immunity from prosecution, or risk up to ten years in jail if they get caught.

"The era of tax havens has come to an end. It is no longer safe to keep your assets overseas illegally," Finance Minister Arun Jaitley said in May, shortly after the Black Money Act was passed.

On the campaign trail two years ago, Modi claimed 1.5 million rupees ($23,000) could be given to every citizen if illegal funds were brought back from overseas.

But the challenge of cajoling back into the economy the $439.59 billion that fled India illicitly from 2003-2012, according to estimates from the Global Financial Integrity group in Washington, is dizzying.

India is one of the most cash-intensive societies in the world, corruption is endemic, and strict tax laws encourage people to keep money off the official books.

The wealthy channel money to tax havens such as Switzerland or Singapore, convert it into jewellery, antiques, paintings or property, or send a relative abroad for half the year to avoid tax.

"The intention is clearly to target Indian citizens who have stashed wealth overseas and want to come clean," Sonu Iyer, partner for India tax services at EY (Ernst & Young) said of the declaration window. "It is a warning before the government brings in a very harsh law."

The Black Money Act is the latest in a widening crackdown by India's government, which has set up a team of regulators and ex-judges to identify illicit account holders and repatriate hidden funds.

It has started bringing in biometric identity cards tied to bank accounts and last year

Arun Jaitley

handed a secret list of 627 people suspected of concealing money abroad over to the Supreme Court.

The tough stance comes as the global net tightens on tax evaders, with new information-sharing accords between countries and even secretive Switzerland releasing the names of suspect account holders in May.

"Those days when people could hide things abroad and think they will never be found out are largely behind us," V. Anandarajan, Joint Secretary of the Central Board of Direct Taxes, told a forum last week.

On the domestic front, targets for investigation include temples and ashrams, where lavish donations can be a front for money laundering, and cricket betting.

The property sector too is awash with black money, with analysts saying cash is a component in most transactions.

"Realty is one area where black money is huge. Politicians, investors, entrepreneurs park money, then cash it out later," Pankaj Kapoor, managing director at Liases Foras, a real estate research firm in Mumbai, told AFP.

But the Black Money Act and another new law that seeks to stop properties being acquired in another person's name have spooked buyers, with sales already taking a hit, Kapoor said.

Opinions on the law range from punitive to draconian, with business body Assocham lambasting it in August for spreading "confusion, fear and panic" among investors.

The government says it does not seek to name and shame and that its purpose is simply to force shadowy assets back into the mainstream.

"We have said no witch hunts, no fishing inquiries. We are going to take what is declared at face value," tax official Anandarajan said.

But the crackdown has triggered reports of mass anxiety among India's rich, who fear difficult questions may follow if they come forward.

Only a handful of people are said to have declared assets so far, although authorities say they have received 65 billion rupees and expect most to arrive in the final week.

Anil Kumar, a former High Court judge, told a forum in Delhi that the promise of immunity may not be enough to allay fears of retribution.

"There is still ambiguity in the minds of the people, whether this will exonerate them from prosecution," he said.

German unemployment steady at historic low in Sept

AFP, Frankfurt

German unemployment remained at historically low levels in September as the recovery in Europe's biggest economy remained on track, data showed on Wednesday.

The German unemployment rate -- which measures the jobless total against the working population as a whole -- stood at 6.4 percent in September, unchanged from August and the lowest level since west and east Germany reunited in 1990 after the fall of the Berlin Wall the previous year, the Federal Labour Office said in a statement.

In concrete terms, the number of people registered as unemployed in Germany edged up by a seasonally-adjusted 2,000 to 2.795 million, the Federal Labour Office said.

That was slightly more than expected, as analysts had been pencilling in a decline of around 5,000.

In raw or unadjusted terms, the jobless total decreased by 87,500 to 2.708 million and the unemployment rate fell ton 6.2 percent in September from 6.4 percent in August, the labour office noted.

But unemployment tends to fall in the autumn as students who have signed on for the summer holidays go back to school or college or find training places.

Growth of German gross domestic product (GDP) picked up in the second quarter, the labour office said.

Toshiba executives face investor wrath over accounting scandal

AFP, Chiba

TOSHIBA executives on Wednesday faced the wrath of shareholders who demanded an explanation after one of Japan's best-known companies was hammered by a billion-dollar accounting scandal.

Nearly 2,000 shareholders turned up to an investor meeting outside Tokyo, peppering a new management team with questions about the affair which led to the resignation of Toshiba's president and seven other top executives in July.

"There are many admirable people working at Toshiba who must have expressed concerns about what was going on -- who ignored them, who killed their opinions?" demanded one shareholder who identified himself by the surname Kodama.

New president Masashi Muromachi's deep bows to the audience -- a common act of contrition among Japanese executives -- seemed to do little to persuade investors that he could overhaul the 140-year-old firm's corporate culture.

Shareholder Takayuki Otake called on Toshiba's new boss to reveal what he knew about the scheme, sparking applause among other investors.

"I truly regret what happened," said Muromachi, who temporarily cut his salary in response to the affair, and who noted he was cleared of any wrongdoing.

A company-hired panel found top executives pressured underlings to inflate Toshiba's bottom line for years.

Mitsuro Nagai blamed the problem on Japan's rigid "salaryman" culture and a general tendency not to challenge bosses.

"The salarymen are too obedient to authority," the shareholder told AFP.

"This happens everywhere but especially in Japan -- one cannot say clearly what they are thinking."

On Wednesday shareholders approved plans to cut the size of Toshiba's board while appointing more outside directors, a move welcomed by some.

"The company seems to be making efforts to change past practices so I think they are going in the right direction," said 65-year-old Hiroshi Yajima.

Best known for televisions and electronics, Toshiba's vast business was dented by the financial crisis, while the 2011 Fukushima disaster squashed demand for atomic power at home in a big blow to the firm's key nuclear division.

Top executives complained of "shameful results" that could not be made public, and a company-hired panel found they masterminded the years-long scheme to hide poor results.

Google counters Apple with Nexus phones, new tablet

AFP, San Francisco

GOOGLE fired back at Apple on Tuesday with a pair of new smartphones, a "convertible" tablet and other gadgetry ahead of the year-end holiday shopping season.

The California tech giant unveiled two new Nexus smartphones with enhanced features including fingerprint sensors and improved cameras aimed at the high end of the market dominated by Apple and Samsung.

Google said it was partnering with South Korea's LG for its 5.2-inch screen Nexus 5X, and with China's Huawei for its "phablet" sized 5.7-inch Nexus 6P.

Both handsets will be sold unlocked, with Google hoping to capitalize on a trend in the US and other markets away from smartphone subsidies as part of long-term contracts.

"We care about making sure there are affordable, high quality smartphones for users around the world," said Sundar Pichai, the Google product chief who is slated to head the company's largest unit under a reorganization announced earlier this year.

The phones, which aim to showcase the Google Android operating system, were available for ordering in the United States, Britain, Japan and Ireland, with more countries to be added next week, Google said as it unveiled the phones at a San Francisco media event.

The Nexus 5X starts at $379 for US customers and the 6P starts at $499.

The devices will feature the new Android operating system known as Marshmallow, which allows for fingerprint sensors for unlocking and other features including Android Pay.

The phones are priced below the premium devices from Apple such as the new iPhone 6S and 6S Plus, and similar offerings from Samsung.

With the Nexus-branded devices, Google is able to control much of the hardware and software in a manner similar to Apple, which has its own operating system.

"We try to push the next generation of computing forward; to do that we build hardware," Pichai said of Google making its own branded devices.

The new software allows for a voice-commanded Now On Tap virtual assistant to be summoned by holding down the home screen button.

Japan factory output shrinks again in August on China slowdown

AFP, Tokyo

JAPANESE factory production fell unexpectedly for a second month in August, data showed Wednesday as a slowdown in China and weak domestic spending hit Prime Minister Shinzo Abe's efforts to kickstart the world's number three economy.

The 0.5 percent contraction in industrial production followed a negative figure in July and missed market expectations for growth in output last month.

The disappointing data supplied the latest evidence that Abe's growth blitz, dubbed Abenomics, was faltering, after figures last week showed consumer prices fell for the first time in more than two years.

Abe's drive had appeared to offer the promise of a turnaround, but a slew of recent data suggests it is faltering.

Standard & Poor's cut its sovereign credit rating on Japan this month, saying the government has little chance of reinvigorating the moribund economy in the short term, with social welfare costs spiralling.

The factory output data revived speculation that the Bank of Japan will be forced to unleash more stimulus to counter the downturn.

Japan's economy contracted in the second quarter owing to a slowdown in key trading partner China, weak consumer spending at home and soft exports.

Scores of Japanese firms depend heavily on China, from automaker Nissan to factory robotics maker Fanuc.

"Today's data confirm that the economic recovery has ground to a halt," Marcel Thieliant from Capital Economics said in a commentary.

"We stick to our view that the Bank of Japan will step up the pace of its asset purchases next month."

VW draws up refit plan for cars in pollution scam

AFP, Frankfurt

VOLKSWAGEN on Tuesday revealed a plan to refit millions of vehicles affected by a worldwide pollution-cheating scam, as its new chief vowed to act ruthlessly to overcome the "severest test" in the car giant's history.

The German government has given VW until October 7 to explain how it will resolve the scandal, which has wiped 29 billion euros ($33 billion), or 38 percent, off VW's market value in 10 days.

Chief executive Matthias Mueller, who took the Volkswagen steering wheel on Friday, told senior management that technical solutions would be submitted in October.

Once approved by the German authorities, Volkswagen will inform customers and arrange for the cars to be refitted, he told managers late Monday, according to remarks released by the firm.

The carmaker later released a statement saying owners of the affected cars would be notified "in the next weeks and months", adding that "all the brands concerned are going to create Internet pages where clients will be able to follow developments".

Volkswagen, the world's biggest carmaker by sales, has admitted that up to 11 million diesel cars worldwide are fitted with devices that can switch on pollution controls when they detect the car is undergoing testing.

They then switch off the controls when the car is on the road, allowing it to spew out harmful levels of emissions.

CEO Mueller insisted that the software was not activated in all 11 million vehicles, however, and the number of vehicles actually needing a refit would be fewer than that.

Nevertheless, with the embattled auto maker facing incalculable costs and a potential tidal wave of litigation, CEO Mueller described the crisis as "the severest test in (VW's) history."

AFP/FILE

Salesmen wait for customers at a Volkswagen dealership in Woodbridge, Virginia on Tuesday.

"There is no justification for deception and manipulation," the 62-year-old manager said.

The affair "needs to be cleared up ruthlessly. We need courage and fighting spirit. It will be difficult and... there will be setbacks. But we can and will do it," Mueller said.

VW's upmarket subsidiary Audi and its Czech arm Skoda have admitted more than three million of their vehicles were fitted with the suspect devices, while Spanish unit Seat has said 700,000 of its cars were also equipped with the technology.

A spokesman for VW's trucks division said that 1.8 million light commercial vehicles were involved.

A YouGov opinion poll revealed that VW's image among German consumers has taken a severe hit and is now no better than Daimler's city runaround, the Smart.

German prosecutors have led probes by several countries into the scandal, and on Monday they said they were opening an inquiry against the former CEO Martin Winterkorn.

He has insisted he was not personally aware of any wrongdoing on his part, but Volkswagen board member Olaf Lies said those responsible for the scandal have to take "personal responsibility".

"Those people who allowed this to happen, or who made the decision to install this software -- they acted criminally. They must take personal responsibility," Lies, also economy minister of the northwestern German state of Lower Saxony, told broadcaster the BBC.

"Huge damage has been done because millions of people have lost their faith in VW. We are surely going to have a lot of people suing for damages."

Several countries besides Germany have also opened probes, and on Tuesday Japan said it was ordering some of the country's biggest automakers to report on whether their diesel vehicles meet standards.

The European Commission on Tuesday called Herbert Diess, head of the Volkswagen brand, to Brussels to ensure the auto maker could cooperate fully with national authorities and respect regulations.

Lawsuits, including class-action litigation, are also being filed in the United States.

VW has already said it will set aside 6.5 billion euros in provisions in the third quarter, but analysts suggest one to three billion euros more could be needed.

On top of that, VW also faces onerous regulatory fines, including up to $18 billion in the United States -- and the fallout on customer purchases cannot yet be estimated.

Germany's economy minister, Sigmar Gabriel, has promised to support the Volkswagen group's 600,000 employees who he said do not deserve "to pay for the faults of their managers".

And the German automobile federation VDA has weighed in against calls to reject diesel cars altogether, denouncing what it said was an "anti-diesel lobby" acting in a "completely unjustified" way.

The repercussions of the scandal can be clearly seen in VW's hometown of Wolfsburg, in northern Germany, which has imposed an immediate freeze on spending and hiring in the public administration.

The business tax VW has to pay -- calculated on the basis of its annual turnover -- is a significant source of revenue for the town's coffers.