

WTO urges India greater tax reform, FDI liberalisation

It lauded the government's initiative to increase foreign direct investment limits in insurance and railway

The 161-member World Trade Organization (WTO) on Thursday urged India to undertake greater tax reform and liberalise the country's Foreign Direct Investment (FDI) policy.

Concluding the country's sixth trade policy review, the WTO stated India needed greater tax reforms to increase investment in infrastructure. Members also stated effort by the government to introduce a goods and services tax (GST) were a welcome step.

"Members urged India in particular to pursue further tax reforms, which may increase government revenues, as well as investment in infrastructure. They welcomed its steps to introduce a nationwide goods and services tax," the WTO said in a report concluding India's trade policy review conducted over June 2-4.

Trade policy reviews are a mandatory WTO exercise to examine policies of its member countries. India's trade policy review was previously conducted in 2011. The review took place at the WTO headquarters in Geneva and the Indian delegation was led by Commerce Secretary Rajeev Kher.

Lauding the government's initiative to increase FDI limits in insurance and railways, the WTO stated there was scope for further improvement.

The members also applauded the Make In India programme to transform India into a manufacturing hub and the setting up of a portal to facilitate business.

The WTO also patted India on the back for taking steps to facilitate trade under the Trade Facilitation Agreement (TFA) signed last November, which is yet to be ratified.

"While some members commended India's recent initiatives to improve the transparency and predictability of its trade and related policies, such as inviting public comments on new legislation, members urged India to provide timely public consultations on draft regulations, submit notifications on a regular basis to the WTO, and provide a reasonable period between the announcement of new regulations and their entering into force," the report stated.

However, the WTO expressed concerns of over the "complexity and uncertainty" in the country's tariff structure, including an additional duty and a special additional duty, and the large difference between applied and bound rates.

Some of the members also complained against India's customs valuation and import licensing requirements on particular products, although they noted India had not introduced any new trade barriers to safeguard its agriculture or manufacturing sectors.

(Business Standard)