

## Course correction – Stimulus mode

### GST cuts reflect buoyancy, but Centre States cooperation must be maintained

Unveiling a mini Budget of sorts in the middle of the financial year, the Goods and Services Tax Council has announced a reduction in the tax rates for over 85 goods. The applicable indirect tax rates on consumer durables such as television sets, washing machines and refrigerators, along with a dozen other products, have been **slashed** from 28% to 18%. The tax rate on environmentally friendly fuel cell vehicles has been reduced from 28% to 12%, and the compensation **cess levied** on them dropped. This leaves just about 35 products, including tobacco, automobiles and cement, in the highest tax **slab** of the GST structure, Rakhis without semi-precious stones, as well as sanitary napkins that attracted 12% GST, have been exempted from the tax altogether. Several other products have been placed in lower tax slabs, including those from employment intensive sectors such as carpets and handicrafts. On the services front, too, there are important **tweaks** and clarifications. Overall, industry and consumers may consider these rate cuts, largely on products and services of mass use, as a **stimulus** to drive consumption ahead of the festive season. It is also a sign that the government has begun the groundwork to **woo** voters ahead of State and parliamentary elections.

Whichever way one looks at it, the GST Council's 28<sup>th</sup> meeting has significantly altered the course of the nearly 13 month old tax **regime**. Given that GST rates on more than 200 items were already tweaked in past meetings, the original rate structure has been **upended** to a great extent. The actual impact of these changes on product prices and consumption demand will be visible soon, but the government's confidence in such a rate reduction **gambit** indicates it is now comfortable with revenue **yields** from the GST. Estimates of revenue losses from these rate cuts vary widely, but it's too early to **fret** about the impact on macro **fiscal** numbers. If implemented well, the revenue lost could be offset by higher consumption that may lead to more investments over time. Moreover, improvements in **compliance** can be expected from the Council's decision to further simplify paperwork for small and medium enterprises. But there are two major concerns. First, since the new rates are to kick in from July 27, companies may not have enough time to rework pricing strategies and replace existing market **inventory**, failing which they could face anti-profiteering action. Second, members of the Council have for the first time questioned its functioning and alleged that not all of the changes and rate cuts were placed on the agenda. For a tricky tax that is still and work in progress, distrust between the Centre and the States would make further **rationalisation** difficult. Such friction must be avoided in a system in which the States have so far worked in **tandem** with the Centre.

#### WORD LIST

1. **Buoyancy**: (tendency to float)

Synonym : elasticity, resilience

2. **Slash**: (cut, reduce greatly)

Synonym : hack, sever, slice, carve, chop, curtail, drop, pare, shave, shorten, abbreviate

3. **Cess**: cess is an additional levy on the basic tax liability

4. **Levy** : (fast tense – levied)  
Synonym : impose (a tax, fee or fine)
5. **Slab** : (Chunk of solid object)  
Synonym : hunk, ingot, lump, piece, plate, strip, wedge
6. **Tweak** : (adjust)  
Synonym : tease, twist, jerk, pinch, pluck, pull
7. **Stimulus** : (provocation)  
Synonym : Catalyst, encouragement, fillip, impetus, incentive, motivation, stimulant, stimulation.
8. **Woo** : (seek as a romantic partner)  
Synonym : cultivate, pursue, solicit, address, entreat, importune, propose, rush, spark, spoon
9. **Regime** : (leadership of organization)  
Synonym : administration, establishment, government, management, reign, rule, system, dynasty, tenure.
10. **Upended** : (mixed-up)  
Synonym : chaotic, tangled, cluttered, confused, disarranged, disorderly, jumbled, messy
11. **Gambit** : (plan, plot)  
Synonym : artifice, design, device, gimmick, jig, maneuver
12. **Yield** : (earning, production of labor)  
Synonym : earning, income, crop, output, profit, return, revenue, turnout
13. **Fiscal** : (monetary)  
Synonym : Budgetary, economic, financial; commercial, money
14. **Fret** : (worry, be annoyed)  
Synonym : agonize, bother, brood, carp, chafe, fume, fuss, grieve, anguish
15. **Offset** : (counterbalance, compensate)  
Synonym : balance, cancel out, counteract, equal, negate, neutralize, outweigh
16. **Compliance** : (agreement)  
Synonym : conformity, consent, assent

17. **Inventory** : (List of stock; stock)

Synonym : backlog, fund, index, reserve, stockpile, supply, account, store

18. **Rationalisation** : (account)

Synonym : justifications, rationale, ABCs, bulletin, chronicle, detail explanation, history, narration, narrative, recital

19. **Tandem** : (group, crew)

Synonym : club, company, line-up, organization, party, side, squad, unit

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### Course correction – Cosmetic repair

#### It will now be easier for banks to sell stressed assets, but other tricky issues remain

Indian banks trying to sell their troubled assets now have one less hurdle to cross. A group of banks, including public sector, private sector and foreign banks, signed an inter-**creditor** agreement on Monday to push for the speedy resolution of non-performing loans on their balance sheets. According to the agreement, a majority representing two-thirds of the loans within a **consortium** of lenders should now be sufficient to **override** any objection to the resolution process coming from **dissenting** lender. Minority lenders who suspect they are being short changed by other lenders can now either sell their assets at a discount to a willing buyer or buy out loans from other lenders at a premium. The inter-creditor agreement is aimed at the resolution of loan accounts with a size of Rs.50 crore and above that are under the control of a group of lenders. It is part of the "Sashakt" plan approved by the government to address the problem of resolving bad loans. Over the last few years, Indian banks have been forced by the Reserve Bank of India to recognise troubled assets on their books, but their resolution has remained a challenge. According to banker Sunil Mehta, who headed a panel that recommended the plan, disagreement between joint lenders is the biggest problem in resolving **stressed assets**. The government hopes that the holdout problem, where the objections of a few lenders prevent a settlement between the majority lenders, will be solved through the inter creditor agreement.

Such an agreement may **persuade** banks to **embark** more quickly on a resolution plan for stressed assets. This is an improvement on the earlier model, which relied solely on the joint lenders' **forum** to arrive at a **consensus** among creditors. It is, in fact, logical for joint lenders who want to avoid a **deadlock** to agree on the ground rules to debt resolution prior to lending to any borrower. But the obligation on the lead lender to come up with a time bound resolution plan can have unintended **consequences**. Banks may be **compelled** to engage in a quick fire sale of stressed assets due to **arbitrary** deadlines on the resolution process. This will work against the interests of lenders looking to get the best price for their stressed assets. Also, it is often in the interest of the majority of creditors to take the time to extract the most out of their assets. Meanwhile, the biggest obstacle to bad loan resolution is the absence of buyers who can

purchase stressed assets from banks, and the unwillingness of banks to sell their loans at a deep discount to their face value. Unless the government can solve this problem, the bad loan problem is likely to remain unresolved for some time to come.

### WORD LIST

1. **Creditor** : (one who receives)  
 Synonym : receiver, acceptor, assignee, beneficiary, cashier, collector, customer, grantee, heir, recipient, subject.
2. **Consortium** : (association, federation)  
 Synonym : club, company, conference, group, organization, society, union
3. **Override** : (supersede)  
 Synonym : abrogate, annul, nullify, quash, reverse, revoke, veto
4. **Dissenting** : (disagree)  
 Synonym : balk, contradict, demur, differ, argue, buck, decline, disaccord, discord, divide, object, oppose, protest
5. **Stressed** : (accentuate, emphasize)  
 Synonym : repeat, underline, underscore, accent, belabour, feature, headline, italicize, spot, spotlight
6. **Assets** : (property)  
 Synonym : belongings, capital, credit, equity, estate, goods, money, resources.
7. **Persuade** : (cause to believe : convince to do)  
 Synonym : advise, assure, cajole, coax, enlist, entice, exhort, get, impress, incline, induce, influence, prompt, satisfy, sway, urge, woo.
8. **Embark** : (get on transportation object)  
 Synonym : commence, enter, launch, emplane
9. **Forum** : (meeting, setting)  
 Synonym : conference, convention, gathering, seminar, symposium, assembly
10. **Consensus** : (general agreement)  
 Synonym : accord, consent, harmony, unanimity, unity, concord, unison
11. **Deadlock** : (stalemate, impasse)  
 Synonym : dilemma, gridlock, plight, predicament, standoff, standstill.
12. **Consequences** : (result)  
 Synonym : corollary, emanation, importance, ramification, weight
13. **Compelled** : (force to act)  
 Synonym : constrain, enforce, exact, impel, necessitate, oblige, urge
14. **Arbitrary** : (Whimsical, change, dictatorial)  
 Synonym : capricious, erratic, irrational, irresponsible, random, subjective, wilful, autocratic, absolute

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### SOME IMPORTANT PHRASAL VERB

**Come**

**Come up (with something)** — To think of an idea.

"I **came up** with this idea for a TV show about a woman living with her best friend and daughter. I call it 'Two and a Half Women.'"

**Come up** — to bring up a topic, or when something happens unexpectedly.

To bring up a topic: "I wanted to tell her that I got a new job but the chance **never came up.**"

Unexpected occurrence: "I was going to meet my friends for dinner, but something **came up** so I had to cancel."

**Come in** — To enter.

"**Come in**, the door is open!" said the grandmother to the wolf."

**Come across** — To meet or find by chance.

"I was cleaning the attic and I **came across** my high school uniform. Can you believe it still fits?"

**Come forward** — To volunteer information about something, like a crime.

"The police are encouraging people to **come forward** with any information about the kidnapped girl."

**Cut**

**Cut off** — This phrase can be used in several ways, but its general meaning is "to interrupt or stop something." (Can be separated.)

While driving, to get in front of another car suddenly: "That red car just **cut me off** and I almost crashed into it."

To stop supplying things to or communicating with someone: "His father is rich but he **cut him off** without any money of his own."

**Cut (it) out** — This phrase has the same meaning as saying "Stop it."

"Hey, **cut it out!** I was watching that movie, so stop changing the channel!"

**Cut in** — To interrupt someone when they are speaking.

"I was about to ask that girl on a date, but her friend **cut in** and I lost the chance."

**Drop**

**Drop by/in** — To stop by for a visit, for a short time.

"Andrew is such a great boyfriend, when he heard that his girlfriend had a cold he **dropped**

by to bring her some soup."

**Drop off** — To leave something or someone in their destination. (Can be separated by the object being dropped off.)

"I can give you a ride and **drop you off** at work."

### Bring

**Bring up** — To mention something. (Note: The two parts of this phrasal verb can be separated.)

"Mark was sick and had to miss the party, so please don't **bring it up**, I don't want him to feel bad for missing it."

**Bring on** — To cause something to happen, usually something negative. (The two parts of this phrasal verb can be separated by what's happening.)

"His lung cancer was **brought on** by years of smoking."

**Bring it on!** — To accept a challenge with confidence.

"You want to have a race? **Bring it on!** I can beat you!"

### Call

**Call on** — This can mean either to visit someone, or to use someone's or something's knowledge.

To visit someone: "I'll **call on** you this evening to see how you're feeling."

To use someone's knowledge: "I may need to **call on** the university's excellent professors in order to answer your question."

**Call off** — To cancel something.

"The picnic was **called off** because of the rain."

### Cheer

**Cheer on** — To support someone by giving them words of encouragement. (Can be separated by the name or pronoun of the person/people being cheered on).

"Even though Samantha was in the last place, her brother **cheered her on** through the entire race."

**Cheer up** — This phrase can either be used as a phrase of encouragement said to someone who seems sad (just saying "cheer up!" to them), or it can mean to try to make someone

happier.

"Andrew was having a bad day, so his girlfriend **cheered** him **up** by taking him out for ice cream."

### Fall

**Fall apart** — This phrase means "to break into pieces," but it can be used to talk about things that are not physical, like a marriage or a person.

"They tried to save their marriage by going to therapy but in the end if **fell apart** anyway."

**Fall down** — To drop to the ground, usually by accident.

"My friend slipped on a banana peel and **fell down**. I thought that only happened in cartoons!"

### Fill

**Fill (someone) in** — To give someone the details about something. (Is usually separated by the person getting filled in).

"Quickly, let's go! There's no time to explain, I'll **fill** you **in** on the way."

**Fill up** — To become completely full.

"The little girl **filled up** on candy before dinner, and didn't want to eat any of the chicken."

### Give

**Give out** — This phrase can mean to break down or stop working, or to hand out or distribute something.

To stop working: "The city had to rebuild the bridge completely, because it was about to **give out** and fall down."

To distribute: "He has a lot of contacts because he **gives out** his business card to everyone he meets."

**Give in** — To surrender, especially in a fight or argument.

"Ben's mother **gave in** and let him stay out late with his friends."

**Give away** — To hand things out for free. (Can be separated by the item being given away.)

"When Linda's cat had kittens, she **gave** them all **away** to good homes."

**Give up** — To stop trying, surrender.

"After two weeks of trying to build my own table, I **gave up** and just bought one."

**Get**

**Get away** — To escape. You may have heard the phrase "getaway car." That's the car used by criminals to run away from a crime scene, like a bank robbery.

"Carmen's neighbour tried to show her pictures of all her cats, but Carmen managed to **get away**."

**Get around** — To solve a problem by avoiding the main issue. This phrase can also be used very informally to refer to someone who has many sexual partners. As you can imagine, it's not very nice to say that someone "gets around"!

"Some people know all the different ways to **get around** tax laws."

**Get along (with)** — To have a friendly relationship with someone.

"Some people are surprised that I **get along with** my mother-in-law really well!"

**Get up** — To stand up, or to wake up.

"I have so much trouble **getting up** in the morning that I have to set three alarms."

**Get back to** — To return to someone or something. This phrase is often used to say that you will return with an answer to a question or a request at a later time.

"Derek's Co-worker wasn't sure what time the meeting was, so he said he'd **get back to** him with the time."

**Get back at** — To get revenge on someone.

"Her ex-husband took her house so she **got back at** him by taking his dogs."

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*"If you focus on result,  
you will never change  
If you focus on change  
you will get results"*

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