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AROUND THE WORLD

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Director's Note

The oil price drop still continues to slow the growth for the GCC countries, being oil dependent. Public finances and Foreign Direct Investment (FDI) have been affected and corporate sectors across the region are influenced with declining fiscal support to the economy; rising financing costs due to tightening liquidity conditions; higher fuel and utility costs and the new strains on consumers' purchasing power. This scenario of macro-economic instability has also lead to lack of job creation and slow growth.

A let down from the past, GCC countries are expected to have a +2.3% GDP growth in 2017, UAE and Qatar being most promising and outstanding.

The UAE upward growth to 2.8% from 2.2% of 2016 is credited to its ability to withstand sustained lower oil prices and an economy that is probably the most diversified in the region. Fiscal buffers are large and the budget is expected to be close to balanced next year.

Also on the positive front, the UAE GDP growth is expected to touch 3.4% from an estimated 3% in 2016. With the impetuous given to infrastructure investment in preparation of Expo 2020, Dubai is expected to outperform Abu Dhabi. With the expected oil price rise from $44 of the previous year to $55 per barrel this year, the generated higher oil revenues should alleviate the narrowing budget deficits and partially reduce the liquidity strains in domestic banking systems that 2016 witnessed. This is in spite of the oil production not projected to rise especially if an agreement to limit Opec output is reached.

Moreover with the ongoing wars in countries such as Syria, Iraq & Libya and the direct involvement of GCC states in some of these conflicts e.g. Yemen, it is expected that their economies will be affected in terms of defense spending.

A stronger US dollar has affected the gold jewellery prices in Dubai negatively and gold continues to be volatile while the US government finalizes their economic policies.

To ensure sustainability of operations during 2017, we advise our clients to continuously monitor their financials and liquidity position.

Dubai Industrial Strategy:
Making Dubai One of its Kind Investment Destination

The Dubai Industrial Strategy aims to establish Dubai as the pivotal axis of the global economy. The implementation of this strategy is expected to start in early 2017.

This strategy was launched to elevate Dubai into a global platform for knowledge-based, sustainable and innovation-focused industries. Strengthening creativity and innovation in various industrial areas is vital to build the foundation of a sustainable dynamic economy based on research, knowledge and development. This will help to achieve the goal of making Dubai a unique investment destination since it has the basic drivers and capabilities including efficient and reliable infrastructure and legislative frameworks which are constantly improving and developing, thus lifting the industrial sector into a new phase and maximize its contributions in the post-oil era.

All the government departments and entities involved in the implementation of the Dubai Industrial Strategy will be intensifying and unifying their efforts following a clear government operational plan. In order to impose the achievement of the strategy's objectives, the foundation of teamwork will be strengthened to stimulate positive energy and to open the way for innovative ideas and suggestions. This will help in serving the overall development directives of the state and push the continuous development of Dubai's economic capabilities towards the policy of diversifying income sources.

Dubai - A Global Economic Hub

Implementation of the Dubai Industrial Strategy had started in September 2016 by organizing multiple meetings and workshops. A team of entities with the support of a governmental working group will promote this plan to the investors and also launch number of initiatives to drive the growth of the industrial sector in the coming months. The members of these distinguished work teams are drawn from all stakeholders of the free and non-free zones, both locally and federally, to ensure the involvement of all strategic partners in the industrial sector, especially in the private sector. This will help to develop ambitious strategy with practical and specific objectives and priorities. Everybody will be involved in implementing them and translating them into a reality that will raise Dubai's competitiveness to new levels.

This strategy is focused on enhancing industrial coherence and integration with other economic sectors-linking the target sectors to education and research institutions with an outlook to provoke innovation and creativity. Additionally it will also create an attractive investment environment for targeted strategic investments. The strategy supports Dubai Plan 2021 as it helps Dubai to continue its journey towards achieving global leadership. It will also enhance its position as a global economic hub and make it one of the world's most promising and leading hubs in various sectors. Its aim is to increase Dubai's total GDP by Dh165 billion by 2030.

Developing Strategic Objectivities

Five key objectivities play a vital role in the Dubai Industrial Strategy. They serve as the foundation for Dubai's industrial future to build a sound and sustainable economy based on the diversification of sources of income as well as for preparing a post-oil future. It also aims to increase the total output and value-added of the manufacturing sector to enhance the depth of knowledge and innovation by improving labour productivity and increasing R&D spending, to make Dubai a preferred manufacturing platform for global businesses by increasing the presence of global manufacturers in Dubai supporting the global outreach of local companies. It also focuses on environmentally-friendly and energy-efficient manufacturing process. For this energy consumption and manufacturing pollutants will be reduced and Green Economy Initiatives will be encouraged. In addition to this, it will also adopt Islamic standards by developing the Islamic products manufacturing sector and increasing the number of halal certified manufacturing companies in Dubai, thus promoting Dubai's position as the Capital of Islamic Economy.

Six Work Teams

From 2016 to 2030, six priority sub-sectors have been identified by The Dubai Industrial Strategy i.e Aerospace, Maritime, Pharmaceuticals and Medical Equipment, Aluminum and Fabricated Metals, Food and Beverages and Machinery and Equipment. Executive entities will work to develop several initiatives under each sub sector. Concerned entities will support all the work teams such as Dubai's Department of Economic Development (DED), Dubai Municipality, Dubai Electricity and Water Authority (DEWA) and Dubai Chamber of Commerce and Industry.

- **Aerospace**

This strategy focuses on the Emiratisation of the aerospace sub-sector. To achieve this, work has started to manufacture spare parts for aircraft, provide maintenance and repair services to the large number of aircrafts that land at UAE's airports, thus aiming to become a global hub for aviation. The annual growth rate of the aviation sector that supports the movement of passengers through Dubai Airports was 11% during the period from 2011 to 2014 accounting to approximately 70 million passengers. Currently Emirates Airlines - the largest airline in the Middle East owns 239 aircrafts and an additional 269 aircrafts have been ordered. The work team of the aerospace sub-sector includes : Dubai South, Emirates Airlines, Dubai Wholesale City and Jebel Ali Free Zone Authority (JAFZA).

- **Maritime**

Dubai holds a prime position in the field of maritime maintenance and repair and has the ability to expand its activities to attract more traffic to its facilities. With these features, the Dubai Industrial Strategy is focusing on the Emiratisation of the Maritime sub-sector. Attention is also being paid to Dubai's ability to foray into manufacturing and marketing yachts and boats to meet the tourism sector's increasing demands. The work team of the Maritime sub-sector includes Dubai Maritime City, Dubai Wholesale City, Dubai World and Jebel Ali Free Zone Authority (JAFZA).

- **Pharmaceuticals & Medical Equipment**

In this sector manufacturing of cosmeceuticals (cosmetics that are claimed to have medicinal properties) is to be the focus because of the benefits from the growth in this niche market. The increasing demand for halal cosmeceuticals will strengthen Dubai's role in promoting the Islamic Economy. The other objective is to make Dubai a major exporter of cosmeceuticals in the Middle East. The work team of this sub-sector includes Dubai Science Park, Dubai Healthcare City, Dubai Wholesale City, Dubai Investments and Jebel Ali Free Zone Authority (JAFZA).

- **Aluminum & Fabricated Metals**

The strategy here aims to increase the Emirate's competitiveness in the aluminum sector as it is the world's leading producer of aluminum. Since this leading position is based on the manufacturing of (upstream) primary products it aims to expand its production base to include (downstream) finished products. The downstream activities (i.e. the final aluminum products industry) will further enhance the global reach of domestic producers and attract members from the international auto and aerospace industry. The work team of this sub-sector includes Jebel Ali Free Zone Authority (JAFZA), Dubai Investments, Dubai Wholesale City and Dubai.

- **Food & Beverages and FMCG**

The Dubai Industrial Strategy aims to strengthen the production of halal products considering its growing demand. This will enhance Dubai's position as the Capital of the Islamic Economy. It also aims to expand local manufacturing capabilities for producing high quality halal products. The work team of this sub-sector includes Jebel Ali Free Zone Authority (JAFZA) and Dubai Wholesale City with the participation of Dubai Investments and Dubai Islamic Economy Development Centre.

- **Machinery & Equipment**

25% of Dubai's industrial sector is constituted by machinery and equipment. This sub-sector is highly significant considering huge demand for construction of machinery and equipment. Its competitiveness must be maintained, given its productive investment and profitability opportunities. The work team of this sub-sector includes Jebel Ali Free Zone Authority (JAFZA), Dubai Wholesale City and Dubai Investments.

- **Sustainable and Innovation-Focused Industries**

The Economic Development Committee has suggested the formation of a work team to achieve the Dubai Industrial Strategy which is one of the targeted strategic programmes of the Dubai Plan 2021. General Secretariat along with the work team will supervise the implementation of this strategy. It will provide support, guidance and consultation as well as review of developments and outcomes. It will also update senior leadership regarding progress and achievements.

Development of knowledge and innovation based industrial sector is to be in focus. This will enhance the competitiveness and sustainability of these sectors in Dubai and across its free zones

DFM :
Introduction of Short Selling to Stimulate Trading

Following the footsteps of Abu Dhabi Securities Exchange's announcement of introducing covered short-selling in the first quarter of 2017, the Dubai Financial Market (DFM), the Gulf's only listed stock exchange is also planning to introduce regulated short-selling on a selected list of eligible securities.

This long awaited welcome move is expected to give a significant push to trading liquidity and will be in line with international recommendations under local market conditions in the coming months subject to regulatory approvals of its rules. The operating model is said to have completed consultations and work is on-going on the technical enhancements of its planned short-selling system.

Short selling allows investors to make gains in a falling market by borrowing a security not owned by them, selling it and then agreeing to buy it back at a reduced price. It is a way for investors to benefit from a decline in a stock's price. This makes price discovery more efficient and reduces volatility while providing investors with a host of risk-management tools and plays a crucial role in developed capital markets. Short selling is already available on the Dubai Gold and Commodities Exchange where a large number of clients are trading the Indian stocks, Indian rupee, Fold, Silver and Currency Futures.

The market always needs investors who would like to be owners of equity (buyers) and those who like to sell the equity (renters/sellers) for it to work properly. When there are traders/investors trading both ways, the trading activity increases. In the long only (buy only) market liquidity dries up during periods of bearish (declining) market conditions.

However short selling is controversial because a large number of investors can decide to short a particular stock and their collective actions can drastically impact the company's share price. Also if there are large short selling positions, sudden attempt to square off the sell positions can raise stock prices artificially. There is also an unlimited risk if the stock prices increase rapidly. It's no wonder then that a ban on short selling had been enacted on several occasions and regulators, exchanges and brokers have to prudently watch for such activities. Authorized brokers in Abu Dhabi and Dubai have already started preparations for the official introduction by conducting meetings with the regulator.

With the concern over short selling destabilizing markets, till date most regulators in the Gulf have avoided it but now countries like Saudi Arabia and Qatar plan to introduce it.

Since 2012, the UAE's market regulator, the Securities and Commodities Authority has been liberalizing security rules with an eye to upgrade from "frontier" market status to "emerging". And following Kuwait, the oldest established stock exchange in the region, UAE authorized stock lending and short selling but held back their adoption by limiting them to licensed market makers. The status upgrade was achieved in 2013 when MSCI, equity benchmark provider approved it along with Qatar. This move widely expected to trigger the inflow of billions of dollars of foreign money into the two countries' markets.

However over the concern of causing instability, the two UAE bourses have delayed its implementation. In January 2014 the DFM issued rules that permit lending and borrowing of securities.

Dubai:
SME Patents to be Protected via New Deal

A memorandum of understanding signed between The Hamdan Innovation Incubator (Hi2) in Dubai SME, the agency of the Department of Economic Development (DED) in Dubai assigned to develop the small and medium enterprise (SME) sector and the United Trademark & Patent Services (UTPS) will now support innovation among Hi2 members.

Protected by this MoU, prototypes and patents of local SMEs will have an opportunity to upgrade themselves to international standards of innovation.

Support from the UTPS team of lawyers and administrators, experts in all aspects relating to intellectual property, including patents, industrial designs, trademarks and copyright this partnership will help SMEs evolve solutions and programmes. Hi2 is located in the Business Village in Dubai and represents the largest concentration of SMEs in Dubai.

Launched in September 2014, The Hamdan Innovation Incubator (Hi2) aims to encourage the youth to work on innovating and inventing locally through varied services, aiding and advising at implementing such innovations.

Dubai SME will be co-operating with UTPS in achieving Dubai's vision and strategy of backing SMEs and enabling start-ups to implement prototypes of their inventions while assisting them with patent registration processes. Consultancy and technical expertise for entrepreneurial innovations will also be provided for supporting gifted entrepreneurs to turn their skills and ideas into strong foundations for projects.

UTPS has the latest technologies and laws needed to protect knowledge, vision, ideas and strategies and this partnership is sure to be the foundation and gateway for protecting next generation innovation.

UAE:
Hiked Interest Rate To Boost Dirham

Within hours of the US Federal Reserve's decision to increase US rates by a quarter points to 0.75%, The Central Bank of the UAE along with Saudi Arabia, Kuwait, Bahrain and Qatar raised benchmark interest rates. Analysts believe this move will hamper the efforts to boost economic growth and ease a cash squeeze among Gulf banks as revenue from oil exports the region's main source of income drop.

Changes in interest rates are transmitted to the UAE banking system via the interest rates applied to certificates of deposits - the monetary policy instrument. The UAE central bank raised these interest rates.

A strong dollar means stronger UAE dirham and other Gulf currencies, resulting in rise in costs of tourism, retail and real estate for the traditional customers from Europe, India and Russia. Alongside the Eibor (Emirates Interbank Offered Rate) has also moved upward over the period more or less.

Other effects of the rate hike include the rising of the Dollar Libor - a benchmark rate that some of the world's leading banks charge each other for short-term loans - across maturity. The cost of borrowing in the UAE interbank market has increased, thus bidding for UAE central bank CDs will be on higher rate. Depending on various macroeconomic factors of the UAE including oil price's expected movement in addition to further US rate hikes a decision on the Repo rate will be effected.

On the other hand the rupee is expected to depreciate because of this rate hike in the US interest rates whereas the Reserve Bank of India has started to lower interest rates. In spite of this advantageous turn of event for exports, the slowdown has hindered India's chance to be more competitive. As an importer of crude oil a declining rupee is expected to add pressure to inflation.

Factors like firmer interest rates, the strengthening of GCC currencies and the recently announced OPEC cuts in oil production are likely to have adverse effects to the regional growth in 2017. With a stronger currency UAE will find it hard to attract capital and make the region's non-oil exports less competitive whereas domestically produced goods will find it tougher to compete with cheaper imports. Coupled with tight liquidity and slowing economic activity and anticipated interest rate hikes more far reaching adverse regional effects can be expected.

After quietly ending its Quantitative Easing efforts in October 2015, after almost a decade of a steady and ultra loose monetary policy initiated to counter the after effects of the 2008 financial crisis this move by the Fed was long anticipated.

Higher oil prices will boost budgets across the region and the deficits will fall without the government having to cut expenditure resulting in improved balance of payment. According to Analysts the US Fed raised borrowing costs to counter rising inflation expectations as the economy accelerates and unemployment falls below 5%.

The projected three rate increases next year will be followed by another three rate increases in 2018 and 2019 before the rate levels off at a long-run "normal" 3.0% slightly higher than three months ago, a sign the Fed feels that the economy is still gaining traction.

Delaware LLC

GENERAL INFORMATION:
Companies incorporated in Delaware enjoy a legislative and judicial environment that encourages them to conduct business efficiently and profitably without heavy government interference. Incorporation is fast and simple. This state offers attractive tax regulations, innovative corporate laws and the existence of a chancery court system. Delaware is the second smallest state in the United States situated northeast on the Atlantic Coast and has approximately 800,000 inhabitants.

Delaware has long been considered the most popular jurisdiction for incorporation of holding companies and multinational corporations. Most of the largest 500 US Corporations are now incorporated in Delaware, which is more than all other states combined.

HIGHLIGHTS OF DELAWARE LLC:
The registration for Delaware LLCs is performed at the Offices of the Secretary of State in Delaware.

The Limited Liability Company (LLC) is the latest advance in the formation of a business. The concept has its historical origins in Europe and was accepted by the Internal Revenue Service in 1997. An LLC is a hybrid between a corporation and a partnership. The LLC combines the corporate advantage of limited liability with flow through advantages of partnership classification. The LLC has the following advantages:

- No citizenship requirements.
- No limitation on type of members (actually LLCs are limited to about 250 members).
- No limitation on one class of shares.
- No limitation on ownership of other corporations.
- No tax penalties on liquidation.
- Allows limited liability to all members including those who participate in management.

The duration of an LLC is generally perpetual. LLCs may carry on any activity except insurance or banking.

MOVEMENT OF FUNDS:
United States law requires that anyone transacting more than $10,000 into or out of the United States must report this transaction to the United States Customs Authorities. In addition the United States Internal Revenue Service must be notified of certain cash transactions in excess of US$ 10,000.

CORPORATE REQUIREMENTS:

Name: The name of the LLC must include the words Limited Liability Company, L.L.C. or LLC. The name must be distinguishable from the name of any other corporation, partnership, business, trust or Limited Liability Company organized under Delaware law or qualified to do business in Delaware unless the written consent of such other entity is obtained.

a. Members:

There is no minimum of members (owners) required for LLCs. These may be formed with as few as one member. Members need not be American citizens nor US residents and may be individuals, trustees, corporations or other entities, foreign or American. To add confidentiality to a structure the members may be of corporate nature.

The corporate identity of the LLC is separate from that of the individual members, thus the members' liability in respect to debts and obligations of the company are limited to their contributions to the company.

b. Managers:

The managers of a Delaware LLC may be individuals or corporations of any nationality or domicile. The names of the managers may be included in the Certificate of Formation and normally indicated in the LLC Operating Agreement. The Managers may also be members of the LLC. The Managers may make appointments as follows: President, Vice President, Secretary, etc. Resolutions may be approved anywhere in the world and are always required even if done over the phone in order for resolutions to be approved.

c. Capital:

There is no minimum or maximum requirement regarding the contribution of capital for a Delaware LLC. We recommend standard capital contribution of US$ 500/-.

It is recommended to issue stock certificates as evidence of ownership. Units in an LLC may not be transferred without the consent of all the rest of the members and all new members must sign the LLC Operating Agreement.

d. Registered Office:

Delaware LLCs must have a registered office and a registered agent.

e. LLC Operating Agreement:

Every LLC has a LLC Operating Agreement or Members Agreement. The agreement is a private instrument among the members or executed by the Sole Member. A standard Operating Agreement would include: the domicile, object, duration, names and details of managers and members, duties and responsibilities of the managers and members, voting rights and contributions of capital, among other important matters in the business affairs of the LLC.

f. Books:

The books may be kept anywhere in the world. It is advisable for LLCs to register in minutes of meetings all resolutions made by the Managers and Members.

g. Taxation:

The Annual Delaware Franchise Tax for LLCs is US$ 300 which is payable prior to June 1st of each year. If payment is made after June 1st, the LLC will incur in a penalty of US$ 200 plus 1.5% monthly interest.

The LLC is subject to the US Tax Code based on the nature of its income, distributions, residencies of the members and any Tax Treaty provisions. For further information on taxation requirements and government filing of income tax returns in the U.S. please consult a US tax advisor.

h. Company Renewal:

Renewal of the company is to be paid on anniversary date of incorporation. Failure to do so results in penalties and could result in the striking-off of the company from the Registry.

Latest valid passport copy and recent utility bill for address proof of shareholder/director are required to be submitted at every renewal as a part of enhanced due diligence. If shareholder is a corporate entity, then latest certificate of incumbency and above stated docs of directors would be required.

UAQ Free Zone

Umm Al Quwain Free Zone was established by Emiri Decree No: 2 1987 issued on 5.11.1987. It is located on west coast of the United Arab Emirates, some thirty miles north east of Dubai in the Emirates of Umm Al Quwain. Ahmed Bin Rashid Port is a modern port built in accordance with the international navigation regulations. It has 4 Wharves 845m wide, covering an area of 400,000 sq.m. The location of Free Zone is such that all the significant sea ports and air ports are within a short distance over sea or land, therefore enabling efficient access to all parts of the world. The Free Zone complex consist of 845m of quay wall with 400m capable of handling ocean going vessels and 335000m2 of land reserved for light industrial developments. Standard services of water, electricity, communications and labour accommodation together with bonded storage are all available. It is strategically located within United Arab Emirates which itself enjoys the status of being the commercial and re-export hub for the region apart from Africa and Asia.

Ahmed Bin Rashid Free Zone is a Free Zone of the future where the synergy of location advantages, technology and investor friendly approach ensures a safe, secure, trouble free and prosperous business environment for progressive enterprises.

Location	:	UAQ (U.A.E.)
Permitted activity	:	Manufacturing/Trading activities can be carried out
License available	:	Industrial/Commercial trading & General trading license can be obtained
Shareholder	:	Can be individuals or corporate entity
Director	:	Individuals only (Minimum one. Shareholder can also be director)
Share capital	:	No share capital is required
Audit	:	Audit report is not required
Estimated time	:	3-5 days for incorporation & setting up a company. Another 10 - 15 days for immigration & registration and thereafter visa may take approximately 7-10 days on normal basis

Key benefits :

- Ownership, Taxation, Repatriation Advantage.
- 100% foreign ownership.
- 100% repatriation of capital and profits.
- No personal income tax.
- No corporate tax.
- Cheap energy.
- Low lease prices.
- World-class infrastructure.
- Lowest tariffs in the region.
- No restrictions for industry/ assembly units operating in leased land.
- Strategic location.

Renewal : License of the company has to be renewed on annual basis. Penalty would be charged by the authority if license is renewed after expiry date.

The approximate cost for setting up a company in UAQ Free Zone is between AED 20,000/- to AED 60,000/- depending upon the type of license and facility selected. Documents required are passport copies of shareholders/directors/manager, utility bills, project profile, corporate documents, etc depending upon structure of the proposed company.

GBS provides you consultancy and helps you with company incorporation services at UAQ Free Zone.

India Experiences Robust Growth Desopite of Demonetization

Without fully accounting for the disruptive state of affairs due to the elimination of high-value old currency bills of Rs.500 & Rs.1000/- India is predicting a healthy economic growth in the fiscal year that ends in March.

This decision comes as part of a crackdown on tax dodgers and counterfeiters but has been a painful and cumbersome process for companies, farmers and households. With about 86% of cash out of circulation, supply chains of small, medium and even larger companies faced disruptions and left many customers short of cash.

A drop from the provisional figure of 7.6% for 2015-16 Gross domestic product (GDP) is estimated to achieve annual growth of 7.1% in the fiscal year 2016-17 as per data available by the end of October. But the impact of this demonetization is expected to last one more year and private economists forecast growth to 6.3-6.4% for 2016-17.

Usually the government's statisticians would wait for GDP data for the quarter through December before announcing the yearly estimates. However this year's projections will be mostly dependent on the economy's performance pre-demonetization when consumer demand was strong since that quarter's figures will be unavailable before February end.

The after effects of demonetization were supposed to have minimized by December end but have taken longer than promised. The severe cash shortage resulted in a slowed down services industry and manufacturing activity for a second straight month in December. The cash crackdown also hit capital investments.

India Considers:
Universal Basic Income (UBI) for All Citizens

Universal Basic Income (UBI) is a fixed amount of money paid by the state to all its citizens regardless of their employment status.

According to one of the leading advocates of the demonitisation scheme, the Indian government is considering this idea with the aim to boost the economy and improve the quality of life of its citizens.

As per the advocate group, Basic Income Earth Network (BIEN) the Indian government is expected to come out with a report in January advocating the UBI idea to be "feasible" and "basically the way forward".

So far this scheme has been implemented with positive results in three pilot schemes, two in Madhya Pradesh and one in West Delhi. According to a 2014 government report, though India has a growing economy around 29.5% of its estimated 1.3 billion population lives in poverty especially in the rural areas.

Though the government has a lot of monetary schemes to aid the poor, there are doubts about whether the money actually reaches them. The question remains if India is ready for a nation-wide roll-out and whether the UBI is a more effective way of reaching the poor than the current schemes the government employs.

In recent times, the Government of Finland became the first European country to roll out UBI to 2,000 unemployed people.

Exchange of old notes Extended to 30 June 2017 for NRIs

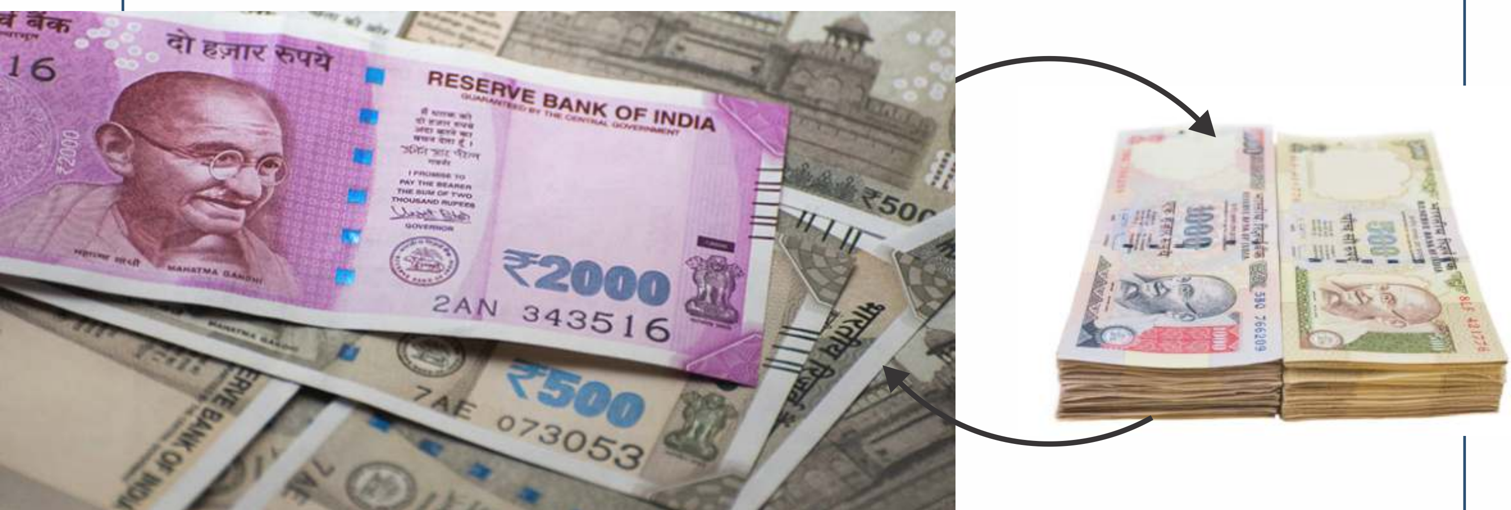
To facilitate the demonetization process, the Reserve Bank of India (RBI) introduced a facility for exchange of old specified bank notes for Indian residents and NRIs who were abroad from November 9, 2016 to December 30, 2016.

As per this notification, Indian residents, who were abroad during November 9, 2016 to December 30, 2016 can avail the new facility from January 2, 2017 to March 31, 2017 without any monetary limit. Whereas NRIs can avail this facility from January 2, 2017 to June 30, 2017 within the deposit limits as per the relevant FEMA (Foreign Exchange Management Act) regulations. This facility will be available through Reserve Bank offices at Mumbai, New Delhi, Chennai, Kolkata, and Nagpur.

This facility can be availed in their individual capacity once during this period on submission of ID documents, such as Aadhaar Number, Permanent Account Number (PAN) etc along with documentary evidence exhibiting that they were abroad during the stipulated period and that the exchange facility has not been availed earlier.

Once the Terms & Conditions and the authenticity of the submitted notes is verified, the admissible amount will be credited to the depositors KYC (know your customer) compliant bank account.

However third-party tenders will not be accepted under this new facility. Also Indian citizens residing in Nepal, Bhutan, Pakistan and Bangladesh cannot avail this facility.



Union Budget 2017-18:
The Highlights

The 2017-18 Union Budget broadly focused on multiple sectors including agricultural sector, the rural sector, healthcare sector and benefits, personal and corporate taxation etc.

Some highlights from the Budget speech:

Macro Economic Overviews.

Two major historic policy reforms occurred in the year 2016-17. A Constitutional Amendment Bill was passed regarding the implementation of Goods and Service Tax (GST) and demonetization of two bank notes of Rs 500 and Rs 1000 was declared after which currency note of Rs500 was remonetized.

Evaluation of GST

GST would benefit common market for India, improve tax compliance and governance and also boost investment and growth. It is necessary for India since India internal trade-GDP ratio is about 54% lower than US (78% of GDP) or China (74% of GDP) but substantially greater than Canada and Europe.

Demonetization

Demonetization is a governmental strategy to get longer benefits with short term costs with cleaner and better GDP. It will help the government to eliminate corruption, black money counterfeit currency and terror funding. It will increase scope of expanding the tax base leading to successful implementation of GST. The excess liquidity in the banking system will lower borrowing costs and increase the access to credit. It will also help in formulating the economy in better way through digitization and by increasing the financial saving.

Expected Growth

The overall growth is presumed to return to normal since the currency note in required quantities is back in circulation. 7% GDP rate is expected in the year 2017-18. This will make India's growth noteworthy against the weak and unsettled global economy.

Industry

In the industrial sector, the growth rate was estimated to 7.4% in 2015-16 which declined to 5.2% in 2016-17. A modest growth of 0.4 percent has been observed in the index of Industrial Production (IIP) in April-November 2016-17 similar to 2015-16.

Service sector is estimated to grow at 8.9% in the year 2016-17 almost the same as in 2015-16.

Inflation

The inflation based on Wholesale Price Index (WPI) declined to (-) 2.5% in 2015-16 from 2.0% in 2014-15. This year the rise in global commodity prices reversed this downward trend.

Investment

In H1 of 2016-17, India's foreign exchange reserves were increased by US$15.5 billion on B-o-P basis. The Foreign Exchange reserves have reached US$361 billion as on 20th January 2017. This shows a reasonable cover for about 12 months of imports.

Merchant Trade

Trade deficit was US$100.1 billion in 2015-16(April-December) which declined to US$76.5 billion in 2016-17(April-December).

Defense Sector

- The defense sector to get an allocation of Rs 2.74,114 crore.

Financial Sector

- Automation for more than 90% of FDI inflows.
- Shares of Railway PSE like IRCTC to be listed on stock exchanges.
- This session of Parliament to see bill on resolution of financial firms introduced.
- Foreign Investment Promotion Board to be abolished.
- Pradhan Mantri Mudra Yojana lending target to be fixed at Rs 2.44 lakh crores for 2017-18.
- Digital India - BHIM app to usher mobile phone revolution with introduction of two schemes to promote BHIM App - referral bonus for the users and cash back for the traders.
- DBT to LPG consumers - 84 government schemes are on the DBT platform. Highlight - Chandigarh is kerosene-free.
- Head post office to function as the central office for rendering passport service.
- Easy online booking system for Army and other defense personnel.
- To tackle economic offenders fleeing India, the government to introduce legislative change or introduce law to confiscate the assets of these people within the country.
- E-filling and online processing of FDI applications is implemented by The Foreign Investment and Promotion Board (FIBP). Accordingly, it has been decided to abolish FIBP in 2017-18 FIBP is decided to be scraped off.
- In 2017-18 it is aimed to target of 2,500 crores digital transactions through UPI, Aadhar Pay, IMPS and Digital Cards.

Fiscal Situation

- Total expenditure to be Rs 2,147,000 crores.
- Plan / non-plan expenditure to be abolished with focus on capital expenditure which is to be 25.4%.
- Rs.3,000 crores under the Department of Economic Affairs for implementing the Budget announcements.
- Expenditure for science and technology to be Rs. 37,435 crores.
- Total resources transferred to States and Union Territories to be Rs 4.11 lakh crores.
- Recommended 3% fiscal deficit for three years with a deviation of 0.5% of the GDP.
- Revenue deficit is 1.9 %.
- Fiscal deficit of 2017-18 pegged at 3.2% of the GDP. Targets to remain committed to achieving 3% in the next year.

For Farmers

- Rs 10 lakh crore to be allocated as credit to farmers with 60 days interest waiver.
- NABARD fund to be increased to Rs 40,000 crore.
- A dedicated micro irrigation fund to be set up for NABARD with an initial corpus of Rs 5,000 crore.
- Irrigation corpus doubled from Rs 20,000 crore to Rs 40,000 crore.
- Dairy processing infrastructure fund to be initially created with a corpus of Rs 2000 crore.
- Sowing farmers reassured to feel secure against natural calamities.
- Government to set up mini labs in Krishi Vigyan Kendras for soil testing.

For Young India

- A system of measuring annual learning outcomes to be introduced along with plans for an innovation fund for secondary education.
- Focus to be on 3,479 educationally-backward blocks.
- Colleges to be identified based on accreditation.
- Skill India mission launched to maximize potential to set up 100 India International Centers across the country.
- Foreign languages coursed to be introduced.
- Constructive steps to be taken to create 5000 PG seats per annum.

Funding of Political Parties

- The maximum amount of cash donation for a political party to be Rs. 2,000 from any one source.
- Political parties to be entitled to receive donations by cheque or digital mode from donors.
- An amendment is in process for the RBI Act to enable issuance of electoral bonds .A donor can purchase these bonds from banks or post offices through cheque or digital transactions. These will be redeemable only by registered political parties.

Personal Income Tax

- Existing rate of tax for individuals between Rs 2.5- 5 lakh to be reduced to 5% from 10%.
- All other categories of tax payers in subsequent brackets to get a benefit of Rs 12,500.
- Simple one page return for people with an annual income of Rs 5 lakh other than business income.
- People filing I-T returns for the first time to not come under any government scrutiny.
- 10% surcharge on individual income above Rs 50 lakh and up to Rs 1 crore to make up for Rs 15,000 crores loss due to cut in personal I-T rate. 15% surcharge on individual income above Rs 1 crore to remain.

Poor and Underprivileged Healthcare Benifits

- Rs 500 crore to be allocated for Mahila Shakthi Kendras.
- Under a nationwide scheme for pregnant women, Rs 6000 to be transferred to each individual.
- Women and children initiatives to receive a fund of Rs 1,84,632 crores.
- Affordable housing to be given infrastructure status. In 2017-18 the National Housing Bank shall refinance individual housing loans of about INR 20,000 crores.
- Owing to surplus liquidity, banks to reduce lending rates for housing.
- Targets set to eliminate tuberculosis by 2025.
- 1.5 lakh Health sub centers to be transformed into health wellness centers.
- Plans afoot for two AIIMS to be set up in Jharkhand and Gujarat.
- Rs 52,393 crores allocated for Scheduled Castes.
- Senior citizens health to be monitored via Aadhaar-based smartcards.

Rural Development

- By 2019 the government target is to bring 1 crore households out of poverty.
- 5 lakh farm ponds to be taken up under MGNREGA.
- Over Rs 3 lakh crores to be spent for rural India and MGNREGA to increasefarmers' income.
- Steps to be taken to ensure participation of women in MGNREGA rises to 55%.
- Space technology to be used effectively to ensure MGNREGA works.
- 1 crore houses to be completed and provided for those without homes.
- Rs19,000 crores to be allocated for Pradhan Mantri Gram Sadak Yojana.
- 100% rural electrification to be achieved by March 2018.
- Under the Swachh Bharat mission sanitation coverage has gone up from 42% in October 2013 to 60% in the present day.

Tax Observations and Proposal

- India's tax to GDP ratio is not favourable.
- Out of 13.14 lakh registered companies only 5.97 lakh firms filed returns for 2016-17.
- Proportion of direct tax to indirect tax is not optimal.
- Individuals numbering 1.95 crore showed an income between Rs 2.5 lakh to Rs 5 lakh.
- Out of 76 lakh individual assesses declaring income more than Rs 5 lakh, 56 lakh are salaried.
- Only 1.72 lakh people showed income of more than Rs 50 lakh a year.
- Between November 8 and December 30, deposits ranging from Rs 2 lakh and Rs 80 lakh were made in 1.09 crore accounts.
- Net tax revenue of 2013-14 was Rs 11.38 lakh crores.
- Rate of growth of advance tax in Personal I-T is 34.8% in the last three quarters of this financial year.
- Holding period for long term capital gain lowered to two years.
- Proposal to have a carry-forward of MAT for 15 years.
- Capital gains tax to be exempted for persons holding land from which land was pooled for creation of the state capital of Andhra Pradesh.
- Under the corporate tax, proposal underway to reduce tax for small companies with a turnover of up to Rs 50 crores to 25% in order to make MSME companies more viable. About 67 lakh companies fall in this category and 96 % of these companies to get this benefit.
- Basic customs duty for LNG to be reduced to 2.5% from 5%.
- The Income Tax Act to be amended to ensure that no transaction above Rs 3 lakh is permitted in cash.
- The limit of cash donation by charitable trusts to be reduced to Rs 2,000 from Rs 10,000.
- Net revenue loss in direct tax could be Rs 20,000 crores.
- Interest paid by an Indian company or PE of a foreign company in India in excess of 30% of EBITDA (earnings before interest, taxes, depreciation and amortization) or interest paid to its associated enterprise, whichever is less, shall not be allowed as deduction in computing the taxable profit. However, this interest will be carry forwarded for next eight years. This will benefit the2017 financial sector and coming years.
- From 2017, individual will be benefited with concession rate of 10% (plus applicable surcharge and cess) on gross basis in case of income from sale of carbon credit. No expenditure or allowance shall be allowed.

Demonetization & Its Effects

- Dhawal Gade, Auditor

On the night Donald Trump was elected the next US president, Narendra Modi, the Indian prime minister, in a surprise TV address announced that all 500 and 1,000 rupee notes would be withdrawn immediately from circulation. At a stroke, Mr Modi rendered 86% of currency worthless outside a bank branch.

The aim behind the government's action was to combat tax cheating, counterfeiting and corruption. Eliminating large denominations makes it tougher to hide large amounts of cash. Mr Modi noted that the move complements the country's Swachh Bharat Abhiyan (Clean India campaign).

Here's a look at how the demonetization affects the entire economy in the short and long term:

1) Government revenues to increase:

A lot of money - that was hoarded as cash - was earlier unaccounted for. As people start depositing their money reserves, this money will enter the banking system. People will then be liable to pay more tax. This is a direct source of revenue for the government. This can have a medium-to-long term impact too. People may be discouraged to hoard a lot of cash.

2) Fiscal deficit to narrow:

As the government's revenues increase, its fiscal deficit-the amount by which it spends more than it earns-is likely to narrow. However, this is likely to happen in the medium-to-long term, not immediately. This delay is because the Income Tax Department can take time to claim tax on the deposits made by people.

3) Public investments to rise:

Higher tax collections will now allow the government to further increase infrastructure spending. This is even more important considering investments by private players remain weak. Investments are crucial for the economy to grow.

4) Economy to grow:

Economy is expected to grow in the medium-to-long term. In the near term the Gross Domestic Product (GDP)-a measure of the economy-could see a dent. This is because people could cut down their expenditure due to a cash crunch. This could affect the sections of the economy-the unorganised sector for example-that deals only in cash. However, as the new 500 and 2000-rupee notes enter circulation the consumer spending could stabilize. Moreover, an increase in investments by the government could lead to higher employment and income. This could buoy the economy.

5) Inflation to fall near-term:

When people cut down expenditure, demand for goods and services falls. Companies could announce more discounts to woo customers. All this could lead to a fall in prices. However, this is likely to be a short-term effect. The demonetization is likely to have minimal impact in the long term.

6) Liquidity and banks:

Deposits are a cheap source of funds for banks. They use this deposit money to lend at higher interest rate and pocket profits. This is especially crucial for banks that have a low base capital. This is non-deposit money that a bank has. So the increase in deposits due to demonetization could increase the liquidity in the system. This could also reduce the negative impact of the redemption of foreign currency deposits by Non-Resident Indians that were due in the September-November 2016 period.

7) Interest rates:

A high amount of liquidity in the banking system means banks and other players can buy more bonds. This could drive up the prices of bonds in the near futures. As prices rise yields could fall. This is a short-term effect. In the long term, the government's lower fiscal deficit could help keep interest rates lower.

8) Current Account Deficit:

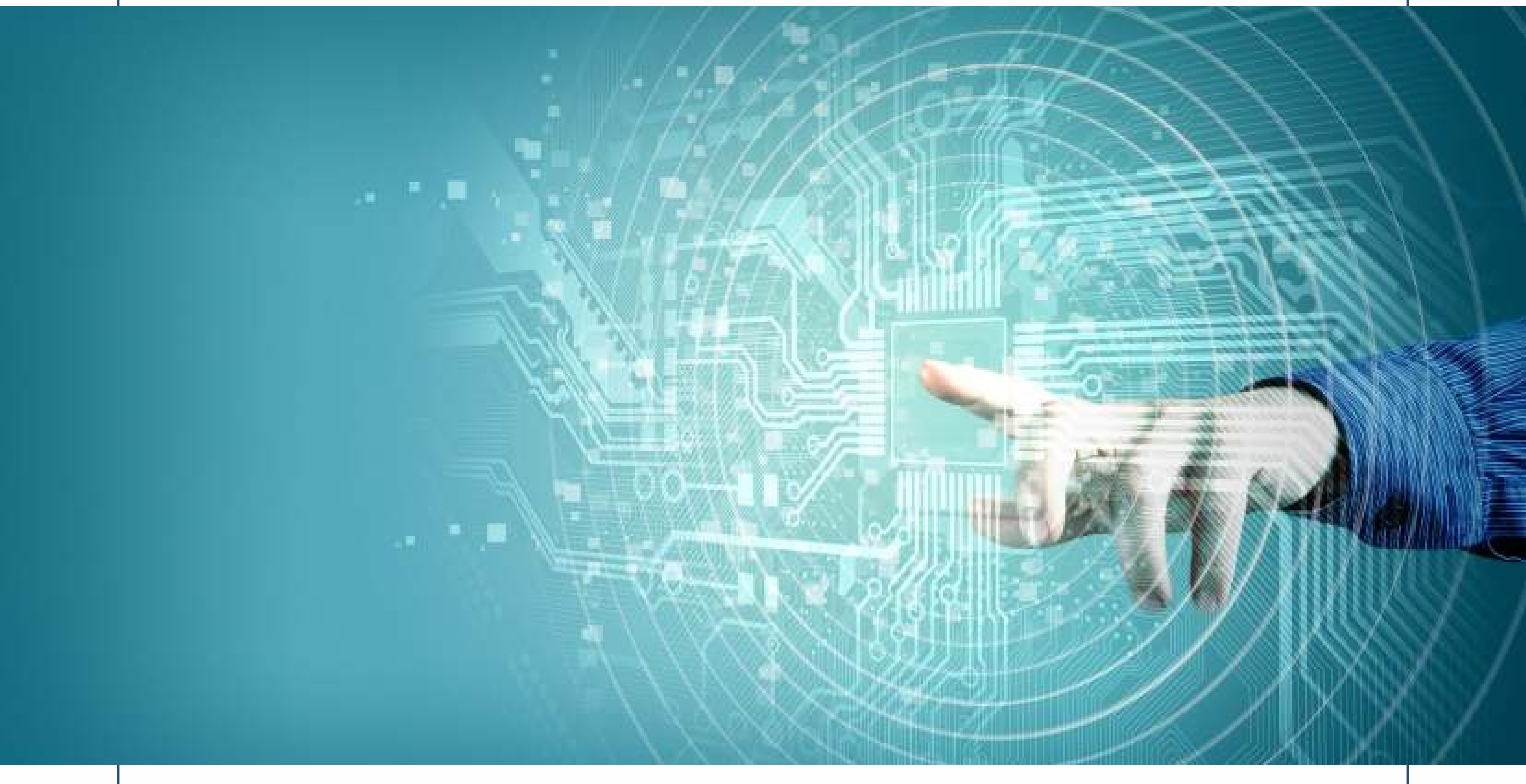
This is a mixed bag. In the short term, as people face a cash crunch, demand for gold could fall. This is because approximately 80% of the demand for gold is via cash. However, in the long term people may want to hoard gold instead of cash. This could drive up gold imports. A higher import bill means a larger Current Account Deficit (CAD)-the amount India owes the world in foreign currency

9) Digital payments:

The demonetization influences people to make more transactions online. This could be through cards, wallets or simple bank transfers online. This shift in preference could increase in future as more people opt for non-cash modes of payment.

10) Sectors affected:

Three sectors are likely to be highly affected: Real estate, jewelers and cement. These are sectors where a lot of cash transactions take place. The auto sector could see a marginal fall in demand for luxury cars and two-wheelers which are often purchased using cash. Even the steel sector could be affected because 30-35% of their consumption comes from the real estate sector. The biggest beneficiary is likely to be the retail sector. Despite a short-term punch, the sector could benefit from the move towards a cashless economy in the long term.



Facts about demonetization in different nations across the globe:

COUNTRY	YEAR	STATUS
Pakistan	2015	Messed Up. One and Half Years for demonetization to exchange notes. Can't curb black money neither counterfeit notes
North Korea	2010	Miserably Failed. Due to bad harvest and high inflation, this move was highly criticized by the International Media, making the dictator to apologize in the public.
Zimbabwe	2010	Failed. The country replaced their currency with US Dollars later.
Australia	1996	Success. This improved the life of the bills and helped in making Australia a business friendly country, despite the initial costs incurred to manufacture polymer-based notes.
Zaire	1990	Failed
Nigeria	1984	Failed. He was thrown out of power in 1985-86.
USA	1969	Success. Even today $100 bill is the maximum available for circulation.

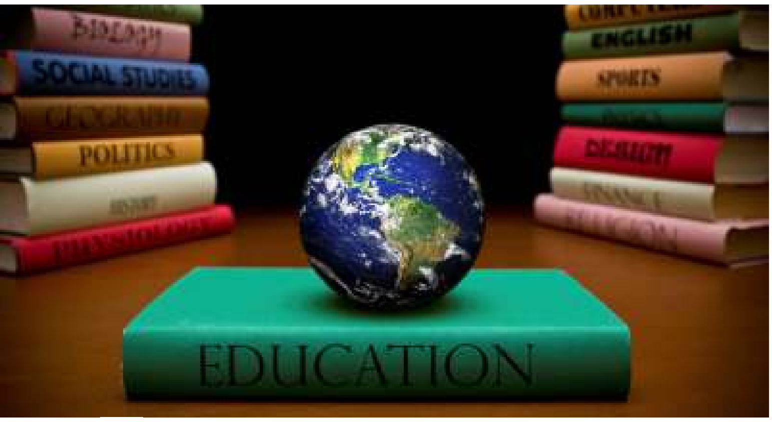
If we have a look on all the other demonetization drives, only the ones done by developed nations have been successful and African nations have suffered a lot because these countries are still a victim of neo-colonialism.

At the outset, we have to realize that there is no painless change. Change brings uncertainties, insecurities and thus resistance. Demonetization is not the magic wand which will cure all the problems that comes with black money. Part of this black money has changed form into Gold, Real estate, Art and Benami Wealth. They have moved far and wide into the systems. However, demonetization is a bold and strong step towards the right direction. It's a resounding move to break the vicious cycle of 'gamble' and 'corruption'. As the debate on demonetization becomes heated by the day, we need to ask a simple question, what it does for the long term health of the economy. The next generation of India deserves and demands an economy free of corruption. Indians want a country free from corruption, nepotism and favoritism. They want a transparent economy based on meritocracy and mutual respect.

World Education System

- Rakesh Vollala, Audit Trainee

- **Summary & Education system in South korea**
- **Education system in Japan**
- **Education system in Finland**
- **Biggest school in the world**
- **Smallest school in the world**



Worlds Education systems:

- 50 years from now, countries of the world be governed by today's youth. Their thoughts and actions will be shaped by what they know & have experienced, making education in many ways, one of the best predictors of a nation's future success.
- South Korea ranks world's best education system. It is measured based on their students' success and their payroll in the markets.
- Do you know? Children in South Korea attend school often seven-days a week!
- South Korea and Japan fight for world's best education system followed by Singapore.
- South Korea's primary education is highly structured, emphasizing memorization, long hours & lots of homework.
- Korean high school students have 16 hours school day.

Education in Japan:

- How fast can you multiply 91 times 81? One minute, probably. And what about 191 times 181? More than one, for sure.

  Well, Japanese children do it in no time, with a help of several lines any kid can do that, even a five year old. They don't learn numbers by heart. Instead, they draw and play.

Education in Finland:

- Do you know in Finland, Children start school at 7 years old; they cannot enroll at younger age.
- Classwork is reduced to creativity rather than memorizing information. They are encouraged to understand the need to learn and use creative ways to improve efficiency.
- In Finland education is 100% funded by state, so that everybody has access to it.
- Finland on the other hand, apparently has less structured system, which emphasizes critical thinking, curiosity and real world applications.

Worlds Education systems:

- The biggest School:
- It is generally agreed that the biggest school in the world-the school with most pupils-is the Montessori school in Lucknow, India.
- The school was setup by Mr. & Mrs. Gandhi in 1959; it has more than 47,000 pupils. Can you believe it? Forty-seven-thousand? That's bigger than a lot of universities! In fact, that's bigger than lot of towns.
- It has 1000 classrooms run by 3,800 staff in India.

The smallest School:

- The smallest school in the UK is holy island Church of England first school. It usually has fewer than half a dozen children.
- In Australia there is a famous school of air where pupil in remote areas learn by listening to special radio's.

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