

GEORGIA INDO-AMERICAN  
CHAMBER OF COMMERCE

WEBINAR

# COVID-19 U.S. & INDIA: THE IMPACT ON TRADE, TAXES, RELIEF AND MORE

## MODERATOR

Sonjui L. Kumar, GIACC Board Member &  
Founding Partner of KPPB LAW

April 14, 2020

# The Economic Impact

- A global overview
- General overview of immediate impact on U.S. and Indian economies
- Projected impact on trade between the U.S. and India
- Investor and client perspective



**Anil Khatod:**  
Managing Partner,  
Argonaut Private Equity  
*Atlanta*

A diversified global private and public equity fund managing more than \$6 billion. Khatod directs Argonaut's global investments in public and private companies in technology, financial services and healthcare sectors in the US, India, China, Australia and Israel.



# Global GDP

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- **Q2 2020** has no historic economic parallels
- **Global real GDP** growth of 3% to 4% for six decades (one exception: 2009 due to the global financial crisis)
- **2019 Global GDP totaled \$88T** (up from \$11T in 1960)
  - GDP was set to exceed \$90T in 2020
  - COVID-19 will drop GDP by 3% to 5%
  - GDP will return to 2019 levels in 2022
  - GDP would have dropped 10% without global fiscal relief efforts, which is stabilizing the economy



# Global GDP continued

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- **\$4.5T in global deficit-funded relief** (half of this amount from the United States)
- **Four countries account for more than 85% of relief:**
  - \$2.2T (United States)
  - \$1T (Japan)
  - \$700B (Germany)
  - \$200B (China); more pending
  - \$22B (India); more expected



# United States GDP

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- **\$21.4T in 2019** (an output of \$60B per day)
  - Before COVID-19, U.S. GDP was expected to rise 2.5% to reach \$22T
- **Without fiscal relief, U.S. economy would have dropped \$3T or 14%;** with fiscal relief U.S. economy will de-grow by 3% to 5% (\$1T output loss); assumes a late-May economic resumption and full economic resumption Q1 2021 with therapies/vaccine
- Economic output will drop most in Q2, less in Q1 and Q3
- U.S. GDP last dropped in 2009 by 2.8% (due to the global financial crisis)
- U.S. corporate earnings for 2020 expected to drop 25%; in 2021 a partial recovery with full earnings U-turn reaching 2019 levels in 2022



# India GDP

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- **\$2.9T GDP; 5<sup>th</sup> largest**
  - **Ahead of UK, France, Brazil, Italy**
  - **Behind U.S., China, Japan, Germany**
- **2 decades of expansion; recent slow to 5% with revival expected this year to \$3T (or daily GDP output of \$8B) (one exception: 2009 due to the global financial crisis)**
- **With COVID-19, lockdown started 3 weeks ago and will extend to May 3.**
- **Hotspots in Mumbai, Delhi, Tamilnadu (road construction resuming with color coding of virus spread)**



# India GDP

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- **Indian economy could shrink by \$100B to \$200B+ in 2020**
- **\$22B relief package; more expected**
- **Highest impacted sectors**
  - Automotive (2 & 4 wheelers), aviation, transportation, metals & mining, machinery, textiles, chemical, oil/gas, discretionary consumer goods, small businesses, banking, non-bank finance
- **Least impacted sectors**
  - Pharma, education, power, telecom, consumer staples



# U.S./India Trade

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- **U.S./India trade is 3% of the globe; #10 for U.S.**
  - Friendly/strategic, yet trade deal remains elusive
  - Trump administration pushing India to buy more U.S. goods (e.g., agriculture), creating Indian agriculture challenge
  - China-U.S. trade strain creating opportunities for other countries to source outside of China; Can India deliver?
  - India needs a more systemic approach to enhance skills, ease regulation, provide incentives to set up large-scale manufacturing to take advantage of new U.S. trade opportunities





# U.S./India Trade, continued

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- India exported \$88B in goods to U.S. in 2019; imported \$60B (U.S. trade deficit of \$28B)
- India **EXPORTS** include:
  - pharma, carpets/textiles, chemicals, diamonds/gems/jewelry, insecticides, iron, steel
- India **IMPORTS** include:
  - petroleum, agriculture, aerospace/defense, software/electronic, capital goods



# Indian Relief Scheme



## **Uday Ved:**

India Tax Partner, KNAV P.A.  
Mumbai

Ved has more than 30 years of experience in M&A, inbound and outbound tax structuring, cross-border transactions and global reorganizations. He has held positions with Big 4 firms as National Head of Tax; KPMG India, Global Tax Partner of Andersen India and Co-Head of Tax; RSM (*Ratan S Mama, India*). Uday's clients have included Indian and foreign multinational companies in multiple sectors including infrastructure, technology, advertising and service sector, manufacturing, retail and pharmaceutical sectors.

- **Economic Measures for Needy and Poor - \$22B**
- **RBI postponement of loan installments**
- **Tax compliances deferred**
- **GST and income tax payments delayed**
- **Relied for IBC Companies**
- **Force Majeure**
- **Fresh Start Scheme & LLP Settlement**
- **2020 Budget Provisions**
- **Waiting for relief for poor & SMEs**



# U.S. Relief for Business



## **Kirtan Patel:**

Founding Partner, KPPB LAW  
*Atlanta*

Patel is a commercial real estate and finance lawyer, who counsels clients on various complex real estate finance matters, such as CMBS financing; mezzanine financing; private equity investments; fund formation; conventional and government guaranteed financing; as well as restructuring and workouts of loans. Kirtan advises clients on U.S. inbound international investments; as well as drafts and negotiates joint-venture agreements among U.S. companies doing business internationally.

- **Paycheck Protection Program (PPP) Loans**
- **Economic Injury Disaster Loans (EIDL)**
- **Direct assistance to industries**
- **Main Street lending**
- **Federal Reserve relief**
- **More relief pending**



# Additional U.S. Relief: CARES Act Tax Reform

## INCOME TAX

- Carry-Back of Operating Losses to Prior 5 Tax Years Net
- Removal of 80% Restriction on Utilization of Net Operating Losses
- Advancing Refunds of AMT Credit from 2021 to 2018/2019
- Election to Opt for IRC § 163(j) Limitation Between 30% or 50% of EBITDA
- Technical Correction Pertaining to Qualified Improvement Property, Making it Eligible for Bonus Depreciation



### **Shishir Lagu:**

U.S. Tax Partner, KNAV P.A.  
*Mumbai/Atlanta*

As part of the KNAV's international tax advisory and regulatory service practice, Lagu provides a comprehensive range of tax advisory and regulatory services comprising US federal, state and local tax compliances, tax due diligences, tax representations, tax advisory opinions on domestic and cross border transactions and tax accounting services (US GAAP, IFRS & Indian GAAP). His portfolio of clients includes leading MNCs in the FMCG, pharma & healthcare, technology, media & entertainment, and auto components sectors.

# **Additional U.S. Relief:**

# **CARES Act Tax Reform**

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## **INCOME TAX**, continued

- **Technical Correction Pertaining to Qualified Improvement Property, Making it Eligible for Bonus Depreciation**
- **Increasing the Deductibility Limit for Charitable Contributions to 25% of Taxable Income**
- **Extending of Tax Filing and Tax Payment Due Dates**
- **Impact of Income Tax Changes on Tax Accounting (ASC 740)**

# **Additional U.S. Relief:**

# **CARES Act Tax Reform**

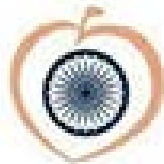
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## **PAYROLL TAX**

- **Deferral of Employer Share of Social Security Taxes**
- **Employee Retention Credit**
- **Payroll Tax Credits Under Families First Coronavirus Response Act for Paid Leaves**



# QUESTIONS & DISCUSSION



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