News Analysis (02 Apr, 2020)

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RBI's Measures to Fight Economic Disruptions

Why in News

The **Reserve Bank of India (RBI)** has extended the realisation period of export proceeds and Ways and Means Advance (WMA) limit of state governments.

- Further, the central bank has provided relief to the banking sector's capital requirements.
- These steps have been taken to cushion the economic impact of the **coronavirus pandemic** and lockdown.
- These steps have come after the **RBI recently cut repo rate by 75 basis points.**

Key Points

- **Extended the Realisation Period of Export Proceeds**
    - The time period for realisation and repatriation of export proceeds made up to or on July 31, 2020 has been **extended to 15 months** from the date of export.
    - Earlier, the value of the goods or software exports made by exporters is required to be **realised fully and repatriated to the country within nine months from the date of exports.**
    - The measure will enable exporters to realise their receipts, especially from COVID-19 affected countries, within the extended period, and also provide greater flexibility to exporters to negotiate future export contracts with buyers abroad.
    - Export activities have been disrupted in the wake of the pandemic and lockdown in many countries.

- **Increased Ways and Means Limit**
  - RBI has **formed an advisory committee** to review the **Ways and Means limit** for State governments and Union Territories.
  - Till the panel submits its report, the **RBI has increased the Ways and Means advances limit by 30%** for States and union territories.
  - The revised limits will come into force with effect from April 1, 2020 and will be valid till September 30, 2020.
  - Recently, the **Central Government has hiked Ways and Means Advance (WMA) limit** with the **Reserve Bank of India (RBI)** by 60%.
  - The **'Ways and Means Advances'** is a **scheme** that **helps meet mismatches in receipts and payments of the government.** Under this scheme, a government **can avail itself of immediate cash from the RBI.**
- **Deferred Counter Cyclical Capital Buffer (CCyB)**
  - The RBI has deferred the implementation of **Counter Cyclical Capital Buffer** (CCyB) for banks.
  - It has decided that it is not necessary to activate CCyB for a period of one year or earlier, as may be necessary.
  - **CCyB** is the **capital** to be kept by a bank **to meet business cycle related risks.**
    - It is aimed to protect the banking sector against losses from changes in economic conditions like recession.
    - This is an important theme of the **Basel III norms.**

Source: TH

Fall in Goods and Services Tax (GST) Collections

Why in News

Goods and Services Tax (GST) collections for March 2020 stood at ₹97,597 crore, dropping below the ₹1 lakh-crore mark after four months.

Key Points

- **GST Collected**
  - Of the total collections, central GST stood at ₹19,183 crore, State GST was at ₹25,601 crore and integrated GST atwas ₹44,508 crore.
  - The government had settled ₹19,718 crore to CGST and ₹14,915 crore to SGST from IGST as regular settlement.
  - In addition, the Centre also apportioned unsettled balance IGST of ₹6,000 crore on an ad-hoc basis in a 50:50 ratio between the Centre and States.

- **Partial Impact of COVID-19:**
    - The March revenue collections are based on the business conducted in February.
    - The collections **do not take into account the full impact** of **COVID-19** and the consequent shutdown of many business sectors in India.
    - It has been warned that **the revenues for the month of April 2020 are likely to dip much further.**
- **In Comparison to March 2019**

    According to the Ministry of Finance, Gross GST revenue for March 2020 was **8% lower than that of March 2019.**
- **Fall in Collection from Imports**
    - Although GST revenue **from domestic transactions** dropped 4% in comparison with March 2019, there was a **23% fall in the tax collected on import of goods.**
    - Global trade was affected by COVID-19 in February itself.
- **Step Taken**
    - Small businesses have been allowed a **three-month deferment of GST payments** due to the COVID-19 situation.
    - There is a wider industry **demand for a moratorium on payments and reduction in rates.**

Goods and Services Tax

- GST is a **comprehensive, multi-stage, destination-based tax that is levied on every value addition.**
- GST is a comprehensive **Indirect Tax** which has replaced many Indirect Taxes in India.
- The Goods and Service Tax Act was passed in the Parliament on 29th March 2017 and came into effect on 1st July 2017
- Under the **GST council** and 101st constitutional amendment, the tax is levied **at every point of sale.**
- GST is categorized into CGST, SGST or IGST depending on whether the transaction is Intra-State or Inter-State.

Central Goods and Services Tax and State Goods and Services Tax

- CGST is a tax levied on **Intra State supplies of both goods and services by the Central Government** and is governed by the CGST Act. SGST is also be levied on the same Intra State supply but will be governed by the State Government.
- This implies that both the **Central and the State governments** agree on combining their levies with an appropriate **proportion for revenue sharing between them.**
- However, it is clearly mentioned in Section 8 of the GST Act that the taxes be levied on all Intra-State supplies of goods and/or services but **the rate of tax shall not be exceeding 14%, each.**

Integrated Goods and Services Tax

- IGST is a tax levied on all **Inter-State supplies of goods and/or services** and is governed by the IGST Act.
- IGST is applicable on any supply of goods and/or services in **both cases of import into India and export from India.**

Source: TH

E-Way Bills During Lockdown

Why in News

Recently, the transporters have raised concerns over potential penalties arising from expired electronic way (e-way) bills.

- Since 15th March, 2020 when states started to lock their borders down culminating in a national **lockdown** announced by the Centre, hundreds of truckers have been stranded across the country.
- In a petition to the Ministry of Finance, a group of truckers pointed out that the e-way bills could not be extended by the transporters on account of closure of offices, godowns and unavailability of staff.
- Truckers requested for the issue of immediate directions/guidelines to GST Commissioners (all States/UTs) to allow the vehicles in transit and goods not delivered to be exempted from any scrutiny or penal provisions to reach their destination smoothly, even if the e-way bill had expired.

Electronic Way Bill

- E-Way Bill is a **compliance mechanism** wherein by way of a digital interface the person causing the movement of goods uploads the relevant information prior to the commencement of movement of goods and generates **a e-way bill on the GST portal.**
- An electronic way bill or 'e-way bill' system offers the **technological framework to track intra-state as well as inter-state movements of goods of value** exceeding **Rs 50,000, for sales beyond 10 km** in the Goods and Services Tax (GST) regime.
- When an eway bill is generated, **a unique E-way Bill Number (EBN) is allocated** and is available to the supplier, recipient, and the transporter.

- It was launched to
    - Facilitate faster movement of goods.
    - Improve the turnaround time of vehicles.
    - Help the logistics industry by increasing the average distances travelled and reducing the travel time as well as costs.

E-Way Bill Rules

- According to notified e-way bill rules, every supplier requires **prior online registration** on the e-way bill portal for the movement of goods.
- **Tax officials** have the power to scrutinise the e-way bill at any point during transit to check tax evasion.
- **Validity :**
    - The rules also specify that the permits for conventional cargo (other than over-dimensional carve) are **valid for one day for the movement of goods for 100 km,** and in the same proportion for the following days.
    - In general, validity of the **e-way bill cannot be extended but a commissioner may extend** the validity period only through issuing notification for certain categories of goods.
- **Penalty for goods moved without generating a valid e-way bill:**
    - A fine of Rs 10,000 or amount of tax sought to be evaded, whichever is higher, may be imposed by tax authorities.
    - In such a situation, goods, and the vehicle transporting them, can be detained or seized.
- An e-way bill can be regenerated by the transporter before expiry, but, **if the e-way bill has expired, the system won't allow regeneration** linked to the same invoice.

Source: IE

Coronavirus Infection Rate: The Lancet

Why in News

A study in the Lancet Infectious Diseases has estimated the **mean duration from onset of symptoms (coronavirus) to death to be about 18 days** and that of **hospital discharge to be about 25 days.**

> This finding is based on data on 24 deaths that occurred in mainland China and 165 recoveries outside of China.

Key Points

- **Infection Fatality Rate**
    - Overall infection fatality rate for China, where coronavirus first hit, was **0.66%.**
    - Infection fatality ratio takes into account **the total number of people that might carry the virus without showing symptoms.** These people are not a part of the "official number of cases" in China.
    - However, recently, **China has disclosed the number of asymptomatic (people showing no symptoms) cases.** China has found more than 43,000 cases of asymptomatic infection through contact tracing.

        Contact tracing is the process of identifying, assessing and managing people who have been exposed to a disease to prevent transmission.
    - China has decided to devote greater screening to asymptomatic sufferers and those in contact with them.
- **Infection Fatality Rate is lower than Crude Fatality Ratio**
    - Researchers from Imperial College, London, had earlier said that the **'crude fatality ratio'** was about **3.67%,** which is on a par with the World Health Organization (WHO) estimates.
    - The **crude rate does not take into account the severity of the infection,** which means it just **compares the total number of cases with the total number of deaths.**
- **Age and Severity of Coronavirus**
    - Severity of coronavirus depends on the age of a patient, and the overall **case fatality ratio** (number of deaths per positive case) could be 1.38%.
    - In those above 60 years, it was found to be 6.4%; in those above 80 years, 13.4%; and in people aged below 60 years, 0.32%.
    - The findings are based on all the laboratory confirmed and clinically diagnosed cases from mainland China (70,117).
- **Implication of Study**
    - The estimates of the case fatality ratio for COVID-19, are substantially higher than for recent influenza pandemics (eg, **H1N1 influenza** in 2009).
    - With the rapid geographical spread observed to date, COVID-19 therefore represents a major global health threat in the coming weeks and months.

        Till April 1, 8.53 lakh cases of COVID-19 had been reported world-wide, with 41,887 deaths.
    - The estimate of the proportion of infected individuals requiring hospitalisation, when combined with likely infection attack rates (around 50-80%), show that even the most advanced health-care systems are likely to be overwhelmed.
    - Estimates are therefore crucial to enable countries around the world to best prepare as the global pandemic continues to unfold.

Source: IE

Centre Defines J&K Domicile Rules

Why in News

Recently, the **Ministry of Home Affairs** (MHA) has issued the **Jammu and Kashmir Reorganisation (Adaptation of State Laws) Order, 2020.**

- On 6th August 2019, the Centre **revoked J&K's special status** under **Article 370 and Article 35A of the Constitution** and **bifurcated it into the UTs of J&K and Ladakh.**
    The two revoked constitutional provisions let the state legislature decide the **'permanent residents',** prohibiting a non-J&K resident from buying property there and ensuring job reservation for its residents.
- There are **12 States,** including Himachal Pradesh, where provisions of **special status** under **Article 371** apply.
    The provisions pertain to **regulation of ownership and transfer of land** in order to conserve the limited resources available for development and to ensure that the State preserves its unique identity.

Key Highlights of Order

- It amended 109 laws and repealed 29 laws of the erstwhile State and inserted the **'domicile'** clause in the **Jammu and Kashmir Civil Services (Decentralisation and Recruitment) Act, 2010.**
- The clause for **'permanent resident of the State'** under the 2010 Act, has been substituted by **'Domicile'** of the UT.
    - The Act pertained to **employment in the civil services** comprising "district, divisional and State" cadre posts.
    - Only permanent residents of J&K were eligible to apply for the gazetted and non-gazetted posts but **now non-domiciles can also apply** for these posts.
- The **domiciles will be eligible for the purposes of appointment to any post carrying a pay scale of not more than Level 4.**
    The **Level 4** post comprises positions such as gardeners, barbers, office peons and waterman and the highest rank in the category is that of a junior assistant.
- The **reservation** for domiciles **would not apply to Group A and Group B posts,** and like other UTs, recruitment would be done by the **Union Public Service Commission** (UPSC).

- **Criteria for Domiciles**
    - Someone who has **resided for a period of 15 years** in the UT of J&K or
    - Someone who has **studied for a period of seven years** and **appeared in Class 10th/12th examination** in an educational institution located in the UT of J&K or
    - Someone who is **registered as a migrant by the Relief and Rehabilitation Commissioner (Migrants).**
    - **Children** of Central government officials, All India Services, PSUs, autonomous body of Centre, Public Sector Banks, officials of statutory bodies, Central Universities, recognised research institutes of Centre who have served in J&K for a **total period of 10 years.**
    - **Children of such residents of J&K** who reside outside J&K in connection with their employment or business or other professional or vocational reasons but their parents **fulfil any of the conditions provided.**
- The order also amended the **Jammu and Kashmir State Legislature Members' Pension Act,1984** which fixes the pension for former legislators and councillors.
    The notification **scraps all pension benefits** such as car, driver, accommodation, phones, electricity, medical facilities and rent-free accommodation to former J&K Chief Ministers.
- The order has also made amendments to the **Public Safety Act (PSA) 1978** by removing a clause that prohibited J&K residents booked under the Act to be lodged in jails outside.
    - It **changes the criteria for appointing the PSA advisory board** on the recommendation of a search committee headed by the Chief Secretary instead of the Chief Justice of the J&K High Court.
        The advisory board has a crucial role to play in release of detenus under the PSA.
    - It also **bars sitting High Court judges to be made part of the board** without the Chief justice's consultation.
    - The order also **scraps a clause that deals with the power to regulate place and conditions of detention.**

Source: TH

Schemes for Electronic Manufacturing

Why in News

- Recently, the government notified **three schemes** involving total incentives of around **Rs 48,000 crore** for electronics manufacturing,
    - The Production Linked Incentive Scheme (PLI) for large scale electronics manufacturing.
    - The scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS).
    - The modified **Electronics Manufacturing Clusters (EMC 2.0) Scheme.**
- The schemes are expected to
    - Attract Rs 1 lakh crore investment in the sector.
    - Boost local electronics manufacturing and generate manufacturing revenue potential of Rs 10 lakh crore by 2025.
    - Create 20 lakh direct and indirect jobs by 2025.

Production Linked Incentive Scheme (PLI) for Large Scale Electronics Manufacturing

- The scheme proposes a financial incentive to boost domestic manufacturing and attract large investments in the electronics value chain including **electronic components and semiconductor packaging.**
- Under the scheme, electronic manufacturing companies will get an **incentive of 4 to 6% on incremental sales (over base year) of goods manufactured in India** and covered under target segments, to **eligible companies over a period of next 5 years.**
- The scheme shall only be applicable for target segments namely mobile phones and specified electronic components.
- The government estimates that with the PLI scheme, domestic value addition for mobile phones is expected to rise to 35-40% by 2025 from the current level of 20-25% and generate additional 8 lakh jobs, both direct and indirect.

    The production of mobile phones in the country has surged eight-times in the last four years from around Rs 18,900 crore in 2014-15 to Rs 1.7 lakh crore in 2018-19 .

Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors

- Under the scheme, **a financial incentive of 25% of capital expenditure** has been approved by the Union Cabinet for the **manufacturing of goods that constitute the supply chain of an electronic product.**
- The SPECS notified for manufacturing of electronics components and semiconductors has a budget outlay of Rs 3,285 crore spread over a period of eight years.
- The government estimates that push for manufacturing of electronics components and electronic chips will create around **6 lakh direct and indirect jobs.**

Modified Electronics Manufacturing Clusters Scheme

- The EMC 2.0 has a total incentive outlay of Rs 3,762.25 crore spread over a period of 8 years with an objective to create 10 lakh direct and indirect jobs under the scheme.
- The EMC 2.0 scheme will provide **financial assistance up to 50% of the project cost** subject to a ceiling of Rs 70 crore per 100 acres of land for setting up of Electronics Manufacturing Cluster projects.
- Electronic manufacturing clusters to be set up under the scheme will be spread in an **area of 200 acres across India and 100 acres in North East part of the country.**

Source: BS

Threat of Food Shortage: UN, FAO and WTO

Why in News

Recently, global agencies like the **United Nations (UN), Food and Agriculture Organization (FAO)** and **World Trade Organisation (WTO)** have warned the world of **food shortage risk** worldwide if authorities fail to manage the **Covid-19** pandemic properly.

Key Points

- **Major Reasons**
  - **Lockdowns:** Many governments around the world have put their populations on **lockdown** causing severe slow-downs in international trade and food supply chains.
  - **Travel restrictions:** Confinement orders and travel restrictions cause disruptions in agricultural production due to the unavailability of agricultural labour and the inability to get food to markets.
    - Such disruptions result in the **spoilage of perishables** and **increasing food waste.**
  - **Food Availability:** Uncertainty about food availability can create a shortage on the global market.
  - **Fragile Supply Chains:** Panic buying by people for social isolation has already demonstrated the fragility of supply chains.

- **Suggestions**
    - Every effort must be made to **ensure free trade flows** amidst this crisis to avoid food shortage(s) from developing.
    - When acting to protect the health and well-being of their citizens, countries should ensure that any **trade-related measures** do not disrupt the food supply chain.
    - There is a need to **protect employees** engaged in food production, processing and distribution, both for their own health and that of others, as well as to maintain food supply chains.
    - Efforts should be made for the **betterment of international cooperation.**

Source: TH

Norms Relaxed under MPLAD Scheme

Why in News

The government has provided for **"one-time exemption in furnishing of utilization certificate" for release of the first instalment,** and **exemption from furnishing of audit certificate for release of the second instalment** under the Members of Parliament Local Area Development **(MPLAD) Scheme.**

- This exemption is **applicable only for the financial year 2020-21.**
- The exemption is **for the Members of Parliament (MPs) who have decided to contribute for COVID-19.**
- The **latest announcement comes after allowing a one-time dispensation** under the Scheme to allow MPs to recommend funds for purchase of medical testing and screening equipment for government hospitals and dispensaries in the wake of COVID-19.
- Each year under MPLADS, MPs **receive Rs 5 crore in two instalments** of Rs 2.5 crore each. Funds under MPLADS are **non-lapsable.**
    - Lok Sabha MPs have to recommend the district authorities projects in their Lok Sabha constituencies, while Rajya Sabha MPs have to spend it in the state that has elected them to the House.
    - Under the MPLADS rules, an MP **can donate a maximum of Rs 1 crore to a trust** or a public fund.

Members of Parliament Local Area Development Scheme

- It was announced in **December 1993** and initially came under the control of the Ministry of Rural Development. Later, in October 1994, it was transferred to the **Ministry of Statistics and Programme Implementation.**
- The 1st Guidelines were issued in February 1994, covering the concept, implementation and monitoring of the Scheme.
- **Objective:**
  - To enable MPs to recommend works of developmental nature with emphasis on the creation of durable community assets based on the locally felt needs to be taken up in their Constituencies.
    - Lok Sabha Members can recommend works within their constituencies and elected Members of Rajya Sabha can recommend works within the State they are elected from.
    - Nominated Members of both the Rajya Sabha and Lok Sabha can recommend works anywhere in the country.
  - To create durable assets of national priorities viz. drinking water, primary education, public health, sanitation and roads, etc.
- It is a **Central Sector Scheme.** The annual MPLADS fund entitlement per MP constituency is ₹5 crore.

Source: IE

Foreign Contribution to PM-CARES Fund

Why in News

Recently, the Central Government has decided to accept contributions from abroad, irrespective of the nationalities, to the **Prime Minister's Citizen Assistance and Relief in Emergency Situations (PM-CARES) Fund.**

Key Points

- Now the **foreign governments, NGOs, and nationals** can contribute to the Fund.
- The move is a major policy change as in the past 16 years India has not accepted any foreign aid.
  - In 2018, the government refused to accept foreign aid to flood-ravaged Kerala since it was following the **disaster aid policy** set in December 2004.
  - After a tsunami hit India in December 2004, the government felt that it could cope up on its own. Since then, India has followed the policy of not accepting aid from foreign governments.

- It has been said that the contribution to **PM-CARES is not "aid"** and the **foreign contribution is "only" applicable to the PM-CARES fund** and not any other fund like the **Prime Minister's National Relief Fund.**

PM-CARES Fund

- PM-CARES was **set up as a public charitable trust** with the trust deed registered on March 27, 2020.
  - It is **meant for supporting relief or assistance** of any kind **relating to a public health emergency** or any other kind of emergency, **calamity or distress,** either man-made or natural.
  - It includes the **creation or upgradation of healthcare or pharmaceutical facilities, funding relevant research** or any other type of support.
- **Composition of PM-CARES:**
  - **Prime Minister** as **chairperson**
  - Defence Minister, Home Minister, Finance Minister
  - **Three trustees** nominated by the Prime Minister "who shall be eminent persons in the field of research, health, science, social work, law, public administration and philanthropy".
- Donations to fund can avail 100% tax exemption.
- PM-CARES is different from the **Prime Minister's National Relief Fund (PMNRF).**

Source: IE

State Disaster Response Funds

Why in News

Recently, the Ministry of Home Affairs issued an order authorising the States to use **State Disaster Response Funds (SDRF)** to provide "for temporary accommodation, food, clothing, medical care, etc." to homeless people, including the stranded migrant labourers.

The government has decided to treat COVID-19 as a **"notified disaster".**

Key Points

- SDRF has been constituted under the **Disaster Management Act, 2005.**
- It is the **primary fund available with the State governments for responses to notified disasters** to meet expenditure for providing immediate relief.

- The **Centre contributes 75% of the SDRF allocation for general category States** and Union Territories and **90% for special category States and Union Territories** (northeastern States, Sikkim, Uttarakhand, Himachal Pradesh, Jammu and Kashmir).
- The **annual Central contribution is released in two equal installments** as per the recommendation of the **Finance Commission.**
- **Disaster (s) covered under SDRF:** Cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloudburst, pest attack, frost and cold waves.
- A State Government may use up to 10% of the funds available under the SDRF for providing immediate relief to the victims of natural disasters that they consider to be **'disasters' within the local context** in the State and which are not included in the notified list of disasters of the Ministry of Home Affairs.

Source: TH

Wimbledon Postponed due to Covid-19

Why in News

Recently, the **Wimbledon championships,** which were scheduled for 29th June-12th July, have been cancelled for the first time since **World War Two (WWII)** in the wake of the ongoing crisis of **Covid-19**.

- Wimbledon **(one of the Grand Slams)** had been one of the few events not to have been officially cancelled or postponed.
- Few days back, the **Tokyo Olympics were also postponed.**

Grand Slam Tournaments

- These are the **four most important annual tennis events** and each tournament is played for about two weeks.

- It consists of:
  - **Australian Open**
    - It takes place in **mid-January**
    - Played in **hard** courts.
  - **French Open**
    - It is also known as the Roland-Garros de Paris.
    - It takes place in **May and June.**
    - Played on **clay** court.
  - **Wimbledon**
    - It takes place in **June and July.**
    - Played on a **grass** court.
  - **US Open**
    - It takes place in **August and September.**
    - Played in **hard** courts.
- Wimbledon is relatively older than the rest (1877), followed by the US (1881), French (1891) and the Australian (1905).
- Only Wimbledon was a major before **1924–25,** when **all the four became designated Grand Slam tournaments.**