



News Analysis (08 Jan, 2021)

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Indian Digital Tax Discriminatory: USTR

Why in News

Recently, the Office of the **United States Trade Representative (USTR)** has said that the **Digital services taxes** adopted by **India, Italy and Turkey discriminate against US companies** and are **inconsistent with international tax principles**.

Key Points

- **The Office of the United States Trade Representative (USTR):**
 - It is responsible for **developing and coordinating US international trade**.
 - **Section 301 (US Trade Act)** gives the USTR broad authority to **investigate and respond to a foreign country's action which may be unfair or discriminatory** as well as negatively affect US commerce.
 - Adopted through the **1974 Trade act**, the Section allows the US President to **impose tariffs or other curbs on foreign nations**.
 - However, the law **mandates consultations with trading partners**.
- **Digital Services Taxes (DSTs):**
 - These are the adopted taxes on **revenues that certain companies generate from providing certain digital services**. E.g. digital multinationals like Google, Amazon and Apple etc.
 - The **Organisation for Economic Cooperation and Development (OECD)** is currently **hosting negotiations with over 130 countries that aim to adapt the international tax system**. One goal is to address the tax challenges of the digitalization of the economy.
 - Some experts argue that a **tax policy designed to target a single sector** or activity is likely to be unfair and have complex consequences.
 - Further, the **digital economy cannot be easily separated** out from the rest of the **global economy**.

- **India's Tax on Digital Companies:**
 - The government **had moved an amendment in the Finance Bill 2020-21 imposing a 2% digital service tax (DST) on trade and services by non-resident e-commerce operators with a turnover of over Rs. 2 crore.**
 - This effectively **expanded the scope of equalisation levy** that, till last year, only applied to digital advertising services.
 - Earlier, the **equalisation levy (at 6%) was introduced in 2016** and imposed on the revenues generated on business-to-business digital advertisements and allied services of the resident service provider.
 - The new levy **came into effect from 1st April 2020**. E-commerce operators are **obligated to pay the tax at the end of each quarter**.
- **USTR's Investigation Report:**
 - The **DST in India is discriminatory** because it exempts Indian companies and targets non-Indian firms.
 - This hits US firms which **dominate the technology industry**.
 - 119 companies that it identified as likely liable under the digital services tax, 86, or 72%, were American.
 - USTR estimates that the aggregate tax bill for US companies could exceed **USD 30 million per year**.
 - The USTR has determined that India's DST is unreasonable or discriminatory and burdens or restricts US commerce and thus is **actionable** under **Section 301 (US Trade Act)**.
- **India's Stand:**
 - India has described the **equalization levy as a fair, reasonable and non-discriminatory tax** aimed at all offshore digital economy firms accessing the local market and has **denied it targets US companies**.
It seeks to **ensure a level-playing field** with respect to e-commerce activities undertaken by entities resident in India as well as those not residents in India or without permanent establishment in India.
 - The government of **India will examine the determination/decision notified by the US** in this regard, and would **take appropriate action keeping in view the overall interest of the nation**.
 - There was no retroactive element or extra-territorial application involved in the levy which applied only on the revenue generated from India.
It is a recognition of the principle that in a digital world, **a seller can engage in business transactions without any physical presence, and governments have a legitimate right to tax such transactions**.

DIFFERENT STROKES

USTR probe:

India's digital services tax (DST) from Apr 2020 is **'discriminatory'**, as it targets only non-residents



Indian official:

US probe ignores the **2016 levy on domestic firms**; levy's scope was only widened last year to level playing field

DST taxes firms' revenue rather than income, so it's inconsistent with **global tax principles**



Several global tax measures, including those on royalty and technical fees, are not levied on income

Firms should not be subject to a country's **corporate tax absent a territorial connection** to it



Almost all US states have laws on **remote sellers/market-place facilitators**, which tax even non-US resident entities

Concerns:

- In the backdrop of an improper functioning of the **World Trade Organization (WTO)**, the move could signal the **start of more unilateral action by the US especially on the digital services front.**
- In India's case, the probe could **potentially affect the outcome of a bilateral trade** deal that India has been looking to forge with the US.

Way Forward

As India is racing towards becoming a digital giant, the **2% DST should be negotiated to avoid any hurdles** in its implementation. Further, there needs to be **international consensus on taxation on a digital economy.**

Source:IE

Spectrum Auctions

Why in News

Bidding for the **sixth round of spectrum auction** for radio waves worth **Rs. 3.92 lakh crore** will start from 1st March 2021.

The long-awaited spectrum auction is **being held after a gap of four years** and over two years after the **Telecom Regulatory Authority of India** (TRAI) calculated and recommended base/reserve price for the radio waves.

Key Points

- **About the Spectrum Auctions:**

- Devices such as **cellphones and wireline telephones** require signals to connect from one end to another. These signals are carried on airwaves (medium of radio waves), which must be sent at **designated frequencies** to avoid any kind of **interference**.

Interference may prevent reception altogether, may cause only a temporary **loss of a signal**, or may affect the **quality of the sound or picture produced** by one's equipment.

- The **Union government** owns all the publicly available assets within the geographical boundaries of the country, which also include airwaves.
With the **expansion in the number of cellphone, wireline telephone and internet users**, the need to provide more space for the signals arises from time to time.
- To sell these assets to companies willing to set up the required infrastructure to transport these waves from one end to another, the **central government through the Department of Telecom (Ministry of Communications) auctions these airwaves from time to time**.
 - **These airwaves are called spectrum**, which is **subdivided into bands** which have varying **frequencies**.
 - All these airwaves are **sold for a certain period of time**, after which their **validity lapses**, which is generally **set at 20 years**.

- **About the Latest Auction:**

- The last spectrum auctions **were held in 2016**. The need for a new spectrum auction has arisen because the validity of the airwaves bought by companies is set to expire in 2021.
- In December 2020, the Union Cabinet cleared the sale of **2251.25 MHz of spectrum** (for 4G) across seven frequency bands at a reserve price of **Rs. 3.92 lakh crore**.

This is likely to provide a **boost to government revenue collections** at a time when its inflows from other sources such as direct taxes, indirect taxes such as **goods and services tax**, have **fallen sharply** on account of restrictions to prevent the spread of **Covid-19**.

- However, the government has **skipped the sale of the much-coveted 5G airwaves** in this round, auctions for which could though be announced soon. Airwaves in the 3500 MHz band are considered ideal for the first wave of the 5G.
- Depending on the demand from various companies, the price of the airwaves may go higher, but **cannot go below the reserve price**.
 - A reserve price is a minimum price that a seller would be **willing to accept from a buyer**. If the reserve price is not met, the seller is **not required to sell the item, even to the highest bidder**.
 - The reserve price is recommended by **Telecom Regulatory Authority of India**.
- The successful bidders will have to pay **3% of Adjusted Gross Revenue (AGR) as spectrum usage charges**.
 - AGR is **divided into spectrum usage charges and licensing fees** that are fixed between 3-5% and 8% respectively.
 - It is the usage and licensing fee that telecom operators are charged by the Department of Telecommunications (DoT).

- **Potential Buyers:**

Apart from existing telecom players, **new companies, including foreign companies**, are eligible to bid for the airwaves.

Foreign companies, however, will have to **either set up a branch in India and register as an Indian company, or tie up with an Indian company** to be able to retain the airwaves after winning them.

Source:IE

Vertical and Horizontal Reservations

Why in News

Recently, the **Supreme Court (SC)**, in a case, has clarified the **position of law** on the interplay of vertical and horizontal **reservations**.

Key Points

- **Vertical Reservation:**
 - Reservation for **Scheduled Castes, Scheduled Tribes, and Other Backward Classes** is referred to as vertical reservation.
 - It **applies separately for each of the groups** specified under the law.
 - **Example: Article 16(4)** of the Constitution contemplates vertical reservation.
- **Horizontal Reservation:**
 - It refers to the **equal opportunity provided to other categories of beneficiaries** such as women, veterans, the transgender community, and individuals **with disabilities**, cutting through the vertical categories.
 - **Example: Article 15 (3)** of the Constitution contemplates horizontal reservation.
- **Application of Reservations:**
 - The **horizontal quota is applied separately** to each vertical category, and not across the board.
 - For **example, if women have 50% horizontal quota**, then **half of the selected candidates will have to necessarily be women in each vertical quota** category i.e., half of all selected **Scheduled Caste candidates** will have to be women, half of the unreserved or general category will have to be women, and so on.
- **The Case:**
 - ***Saurav Yadav versus State of Uttar Pradesh 2020*** dealt with issues arising from the way different classes of reservation were to be applied in the selection process to fill posts of constables in the state.
 - The **Uttar Pradesh government's policy was to restrict and contain reserved category candidates to their categories**, even when they had secured higher grades.
- **SC's Ruling:**
 - The court ruled against the Uttar Pradesh government, holding that if a **person belonging to an intersection of vertical-horizontal reserved category had secured scores high enough to qualify without the vertical reservation, the person would be counted as qualifying without the vertical reservation, and cannot be excluded from the horizontal quota** in the general category.
 - The court said Uttar Pradesh Government's argument meant that it was ensuring that the general category was 'reserved' for upper castes.

- **Significance:**
 - The ruling will give **clarity on reservation and make it easier for governments to implement and apply reservation.**
 - More **needy scheduled caste, scheduled tribes and other backward class candidates will be benefited** if high scoring candidates are recruited under general category.

Reservation

- Reservation is a form of **positive discrimination, created to promote equality among marginalised sections**, so as to protect them from social and historical injustice.
- Generally, it means giving **preferential treatment to marginalised sections** of society in employment and access to education.
- It was also originally **developed to correct years of discrimination and to give a boost to disadvantaged groups.**
- In India, people have been historically discriminated against on the basis of caste.

Constitutional Provisions Governing Reservation in India

- **Article 15(3)** allows **protective discrimination in favour of women.**
- **Article 15(4) and 16(4)** of the Constitution enabled the State and Central Governments to **reserve seats in government services** for the members of the SC and ST.
- The Constitution was amended by the Constitution (**77th Amendment**) Act, 1995 and a new clause (**4A**) was **inserted in Article 16 to enable the government to provide reservation in promotion.**
 - Recently, the Supreme Court of India has said that reservation of seats provided to certain communities **is not a fundamental right.**
- **Later, clause (4A) was modified** by the Constitution (**85th Amendment**) Act, **2001** to provide consequential seniority to SC and ST candidates promoted by giving reservation.
- **Constitutional 81st Amendment Act, 2000** inserted Article 16 (4 B) which enables the state to fill the unfilled vacancies of a year which are reserved for SCs/STs in the succeeding year, thereby nullifying the ceiling of fifty percent reservation on total number of vacancies of that year.
- **Article 330 and 332** provides for specific representation through **reservation of seats** for SCs and STs **in the Parliament and in the State Legislative Assemblies** respectively.
- **Article 243D** provides reservation of seats for SCs and STs in every **Panchayat.**
 - It also **provides for the reservation of not less than one-third of the total number of seats for women** (including the number of seats reserved for women belonging to the SCs and STs).
- **Article 233T** provides reservation of seats for SCs and STs in every **Municipality.**

- **Article 335** of the Constitution says that the claims of SCs and STs shall be taken into consideration constitutently with the maintenance of efficacy of the administration.

Source:IE

Advisory for Management of Human-Wildlife Conflict

Why in News

Recently, the **Standing Committee of National Board of Wildlife (SC-NBWL)** in its 60th meeting has approved the advisory for management of **Human-Wildlife Conflict (HWC)** in the country.

In the meeting approval was given for including **Caracal, a medium sized wildcat** into the list of critically endangered species for taking up conservation efforts with financial support under **centrally sponsored scheme Integrated Development of Wildlife Habitat.**

Key Points

The Advisory:

- **Empower Gram Panchayats:** The advisory envisages **empowering gram panchayats in dealing with the problematic wild animals** as per the **WildLife (Protection) Act, 1972.**
- **Provide Insurance: Utilising add-on coverage** under the **Pradhan Mantri Fasal Bima Yojna for crop compensation** against crop damage due to HWC.
- **Augmenting Fodder:** It also envisages **augmenting fodder and water sources** within the forest areas.
- **Take Proactive Measures:** The advisory **prescribes inter-departmental committees** at local/state level, **adoption of early warning systems, creation of barriers, dedicated circle wise Control Rooms with toll free hotline numbers** which could be operated on **24X7 basis, Identification of hotspots** and formulation and implementation of special plans for improved stall-fed farm animal etc.
- **Provide Instant Relief:** Payment of a portion of ex-gratia as interim relief within 24 hours of the incident to the victim/family.

Caracal Cat



About:

- The **caracal wild cat (*Caracal caracal*)** is a rare species in India. They are slender, medium-sized cats with long powerful legs and tufted ears.
 - The black tufted ears of this cat are one of its most distinguishing features.
 - It is shy, nocturnal, elusive and difficult to spot in the wild.
- **Habitat:** In India, presence of these Cats has been reported from only three states which are Madhya Pradesh, Gujarat and Rajasthan.
 - In **Madhya Pradesh** it is locally called as **Shea-gosh or siyah-gush**.
 - In **Gujarat**, Caracals are locally referred to as **Hornotro** which means killer of a Blackbuck.
 - In **Rajasthan** it is known as **Junglee Bilao or Wildcat**.
- **Threats:** Caracals are mostly killed for **livestock predation** however in some areas of the world it is hunted for its **meat and flesh**.
- **Conservation Status:**
 - **IUCN Red List: Least Concern**
 - **Wildlife Protection Act, 1972: Schedule I**
 - **CITES: Appendix I**

Human-Wildlife/Animal Conflict

• About:

It refers to the **interaction between wild animals and humans** which results in a **negative impact on people, animals, resources, and habitats**.

- **Causes:**
 - **Urbanization:** In modern times **rapid urbanization and industrialisation** have led to the diversion of forest land to non-forest purposes, as a result, the wildlife habitat is shrinking.
 - **Transport Network:** The **expansion of road and rail network** through forest ranges has resulted in animals getting killed or injured in accidents on roads or railway tracks.
 - **Population:** The **increasing population** has also led to many human settlements coming up near the peripheries of protected areas and encroachment in the forest lands by local people for cultivation and collection of food and fodder etc. therefore increasing pressure on limited natural resources in the forests.
- **Recent Initiatives/Developments:**
 - Recently, the Supreme Court (SC) affirmed the **right of passage of the Elephants** and the closure of resorts in the Nilgiris elephant corridor. It held that it was the **State's duty to protect a "keystone species"** like elephants.
 - The Odisha Government has started casting **seed balls (or bombs) inside different reserve forest areas** to enrich food stock for wild elephants.
 - The Uttarakhand government carried out **bio-fencing by growing various species of plants in the areas** in order to reduce the man-animal conflict, prevent wild animals from entering residential areas, and protect agricultural crops and livestock in areas adjoining the forests.
 - In 2018, the Uttar Pradesh government has given its in-principle approval to bring **man-animal conflict under listed disasters** in the State Disaster Response Fund to ensure better coordination and relief during such incidents.
 - In the **Western Ghats of India**, a new conservation initiative has utilized texting as an **early warning system** to prevent human-elephant encounters. Elephant **tracking collars embedded with SMS chips** automatically text nearby residents, warning them of recent elephant movements.

Source:PIB

Scheme for Industrial Development of Jammu and Kashmir

Why in News

Recently, the **Cabinet Committee on Economic Affairs** has approved the proposal of **Department for Promotion of Industry and Internal Trade (DPIIT)** for **Central Sector Scheme for Industrial Development of Jammu and Kashmir (J&K)**.

DPIIT comes under the **Ministry of Commerce and Industry**.

Central Sector Schemes

- These schemes are **100% funded by the Central government.**
- Implemented by the Central Government machinery.
- Formulated on subjects mainly from the Union List.

Key Points

- **Aim:**
To take **industrial development to the block level in Union Territory (UT)** of J and K, which is the **first time in any Industrial Incentive Scheme of the Government of India** and attempts for a more **sustained and balanced industrial growth** in the entire UT.
- **Beneficiaries:**
Scheme is made attractive for **both smaller and larger industrial units.**
- **Expenditure:**
The financial outlay is **Rs. 28,400 crore** for the scheme **period 2020-21 to 2036-37** (17 years).
- **Role of J&K in Implementation:**
Scheme envisages a greater role of the UT of J&K **in registration and implementation of the scheme** while having proper checks and balances by having an **independent audit agency** before the claims are approved.

- **Incentives Under the Scheme:**

- **Capital Investment Incentive:**

- It provides an **incentive at the rate of 30% in Zone-A and 50% in Zone-B on investment** made in plant and machinery (in manufacturing), or construction of building and other durable physical assets (in service sector).
 - **Zone-B** includes far-off areas and will receive higher incentives so as to ensure equal opportunities of growth in far-flung areas and major towns.
 - **Zone-A** includes areas other than Zone-B.
- A **capital investment** is a sum of money that goes towards furthering the objectives of a business or towards purchasing long-term assets for the business.

- **Capital Interest subvention:**

It provides for **6% capital interest subvention for a maximum of seven years on loans up to Rs. 500 crore** for investment in plant and machinery (in manufacturing), or construction in building and all other durable physical assets (in service sector) for 10 years.

Capitalized interest is the cost of borrowing to acquire or construct a long-term asset.

- **GST Linked Incentive:**

- It is based on **Gross Goods and Services Tax (GST)**.
- This will **incentivise output up to 300% of the eligible value of actual investment** made in the plant and machinery (in manufacturing), or construction in building and all other durable physical assets (in service sector).

- **Working Capital Interest Incentive:**

This will provide all existing units **incentive at the annual rate of 5% for maximum 5 years**. Maximum limit of incentive is **Rs. 1 crore**.

Working capital, also known as **net working capital (NWC)**, is the **difference between a company's current assets**, such as cash, accounts receivable (customers' unpaid bills) and inventories of raw materials and finished goods, **and its current liabilities**, such as accounts payable.

- **Significance:**

- The scheme will encourage **new investment, substantial expansion and also nurture the existing industries** in the Union Territory.
- It will also provide **employment to 4.5 lakh people** besides leading to equitable, balanced and sustainable **socio-economic development of the region**.

- **Other Initiatives:**

- Earlier **Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) Social Endeavour for Health and Telemedicine (SEHAT) scheme** was launched to extend health insurance coverage to all residents of J&K.
- The **Union Cabinet has also approved a special package worth Rs. 520 crore in the Union Territories (UTs) of J&K and Ladakh** for a period of five years under the **Deendayal Antyodaya Yojana-National Rural Livelihood Mission (DAY-NRLM)**.

In August 2019, the Central government had suspended all modes of communications in the wake of **revocation of Jammu and Kashmir's special status, granted under Article 370**. Eventually, services were partially restored, with internet speed restricted to 2G.

Source:PIB

Immunity Against Covid-19

Why in News

As per a recent study, published in the **journal Science**, based on analyses of **blood samples** from 188 patients, **Covid-19** survivors have **protective immunity** from the coronavirus for months, perhaps years, **after infection**.

Key Points

- **Background:**

- The duration of immunity to Covid-19 has been a **subject of research** throughout the **pandemic**, and studies so far have provided various results.
- Previously in July 2020, a study suggested that **immunity might be lost in months** making it susceptible to **re-infections**.

- **Findings of the New Study:**

- It suggests that the **body's immune response** to the novel coronavirus **can last for at least eight months** after the onset of symptoms from the initial infection.
- It suggests that **nearly all Covid-19 survivors** have the immune cells necessary to fight re-infection.

It **measured antibodies, memory B cells, helper T cells and killer T cells** all at the same time.

- It addresses concerns arising out of Covid-19 data from **other labs**, which showed a **dramatic drop-off of Covid-specific antibodies over time**.

Immunity

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- **Meaning:**
 - Immunity is the **ability of the body to defend itself against disease-causing organisms.**
 - Immunity is of **two types:** Innate immunity and Acquired immunity.
 - **Innate Immunity:**

It is a **non-specific type of defense** that is **present at the time of birth.**
 - **Acquired Immunity:**
 - It is **pathogen specific.** It is **characterized by memory.** This means that the body when it encounters a pathogen for the first time produces a response called primary response which is of low intensity.
 - Subsequent encounters with the same pathogen elicits a **highly intensified secondary or anamnestic response.** This is ascribed to the fact that the body appears to have memory of the first encounter.
 - **Antibody:**

An antibody, also known as an immunoglobulin, is a large, **Y-shaped protein** used by the immune system to identify and **neutralize foreign objects** such as pathogenic bacteria and viruses.
 - **T cells** (thymus cells) and **B cells** (bone marrow- or bursa-derived cells) are the major **cellular components of the adaptive immune response.** T cells are involved in **cell-mediated immunity**, whereas B cells are primarily responsible for **humoral immunity** (relating to antibodies).
 - **Memory B cells (MBCs):**

These are a B cell **subtype formed within germinal centers** following **primary infection.** MBCs can survive for decades and repeatedly generate an accelerated and robust antibody-mediated immune response in the case of re-infection (also known as a secondary immune response).
 - **Helper T cells:**

These are arguably the most **important cells in adaptive immunity**, as they are required for almost all adaptive immune responses. They not only help **activate B cells** to secrete **antibodies and macrophages** to destroy ingested microbes, but they also help activate **killer T cells** to kill infected target cells.
 - **Killer T cells:**

It is a T lymphocyte (a type of white blood cell) that kills **cancer cells**, cells that are infected (particularly with viruses), or cells that are damaged in other ways.

Source:IE

World Food Price Index: FAO

Why in News

The Food and Agriculture Organization's (FAO) food price index averaged **107.5 points in December 2020, up 2.3 points** from November 2020.

This marks the **seventh month of consecutive increase.**

Key Points

- **About the Index:**
 - It was **introduced in 1996** as a public good to help in monitoring developments in the **global agricultural commodity markets.**
 - **The FAO Food Price Index (FFPI) is a measure of the monthly change in international prices of a basket of food commodities.**
 - It measures changes for a **basket of cereals, oilseeds, dairy products, meat and sugar.**
 - **Base Period:** 2014-16.
- **About the Food and Agriculture Organization:**
 - FAO is a **specialized agency of the United Nations** that leads international efforts to defeat hunger.
 - **World Food Day** is celebrated every year around the world on **16th October.** The day is celebrated to mark the **anniversary of the founding of the FAO in 1945.**
 - **India** released a **commemorative coin of Rs. 75 denomination** to mark the **75th Anniversary of the FAO (16th October 2020).**
 - It is **one of the UN food aid organisations based in Rome (Italy).** Its sister bodies are the **World Food Programme** and the **International Fund for Agricultural Development (IFAD).**
 - **Initiatives Taken:**
 - **Globally Important Agricultural Heritage Systems (GIAHS).**
 - Monitors the **Desert Locust situation** throughout the world.
 - The **Codex Alimentarius Commission or CAC** is the body responsible for all matters regarding the implementation of the Joint FAO/WHO Food Standards Programme.
 - The **International Treaty on Plant Genetic Resources for Food and Agriculture** was adopted by the Thirty-First Session of the Conference of the Food and Agriculture Organization in 2001.
 - **Flagship Publications:**
 - The State of World Fisheries and Aquaculture (SOFIA).
 - The State of the World's Forests (SOFO).
 - **The State of Food Security and Nutrition in the World (SOFI).**
 - The State of Food and Agriculture (SOFA).
 - The State of Agricultural Commodity Markets (SOCO).

Source: TH
