

2019



drishti

CURRENT AFFAIRS

ECONOMIC DEVELOPMENT

16th December- 21st December



BusinessLine



1. National Electronic Fund Transfer (NEFT)

Why in News?

The Reserve Bank of India has operationalised round-the-clock (24 X 7 basis) availability of the National Electronic Fund Transfer (NEFT). As per the new guidelines of RBI banks will not levy any charges on NEFT transfer from saving bank accounts.

- Customers cannot transfer money through NEFT without paying any charges any time of the day whereas banks charge a fee for fund transfer through cheques and demand drafts.

National Electronic Funds Transfer (NEFT)

- It is a nation-wide payment system started in 2005 to facilitate one-to-one funds transfer.
- Under this Scheme, individuals, firms and corporates can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country.
- It was established and maintained by the Institute for Development and Research in Banking Technology.
- It enables bank customers in India to transfer funds via electronic messages between any two NEFT-enabled bank accounts on a one-to-one basis.
- There is no limit – either minimum or maximum – on the amount of funds that could be transferred using NEFT.
- NEFT is different from Real Time Gross Settlement (RTGS). RTGS can be explained as a system where there is continuous and real-time settlement of fund transfer, individually on a transaction basis.
- The minimum amount to be remitted through RTGS is ₹2,00,000 with no upper or maximum ceiling.

2. Operation Twist

Why in News?

- The Reserve Bank of India (RBI) announced a simultaneous sale and purchase of government securities under the Open Market Operations (OMO).
- It will be carried on on the lines of the “Operation Twist” that was last adopted by the US Federal Reserve in 2013.

Operation Twist

- In 2013, Operation Twist was conducted by the US Federal Reserve.

- In it the US Federal Reserve used the proceeds from the sale of short-term securities to buy long-term government debt papers, leading to easing of interest rates on the long term papers.
- Under ‘Operation Twist’, RBI will purchase the longer term maturities (i.e. Government bonds maturity in 2029) and simultaneously sell the shorter duration ones (i.e. short-term bonds maturity in 2020).

Open Market Operations

- Open Market Operations (OMO) are the sale and purchase of government securities and treasury bills by Reserve Bank of India.
- Open market operations are conducted by the RBI by sale or purchase of government securities (g-secs) to adjust money supply conditions.
- The central bank sells g-secs to remove liquidity from the system and buys back g-secs to infuse liquidity into the system.
- RBI carries out OMOs through commercial banks and does not directly deal with the public.

3. Tax on Lotteries

Why in News?

Recently, GST Council held its 38th meeting with a first time vote on a proposal to **tax all lotteries at the uniform rate of 28%**.

- The vote went in favour (21 states voted for and 7 states voted against) of the proposal and a uniform tax rate will come into effect from **March 1, 2020**.
- At present, there is a dual rate regime for lotteries, with state-run lotteries taxed at 12%, while state-authorized lotteries (run by private players) face a 28% tax rate.

GST Council

- It is a **constitutional body** under **Article 279A**. It makes recommendations to the Union and State Governments on the issues related to Goods and Service Tax and was introduced by the **Constitution (One Hundred and First Amendment) Act, 2016**.
- The GST Council is chaired by the **Union Finance Minister** and other members are the Union State Minister of Revenue or Finance and Ministers in-charge of Finance or Taxation of all the States.
- It is considered as a **federal body** where both the centre and the states get due representation.
- Every decision of the Goods and Services Tax Council shall be taken at a meeting by a **majority of not less than three-fourths of the weighted votes of the members present and voting**, in accordance with the following principles, namely:

- The vote of the Central Government shall have a weightage of one third of the total votes cast, and
- The votes of all the State Governments taken together shall have a weightage of two-thirds of the total votes cast, in that meeting.
- Economic Survey 2017-18 also hailed the GST Council for its **cooperative federalism** technology which brings together the Center and States and can be applied to many other policy reforms.

4. Tripura gets SEZ

Why in News?

The Ministry of Commerce and Industry has notified the setting up of the first ever **Special Economic Zone (SEZ)** in Tripura on December 16, 2019.

- It will be a **Sector Specific Economic Zone** for Agro-Based Food Processing.
- **Industries that will be setup:**
 - **Rubber based Industries**
 - **Textile and Apparel Industries**
 - **Agri-food Processing Industries**
- Setting up of the SEZ at **Sabroom** in South Tripura District will open up new avenues to attract private investment considering the proximity of the **Chittagong Port** and construction of the bridge across Feni River in South Tripura which is underway.
- After it is set up, **100% Income Tax exemption** will be provided on export income for SEZ units under the Income Tax Act for the first 5 years. Also 50% exemption will be provided for the next 5 years and 50% of the ploughed back export profit for another 5 years.

Special Economic Zone

- The **Special Economic Zones (SEZs) Act** was passed in 2005, to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and with a view to attract larger foreign investments in India.
- SEZs work as an **engine for economic growth** supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations.



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