



News Analysis (20 Aug, 2019)

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Panel on Direct Tax Code

Recently, the panel on re-writing the direct tax legislation has submitted its report and a draft of the new proposed version of the Income-tax law to the Government.

- The Income-Tax (I-T) Act, which was drafted almost 60 years ago, needs an overhaul, but at the same time it should be in sync with the economic circumstances of the country.
- The panel on the Direct Tax Code (DTC) has suggested a rejig of personal income tax slabs, roadmap of corporate tax rate cut to 25% for companies, provisions to reduce compliance burden by simplification of procedures and litigation management. It has also suggested some changes in **Dividend Distribution Tax** and **Minimum Alternate Tax**.
- While the new direct tax law will bring to force new taxation concepts as well as schemes to reduce litigation, the actual tax rate reduction may be executed as part of annual Finance Bills, depending on the revenue buoyancy of the government from time to time.

Minimum Alternate Tax

- At times it may happen that a taxpayer, being a company, may have generated income during the year, but by taking the advantage of various provisions of Income-tax Law (like exemptions, deductions, depreciation, etc.), it may have reduced its tax liability or may not have paid any tax at all.
- Due to an increase in the number of zero tax paying companies, Minimum Alternate Tax (MAT) was introduced by the Finance Act, 1987 with effect from assessment year 1988-89. Later on, it was withdrawn by the Finance Act, 1990 and then reintroduced by Finance Act, 1996.
- MAT is calculated at 18.5% on the book profit (the profit shown in the profit and loss account) or at the usual corporate rates, and whichever is higher is payable as tax.
- All companies in India, whether domestic or foreign, fall under this provision. MAT was

later extended to cover non-corporate entities as well.

- MAT is an important tool with which tax avoidance can be prevented.

Background

- The Task Force, initially headed by former CBDT Member (Legislation) Arbind Modi and later on by **Akhilesh Ranjan**, was constituted in November 2017 in order to

review the Income-tax Act and to draft a new Direct Tax Law.

Scripting A New Code...
Task force proposes a new income tax law

FOR EASE OF LIVING

Rejig of tax brackets to widen them, bring relief to middle class	Says surcharges should be temporary
	Suggests steps to cut litigation

FOR EASE OF DOING BUSINESS

Common tax rate for domestic & foreign cos	De-linking of transfer pricing assessment with regular one
Negotiated settlements	

- The proposals in the draft code are **aimed at bringing more certainty to taxation of personal and corporate income and capital gains**, and at bringing the gist of numerous judicial pronouncements made since 1961, when the current tax law came into force, in one place for easy reference.
 - It could **improve ease of doing business** and **reduce the compliance burden** as well as tax disputes.

Key Suggestions

- **Litigation Management:** Amendments in Section 147 and Section 148 of the I-T Act, **empowering the tax officer to reopen assessment cases** based on predefined criteria.
 - **The I-T officer can go back up to six years** to scrutinise the books of accounts of the assesseees.
 - Currently, these provisions are prone to the interpretation. 40% of litigation happens because assesseees challenge reasons given by officers for reopening cases.
 - **Increasing the threshold limit for opening cases:** Currently it is Rs 1 lakh and above. Also, the pre-defined criteria to select cases for scrutiny will be tightened.

- **Reopening cases should be supported by proper reasoning.** Often cases are reopened due to information received from banks, financial institutions, and other sources.
- **Assessment proceedings should be made faceless,** and an option be allowed to the public to seek clarifications on tax matters from CBDT.
- **Reduced Burden of Tax Compliance:** Tax compliance based on global trends and best practices. This is expected to increase clarity among taxpayers and also expand the tax base.
 - Use of **Artificial Intelligence (AI)** in the tax-compliance and administration process.
 - Proposal of **introducing collaborative compliance in direct tax administration,** which would integrate data from banks, financial institutions and the Goods and Services Tax (GST) network to ensure that the scope of taxable income increases.
- **Personal Income Tax:** A rejig in rates between 5% to 20%.
 - Currently, the personal income tax structure has **three categories** based on age — for people below the age of 60, for people above the age of 60 but less than 80, and the third for people of 80 years and above.
 - The first category has four slabs – nil tax on income up to Rs 2.5 lakh; 5% tax rate for income between Rs 2.50 lakh and Rs 5 lakh, 20% tax rate for income between Rs 5 lakh and Rs 10 lakh and 30% for income above Rs 10 lakh. The second category has the basic slab of Rs 3 lakh while the third category has ‘nil’ rate for income up to Rs 5 lakh.

Corporate Tax to be 25%

- The government will be **cutting down the corporate tax rate gradually to 25% for all companies,** including the large ones with an annual turnover of over Rs 400 crore.
 - The government has, **over the last five years, trimmed the rate to 25% from 30%** in a phased manner for 99.3% of companies.
 - However, the 0.7% large companies that do not enjoy this benefit make up for almost 80% of the total corporate tax collection and are subject to as much as 30%.
 - The proposed corporate tax reduction **will apply to both large local as well as foreign companies** that are present in India without a subsidiary and are taxed at 40%.

Unlike domestic firms, foreign companies pay a higher corporate tax rate, but do not have to pay dividend distribution tax that is applicable to domestic companies.
- If implemented, the tax rate reduction could prove to be a big fiscal stimulus for the corporate sector reeling under a sharp economic downturn.

India - Largest Emitter of Sulphur Dioxide

According to a report by Greenpeace (an environmental Non-Governmental Organization), **India is the largest emitter of Sulphur Dioxide (SO₂) in the world**, contributing more than 15% of global anthropogenic emissions.

- The **primary reason** for India's high emission output is the **expansion of coal-based electricity generation** over the past decade.
- According to the Report, five of the top ten SO₂ emission hotspots from coal/power generation industry across the world are in India.
 - The **major SO₂ emission hotspots in India** are Singrauli in Madhya Pradesh, Neyveli and Chennai in Tamil Nadu, Talcher and Jharsuguda in Odisha, Korba in Chhattisgarh, Kutch in Gujarat, Ramagundam in Telangana and Chandrapur and Koradi in Maharashtra - as detected by the **NASA** OMI (Ozone Monitoring Instrument) satellite.
- The vast majority of coal-based power plants in India **lack Flue-Gas Desulfurization (FGD) technology** to reduce air pollution.
 - Sulfur dioxide in flue gas from fossil-fuel power plants can be **controlled by means of an absorption process** called Flue Gas Desulfurization (FGD).
 - FGD systems may involve **wet scrubbing or dry scrubbing**.
 - **In wet FGD systems**, flue gases are brought in contact with an absorbent, which can be either a liquid or a slurry of solid material. The sulfur dioxide dissolves in or reacts with the absorbent and becomes trapped in it.
 - **In dry FGD systems**, the absorbent is dry pulverized lime or limestone; once absorption occurs, the solid particles are removed by means of baghouse filters.
- **Hotspots Across the World:** The largest sulphur dioxide emission hotspots have been found in Russia, South Africa, Iran, Saudi Arabia, India, Mexico, United Arab Emirates, Turkey and Serbia.
 - Air pollutant emissions from power plants and other industries continue to increase in India, Saudi Arabia and Iran.
 - In Russia, South Africa, Mexico and Turkey, emissions are currently not increasing — however, there is not a lot of progress in tackling them either.
 - Of the world's major emitters, **China and the United States have been able to reduce emissions rapidly** by switching to clean energy sources. China, in particular, has achieved success by dramatically improving emission standards and enforcement for sulphur dioxide control.
- **Individual Hotspots across the World:** The **Norilsk smelter site in Russia** continues to be the **largest anthropogenic SO₂ emission** hotspot in the world. **Singrauli in Madhya Pradesh** is at number **five**.

Sulphur Dioxide (SO₂) and Air Pollution

- SO₂ emissions are a significant **contributor to air pollution**. High concentrations of SO₂ in the air generally lead to the formation of other Sulfur Oxides (SO_x).
 - SO_x can react with other compounds in the atmosphere to form small particles. These particles contribute to **Particulate Matter (PM) pollution**.
 - Small particles may penetrate deeply into the lungs and in sufficient quantity can contribute to health problems.
 - **Air Pollution is a huge public health concern**, with 91% of the world's population living in areas where outdoor air pollution exceeds guideline limits by the **World Health Organization (WHO)** and as a result, 4.2 million people die prematurely every year.
- The **greatest source of SO₂ in the atmosphere is the burning of fossil** fuels in power plants and other industrial facilities.
- Other sources include industrial processes such as extracting metal from ore, natural sources such as volcanoes, and locomotives, ships and other vehicles and heavy equipment that burn fuel with high sulphur content.
- **Situation in India:** As per the report, in India, there has been an increase of SO₂ emissions at already existing hotspots and new sites generating emissions are emerging across the country.
 - The Union Ministry of Environment, Forest and Climate Change had, for the first time, introduced SO₂ emission limits for coal-fired power plants in December 2015.
 - However, a Supreme Court order changed the deadline for installation of FGD technology in power plants from 2017 to December 2019 in Delhi-NCR and till 2022 for other parts of the country.
 - Environment experts have called for strict action on coal power plants as it is not clear whether power plants will meet even the extended deadlines to comply with pollution limits, both in Delhi and around the country.

Source: IE

Central Armed Police Force (CAPF)

The Union Home Ministry has fixed the retirement age of all **Central Armed Police Force (CAPF)** personnel at 60 years.

- The Central Armed Police Forces (CAPF) refers to **seven security forces** in India under the authority of **Ministry of Home Affairs**.
 - Assam Rifles (AR)
 - Border Security Force (BSF)

- Central Industrial Security Force (CISF)
- Central Reserve Police Force (CRPF)
- Indo Tibetan Border Police (ITBP)
- National Security Guard (NSG)
- Sashastra Seema Bal (SSB)
- Each of the seven has its own cadre of officers, but they are headed by officers of the **Indian Police Service**.

Assam Rifles (AR)

- The Assam Rifles came into **being in 1835**, as a militia called the '**Cachar Levy**', to primarily protect British Tea estates and their settlements against tribal raids.
- This Force significantly contributed in opening the region to administration and commerce and over time they came to be known as the "**right arm of the civil and left arm of the military**".
- The Post-Independence role of the Assam Rifles continued to evolve ranging from conventional combat role during **Sino-India War 1962**, operating in foreign land as part of the **Indian Peace Keeping Force (IPKF) to Sri Lanka in 1987 (Op Pawan)** to peacekeeping role in the North-Eastern areas of India.

Border Security Force (BSF)

- BSF is a Border Guarding Force of India. **Established on December 1, 1965**, it is a paramilitary force charged with guarding India's land borders with Pakistan and Bangladesh.
- The BSF has **air wing, marine wing, an artillery regiment, and commando units**. It currently stands as the world's largest border guarding force. BSF has been termed as the **First Line of Defence** of Indian Territories.

Central Industrial Security Force (CISF)

- The CISF came into **existence in 1969** with a modest beginning, having three battalions, to provide integrated security cover to the Public Sector Undertakings (PSUs).
 - With globalization and liberalization of the economy, CISF is no longer a PSU-centric organization. Instead, it has become a premier multi-skilled security agency of the country, mandated to provide security to major critical infrastructure installations of the country in diverse areas.
- CISF is currently providing security cover to nuclear installations, space establishments, airports, seaports, power plants, sensitive Government buildings and ever heritage monuments.
- Among the important responsibilities recently entrusted to the CISF are the Delhi

Metro Rail Corporation, VIP Security, Disaster Management and establishment of a Formed Police Unit (FPU) of the UN at Haiti.

Central Reserve Police Force (CRPF)

- The Central Reserve Police Force came into **existence as Crown Representative's Police on 27th July 1939**. It became the Central Reserve Police Force on enactment of the CRPF Act on 28th December 1949.
- The mission of the Central Reserve Police Force is to enable the government to maintain Rule of Law, Public Order and Internal Security effectively and efficiently, to Preserve National Integrity and Promote Social Harmony and Development by upholding the supremacy of the Constitution.
 - Broad duties being performed by the CRPF are:
 - Crowd control
 - Riot control
 - Counter Militancy / Insurgency operations.
 - Dealing with Left Wing Extremism
 - Overall coordination of large scale security arrangement especially with regard to elections in disturbed areas.
 - Fighting enemy in the event of War.
 - Participating in UN peacekeeping Mission as per Govt. policy.
 - Rescue and Relief operations at the time of Natural Calamities and disasters

Indo Tibetan Border Police (ITBP)

- ITBP was **raised on 24 Oct, 1962**. Presently, ITBP is deployed on border guarding duties from Karakoram Pass in Ladakh to Jachep La in Arunachal Pradesh covering 3488 km of **Indo-China Border** and manning Border Outposts on altitudes ranging from 9000' to 18700' in the Western, Middle and Eastern sectors of the **Indo-China Border**.
- ITBP is a **specialized mountain force** and most of the officers and men are professionally trained mountaineers and skiers. Being the first responder for natural disasters, ITBP has been carrying out numerous rescue and relief operations across the country.

National Security Guard (NSG)

- The National Security Guard (NSG) is a **counter terrorism unit**. It was **raised in 1984, following Operation Blue Star** and the assassination of Indira Gandhi, "for combating terrorist activities with a view to protect states against internal disturbances.
NSG formally came into being in **1986 by an act of parliament**.

- The basic philosophy of NSG is swift and speedy strike and immediate withdrawal from the theatre of action. National Security Guard has been given the specific role to handle all facets of terrorism in any part of the country as a Federal Contingency Force.

It is a task-oriented Force and has **two complementary elements** in the form of the **Special Action Group (SAG) comprising Army personnel** and the **Special Ranger Groups (SRG)**, comprising personnel drawn from the **Central Armed Police Forces/State Police Forces**.

Sashastra Seema Bal (SSB)

- The Special Service Bureau (now Sashastra Seema Bal) was thus conceived in **November 1962 and eventually created in March 1963**.
- The sole objective of achieving 'Total security preparedness' in the remote border areas for performing a 'stay-behind' role in the event of a war.
- SSB is now spread along the International border across Uttarakhand, UP, Bihar, West Bengal, Sikkim, Assam and Arunachal Pradesh. SSB's present charter of duties is to:
 - Safeguard the security of assigned borders of India and promote a sense of security among the people living in border areas.
 - Prevent trans-border crimes, smuggling and any other illegal activities.
 - Prevent unauthorized entry into or exit from the territory of India.
 - Carry out civic action programme in the area of responsibility.
 - Perform any other duty assigned by the Central Government (SSB is being deployed for Law & Order, Counter Insurgency Operations and Election duty).

Source: The Hindu

Nicotine as Class A Poison

Karnataka has amended Poisons (Possessions and Sale) Rules 2015 by notifying nicotine as **Class A** poison.

The move aims at strengthening the enforcement of the ban on production and sale of electronic cigarettes.

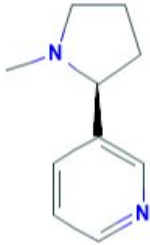
Background

- In August 2018, **the Union Health Ministry** had instructed all the States to put a ban on the sale of e-cigarettes and other **Electronic Nicotine Delivery Systems (ENDS)** under their jurisdiction.
- Though Karnataka had banned the sale and production of e-cigarettes in June 2016, but illegal sale and smuggling of nicotine cartridges and **e-cigarettes** is rampant in

the State.

Nicotine

- Nicotine is a **plant alkaloid** that contains nitrogen, which is found in several types of plants, including the tobacco plant and can also be produced synthetically.



- Nicotine is both a **sedative** and a **stimulant**.
- Nicotine is used as a direct substance in e-cigarettes and the content ranges up to **36 mg/mL**. Although regular cigarettes too have nicotine, but it ranges between **1.2 to 1.4 mg/mL**.
- Chewing or snorting tobacco products usually releases more nicotine into the body than smoking.

Harmful Effect of Nicotine

- Nicotine on direct application in humans causes irritation and burning sensation in the mouth and throat, increased salivation, nausea, abdominal pain, vomiting and diarrhea.
- It also increases pulse rate and blood pressure.

Classification of Poison

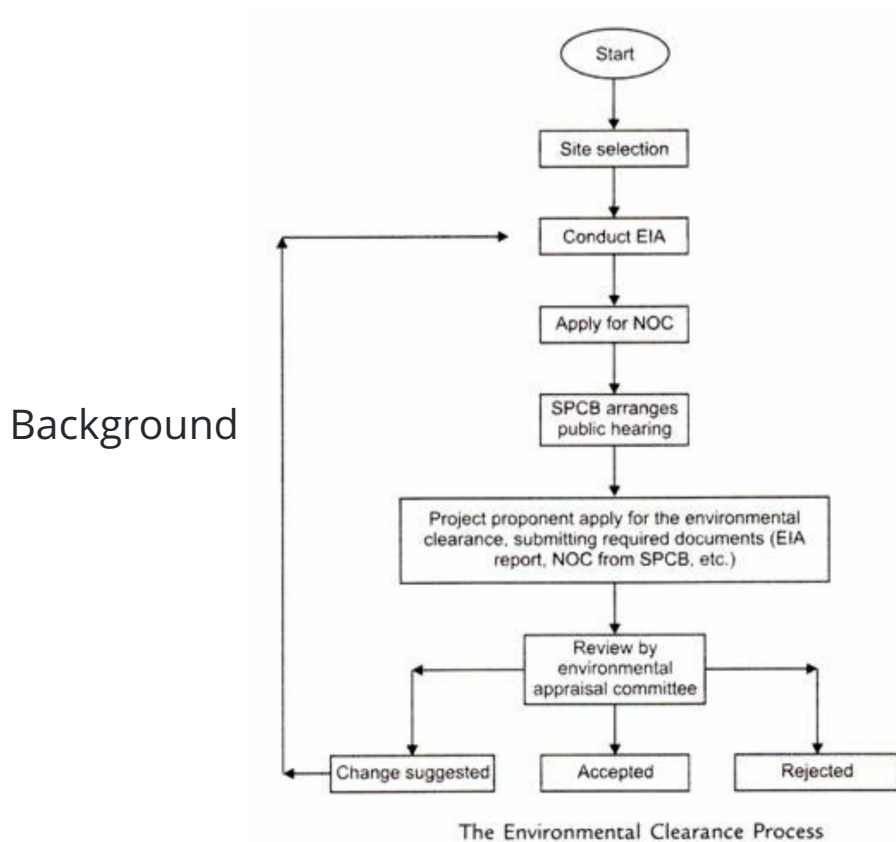
US Department of Transport divides poisons in two classes

- **Class-A:** Highly toxic chemicals which even in very small quantities as gas or vapor in air are dangerous to life such as cyanogen, hydrocyanic acid, nitrogen peroxide, and phosgene.
- **Class-B:** Chemicals other than those included in Class-A and comparatively less toxic but considered dangerous.

Source: The Hindu

Environment Clearance

The government is working to limit procedural delays to reduce the time for environment clearance to **60 days**.



- To meet the ambitious goal of **\$5-trillion economy**, the government intends to **increase investment** by **fastening the process of environmental clearances** to businesses.
- As claimed by Environment Minister, environmental clearances usually took around **640 days before 2014**, which has been reduced to **108 days**.

Environmental Clearance Process

The process of granting of environment clearance includes:

- Specifying Terms of Reference(ToR).
- Preparing **Environmental Impact Assessment (EIA)** report.
- Holding Public Consultation.

Green Channel for Mergers and Acquisitions

The **Competition Commission of India** has introduced a **green channel route** for clearing certain categories of mergers and acquisitions.

- The **Competition Law Review Committee** in its report suggested a slew of measures

to improve insolvency resolution process.

One of the key recommendations was the creation of a “Green Channel” for automatic approval of certain M&A deals, including those under the **Insolvency and Bankruptcy Code (IBC)**.

- The green channel concept — recommended by the high level panel that reviewed the competition law — would allow for an automatic system for speedy approval of combinations, subject to certain conditions.
- The 'Green Channel' would allow automatic approval for certain M&A agreements based on specified criteria and pre-filing consultation.
- The concept of a Green Channel, akin to those in countries like Singapore, Australia, New Zealand, Malaysia and Indonesia, is a step towards improving **ease of doing business**.

Source: THBL

Debenture Redemption Reserve

The Corporate Affairs Ministry has **removed the requirement for Debenture Redemption Reserve (DRR) of 25% of the value of outstanding debentures** issued by listed companies, **Non-Banking Financial Companies (NBFCs)** and Housing Finance Companies (HFCs).

- In the case of **unlisted companies**, the DRR requirement has been **reduced to 10% from 25%** of the outstanding debentures.
- The changes would be applicable for public issue as well as private placements.
Till now, listed companies had to create a DRR for both public issues as well as private placement of debentures. In the case of NBFCs and HFCs, they had to have DRR when they opted for public issue of debentures.
- The measure has been taken by the government with a view to **reducing the cost of the capital** raised by companies through issue of debentures and is expected to significantly deepen the bond market.
- The amendments are aimed at **creating a level-playing field** between NBFCs, HFCs and listed companies on the one hand and also between them and banking companies and all India financial Institutions on the other, which are already exempted from DRR.

Debenture Redemption Reserve

- Debenture redemption reserve (DRR) is a provision stating that any Indian corporation that issues debentures must create a debenture redemption service in an effort to protect investors from the possibility of a company defaulting.

- This provision was added to the Indian Companies Act of 1956 through an amendment introduced in the year 2000.
- This rule offers investors a measure of protection, because debentures are not backed by an asset, a lien, or any other form of collateral.

Debentures are debt instruments used to raise capital from the general public, usually backed by the integrity and the creditworthiness of the issuer.

Source: BS

Biosimilar Medicine for Cancer

Pharma major Dr. Reddy's Laboratories Ltd has launched '**Versavo (bevacizumab)**', a biosimilar of Roche's Avastin in India. The drug is for the treatment of several types of cancers.

- A **biosimilar** is exactly what its name implies — it is a **biologic that is “similar” to another biologic medicine** (known as a reference product).
 - **Biologics or biological products are medicines made from living organisms** through highly complex manufacturing processes and must be handled and administered under carefully monitored conditions.
 - Biologics are used to prevent, treat or cure a variety of diseases including cancer, chronic kidney disease, diabetes, cystic fibrosis, and autoimmune disorders.
- **Biosimilars are highly similar to the reference product in terms of safety, purity and potency**, but may have minor differences in clinically inactive components.
- **India is one of the leading manufacturers of similar biologics.** India developed a new guideline in 2012 for the pre- and post-marketing approval of similar biologics. The guidelines also address the regulation of manufacturing process as well as quality, safety, and efficacy of similar biologics.

Source: TH

Vazhakulam Pineapple

- Vazhakulam pineapple is the term used to refer to the pineapple produced in the Vazhakulam area in Kerala.
 - Vazhakulam pineapple (Mauritius grade) has been GI tagged in 2009 in Agricultural-Horticultural Product category.
 - Despite the fact that India is the world's sixth largest pineapple producer, its share in the global market is negligible.
 - The recent flooding in Kerala has led to shortfall in production and distress among pineapple growers.

- Other kerala products in GI tag are Pokkali rice, Wayanadan rice varieties (Jeerakasala and Gandhakasala), Tirur Betel vine, Central Travancore Jaggery and Chengalikodan Nendran - a banana variety.

Source: THBL
