



## PRS Capsule November 2018

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### ***Key Highlights of PRS***

- Macroeconomic Development
- Companies (Amendment) Ordinance, 2018 Promulgated
- Comments Invited on Draft Amendments to Companies Act
- Cabinet Approves the Allied and Healthcare Professions Bill, 2018
- Cabinet Approves Mechanism for Sale of Enemy Shares
- Cabinet Approves Leasing out Six Airports through PPP
- TRAI Releases Consultation Paper on Regulation of Over-The-Top Services
- Cabinet approves Setting up of Central Tribal University in Andhra Pradesh
- Report on Standardization of Exclusions in the Health Insurance Released
- Committee of Experts Releases Report on Audit Firms and their Networks
- CCEA Approves Continuation of the Umbrella Scheme ACROSS
- President Visits Vietnam and Australia
- Vice-President Visits Zimbabwe

## Macroeconomic Development

### **GDP grows at 7.1%**

- The Gross Domestic Product (GDP) at constant prices grew at 7.1%.
- GDP growth across economic sectors is measured in terms of Gross Value Added (GVA).
- The GVA by all sectors such as, Agriculture, Manufacturing, Electricity, construction and services grew **except for the mining and quarrying** sector.

### **Revised GDP data for the period 2004-11 with the base year as 2011-12 released**

- The Ministry of Statistics and Programme Implementation released the revised GDP data.

- The base year for national accounts was revised from 2004-05 to 2011-12.
- The methodology to calculate GDP was revised as per the recommendations of the **United Nations System of National Accounts, 2008.**
- As per the revised data, the share of primary (includes agriculture, mining, forestry) and secondary (includes manufacturing, construction and power generation) sectors in total GVA has increased.
- The share of tertiary sector (includes economic activities related to financial services, trade, transport, communication, and public administration) has decreased.

### Industrial Production grew by 5.2%

- The Index of Industrial Production (IIP) grew by 5.2% in the second quarter (July-September) of 2018-19.
- Electricity saw the highest increase of 7.5%, followed by an increase of 5.5% in manufacturing, and 1% in mining.

## Companies (Amendment) Ordinance, 2018 Promulgated

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The Companies (Amendment) Ordinance, 2018 amends several provisions in the Companies Act, 2013 relating to penalties, among others.

### Key features of the Ordinance

- **Re-categorisation of certain offences:** The Ordinance re-categorizes 16 of compoundable offences as civil defaults and the adjudicating officers (appointed by central government) may now levy penalties on defaults. These offences include: (i) issuance of shares at a discount, and, (ii) failure to file annual return.
- **Commencement of business:** The Ordinance states that a company may not commence business, unless it: (i) files a declaration within 180 days of incorporation and (ii) files a verification of its registered address with the Registrar of Companies within 30 days of incorporation.
- **Change in approving authority:** Under the Act, change in period of financial year for a company associated with a foreign company, has to be approved by the **National Company Law Tribunal.**
- **Compound:** Under the Act, a regional director can compound (settle) offences with penalty of up to five lakh rupees. The Ordinance increases the limit to Rs 25 lakh.

## Comments Invited on Draft Amendments to Companies Act

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- The Ministry of Corporate Affairs issued a notice inviting comments on draft amendments to the Companies Act, 2013.
- The amendments are to strengthen the corporate governance and enforcement framework under the 2013 Act.

- Key draft amendments include:
  - The remuneration of an Independent Director (ID).
  - Certain classes of public companies are required to issue shares in dematerialized form only.
  - Under the Act, a not-for-profit charitable company could convert itself to any other kind of company.
  - Under the Act, companies having: (i) net worth of Rs 500 crore or more, or (ii) turnover of Rs 1,000 crore or more, or (iii) a net profit of five crore rupees or more, is required to spend 2% of its average net profits towards its corporate social responsibility (CSR) policy.

## Cabinet Approves the Allied and Healthcare Professions Bill, 2018

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- The Union Cabinet approved the Allied and Healthcare Professions Bill, 2018 to regulate and standardise the education and practice of allied and healthcare professionals.
- Allied health professionals include individuals involved with the delivery of health services, with expertise in therapeutic, diagnostic, curative and preventive interventions such as physiotherapists, nutritionists, and lab technologists.
- Currently, there is no comprehensive regulatory framework education and training of allied and healthcare professionals.
- The Bill provides for setting up of an Allied and Healthcare Council of India and State Allied and Healthcare Councils for States.
- These Councils will frame policies and standards, regulate professional conduct, registrations of professionals and lay down provisions for common entry and exit examination.

## Cabinet Approves Mechanism for Sale of Enemy Shares

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- The Union Cabinet approved the mechanism for sale of enemy shares, under the Enemy Property Act, 1968.
- The central government had designated some properties belonging to nationals of Pakistan and China as 'enemy properties' during the 1962, 1965, and 1971 conflicts.
- It vested these properties in the Custodian of Enemy Property for India (CEPI).
- The Enemy Property (Amendment and Validation) Act, 2017 authorised the sale of enemy properties by the CEPI, or any other authority or department on the directions of the central government.
- The Department of Investment and Public Asset Management, Ministry of Finance, has been authorised to sell these enemy shares.
- Proceeds from the sale are to be deposited as disinvestment proceeds in the government account.

## Cabinet Approves Leasing out Six Airports through PPP

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- The Union Cabinet gave approval for leasing out six airports for operation, management and development under public private partnership (PPP) through a Public Private Partnership Appraisal Committee (PPPAC).
- The airports are Ahmedabad, Jaipur, Lucknow, Guwahati, Thiruvananthapuram and Mangaluru currently operated by Airports Authority of India.
- Currently, five airports are being managed under the PPP model these are Delhi, Mumbai, Bangalore, Hyderabad, and Cochin.
- The Union Cabinet also approved the constitution of an empowered group of secretaries to decide on any issue falling beyond the scope of PPPAC.

## TRAI Releases Consultation Paper on Regulation of Over-The-Top Services

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- The Telecom Regulatory Authority of India (TRAI) invited public feedback on a consultation paper on the regulatory framework for over-the-top (OTT) communication service providers.
- These are providers that offer information and communication technology services, but neither operate networks nor lease network capacity from a network provider.
- OTT service providers rely on the internet to provide services.

### Key observations made by TRAI

- **Economic aspects:** The OTT services and data traffic could also lead to growth in business for Telecom Service Providers (TSP).
- **Current regulatory framework:** TRAI observed that while OTT entities may provide the same services as TSPs, they are not bound by any regulatory obligations to address consumer concerns.
- **Data protection:** OTT services store, and transfer data of citizens and companies across different countries. TRAI noted that this creates ambiguity regarding data protection norms.
- **Changes in regulation:** TRAI suggested various alternative approaches for the regulation of OTT services and TSPs such as, relaxing the regulatory regime, issues to be resolved through market forces etc.

## Cabinet approves Setting up of Central Tribal University in Andhra Pradesh

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- The Union Cabinet approved an amendment to the Central Universities Act, 2009 for setting up of **Central Tribal University in Andhra Pradesh**.
- The Central Tribal University will be set up in the Vizianagaram district of Andhra

## Report on Standardization of Exclusions in the Health Insurance Released

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- The Insurance Regulatory and Development Authority of India (IRDAI) had constituted a Working Group on '**Standardization of Health Insurance Contracts**' in July 2018.
- The Group was tasked with reviewing existing exclusions (conditions or claims not covered by a policy) in health insurance contracts and presenting recommendations that lead to their standardization.
- Key observations and recommendations:
  - Reduction in the number of exclusions, the group stated that denying coverage for diseases, contracted after an individual has been insured, defeats the purpose of health insurance and leads to a loss of confidence in the healthcare sector.
  - To reduce this it recommended inclusion of all health conditions contracted after policy inception which are not covered or listed as permanent exclusions.
  - It suggested that the list of exclusions to be reviewed regularly and the list of permanent exclusions allowed at the time of underwriting be reviewed on a yearly basis by a committee set up by IRDA.
  - A Health Technology Assessment Committee to be formed to examine and approve the inclusion of advancements in medical technology and treatments.

## Committee of Experts Releases Report on Audit Firms and their Networks

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The Committee of Experts, Chaired by Mr. Anurag Agarwal submitted its report on audit firms and their networks to the Ministry of Corporate Affairs.

### Key recommendations include:

- **Audit Structures in India:** The Committee observed that there are three types of structures.
  - Domestic networks of firms set up by Chartered Accountants (CA) registered with the Institute of Chartered Accountants of India.
  - International networks where domestic CA firms tie up with entities outside India.
  - International networks where domestic CA firms tie up with Indian member firms of an international entity.
- **Oversight of audit profession:**
  - The Committee noted that the **National Financial Reporting Authority (NFRA)** must be empowered to publish their audit.

- It noted that loss of reputation, from an adverse report, can be an effective deterrent for audit firms to build better internal checks and balances.
- **Legal regime of liability:**  
On network liability, it recommended that NFRA should be empowered by law to impose monetary penalties on international networks in case of an audit failure or fraud.
- **Providing non-audit services:** It recommended permitting firms to provide non-audit services to an auditee company.

## CCEA Approves Continuation of the Umbrella Scheme ACROSS

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- The umbrella scheme Atmosphere and Climate Research-Modelling Observing Systems and Services (ACROSS) consists of nine sub-schemes which address different aspects of weather and climate services, including cyclone warnings, storm surges, heat waves, and thunderstorms.
- The scheme aims to improve weather and climate forecasts through sustained observations, research and development, and adoption of effective dissemination and communication strategies.

## President Visits Vietnam and Australia

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- The President Mr. Ram Nath Kovind visited Vietnam and Australia. Nine agreements were signed with the two countries.
- India and Vietnam signed four agreements related to cooperation in the field of communications and Confederation of Indian Industry and the Vietnam Chamber of Commerce and Industry.
- India and Australia signed five agreements in various sectors including: (i) cooperation in the area of disability, (ii) facilitating bilateral investment, (iii) collaboration in science and innovation, as well as (iv) cooperation in agricultural research and innovation.

## Vice-President Visits Zimbabwe

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The Vice-President Mr. Venkaiah Naidu visited Zimbabwe and signed six agreements for cooperation in various areas including: (i) arts, culture, and heritage, (ii) medicine and homeopathy, and (iii) geology, mining, and mineral resources.