



DAILY CURRENT AFFAIRS 19-06-2024

GS-2

1. National Institute of Indian Medical Heritage (NIIMH)

GS-3

2. Let's do 1991 without a crisis
3. General Anti-avoidance Rule (GAAR)
4. US EU anti-subsidy action
5. Nitrous oxide

National Institute of Indian Medical Heritage (NIIMH)

Syllabus: GS-2: Social Justice - Health sector

Context:

- *The World Health Organisation (WHO) has named the **National Institute of Indian Medical Heritage (NIIMH)** in Hyderabad a WHO Collaborating Centre for traditional medicine research.*

About National Institute of Indian Medical Heritage (NIIMH)

- *Established in 1956, NIIMH is under the **Ministry of Ayush** and known for digital initiatives in Ayush.*
- *Recognition is for four years, **making NIIMH the third Indian institute** to receive this honor.*

Digital Initiatives and Contributions:

- *Developed the **AMAR Portal** with **16,000 Ayush manuscripts**, including 4,249 digitized manuscripts and rare books.*
- *Created the **SAHI Portal** showcasing **793 historical Ayurvedic artefacts** and e-books of classical textbooks.*

Research and Data Collection:

- *Operates the **NAMASTE Portal** for morbidity statistics from 168 hospitals and Ayush Research Portal indexing 42,818 research articles.*

National and Global Impact:

- *NIIMH, part of CCRAS, recognized as a WHO Centre for '**Fundamental and Literary Research in Traditional Medicine**'.*
- *Joining two other Indian institutes as WHO Collaborating Centres for Ayush research.*
- *India hosts around 58 WHO Collaborating Centres in various biomedical and allied sciences.*

Let's do 1991 without a crisis

Syllabus: GS-3: Indian Economic reforms.

Context:

- *More than three decades after liberalisation, India continues to harbour protectionist tendencies.*
- *At a time when the country is positioning itself as a leading player in geopolitics, its reluctance to integrate with global value chains doesn't work.*

Trade Policy and Economic Strategy in India: Key Points

Introduction to Trade Policy Goals

- *India's government aims for a **Viksit Bharat (developed India)**, with trade policy as a critical component.*
- *Post-election periods are opportune for breakthrough policies, particularly in trade.*

Impact of Global Economic Crises

- *Global crises like the **2008 Financial Crisis, Euro Zone struggles (2010)**, and **COVID-19 pandemic** prompted India and other nations to reconsider trade policies.*
- ***Protectionism and self-reliance** have gained prominence in global discourse.*

Dual Challenge of Self-Reliance and Export Promotion

- *India's policy aims at **Atmanirbhar Bharat (self-reliant India)** while targeting \$1 trillion in exports.*
- *Achieving export goals requires **integration into Global Value Chains (GVCs)**, contrasting with import substitution policies.*

Lessons from COVID-19

- ***Pandemic highlighted risks** of import disruptions, leading India to focus on enhancing local production through schemes like **Production-Linked Incentives (PLIs)**.*

Historical Shifts in Trade Policy

- *India's trade policy evolved from aggressive import substitution to liberalization post-1991 economic reforms.*
- ***Balancing import substitution** with export promotion remains a challenge.*

Recent Trade Agreements

- *India signed FTAs with Mauritius, UAE, Australia, and EFTA countries (Switzerland, Iceland, Norway, Liechtenstein), aiming at economic cooperation and job creation.*

Challenges with Regional Trade Agreements (RTAs)

- **India's approach to RTAs** like RCEP and CPTPP has been cautious, balancing strategic interests with concerns about economic competition, particularly from China.

Multilateralism and WTO Engagement

- **India supports multilateralism** in WTO but shows ambivalence towards discussions on services and e-commerce.
- **Participation in multilateral trade negotiations** is seen as strategically important despite challenges.

Strategic Imperatives and Initiatives

- **Initiatives like Make in India** underline India's strategic focus on expanding global market access despite challenges and competition concerns, notably from China.

Geopolitical Ambitions of India

- India aims to **establish itself as a global player**, hosting the G20 presidency and positioning as an alternative manufacturing hub to China.
- Competition focuses on **attracting investments** away from countries like Vietnam, Cambodia, and Bangladesh.

Economic Insights

- **RBI bulletin (April 2024):** Highlights strong investment demand and positive business/consumer sentiments as drivers of economic growth.
- Despite past comparisons with China, India now competes with smaller economies for investment.

Trade Policy and Global Markets

- **Post-1991 reforms**, India continues to grapple with protectionist tendencies hindering global market integration.
- Emphasizes the **need for open global markets** to boost exports and foster domestic competition, critical for economic efficiency.

Digital Public Infrastructure (DPI)

- DPI utilizes digital technologies to connect people and devices, **enhancing accessibility and transforming lives in India.**

- *India's DPI initiatives **attract global interest**, positioning it as a potential soft power akin to China's Belt and Road Initiative (BRI).*

Strategic Imperatives

- *Caution needed in **structuring DPI initiatives** to ensure flexibility and adaptability to evolving global standards.*
- *Emphasizes **India's aspiration to shape global rules** rather than passively accept them, advocating for proactive engagement in international markets.*

Economic Strategy

- *Recommends **prioritizing subsidies for job creation over industries** to address India's challenge of productive job creation, especially in labor-intensive sectors.*
- *Urges India to embrace **reforms akin to those initiated in 1991**, advocating proactive economic strategies without waiting for crises to force change.*

General Anti-avoidance Rule (GAAR)

Syllabus: GS-3: Indian Economy –Taxation

Context:

- *The **Telangana High Court** has ruled against a taxpayer against whom the revenue department had invoked General Anti-avoidance Rule (GAAR).*

GAAR:

- *The General Anti-Avoidance Rule (GAAR) is a set of regulations designed **to counteract tax avoidance strategies** that exploit gaps and ambiguities in the tax laws to minimize tax liabilities.*

Overview

- **Introduction:** *GAAR is a regulatory framework intended to prevent tax avoidance by scrutinizing arrangements or transactions that are primarily devised to evade taxes.*
- **Purpose:** *The primary aim of GAAR is to ensure that taxpayers pay their fair share of taxes and to prevent aggressive tax planning and tax evasion.*
- **Implementation in India:** *GAAR provisions were introduced in the Income Tax Act, 1961, by the Finance Act, 2012, and came into effect from April 1, 2017.*

Key Features

➤ **Scope:**

- *GAAR applies to all taxpayers and covers all arrangements and transactions that are **undertaken to avoid taxes**.*
- *It targets both **domestic and cross-border** transactions.*

➤ **Main Provisions:**

- **Impermissible Avoidance Arrangement:** *GAAR targets transactions that lack commercial substance or are entered into with the primary purpose of obtaining tax benefits.*
- **Commercial Substance:** *An arrangement is deemed to lack commercial substance if it:*
 - *Fails to have a significant effect on the business or economic situation of the taxpayer apart from tax benefits.*
 - *Involves round-tripping of funds.*
 - *Results in an abuse or misuse of tax provisions.*
- **Tax Benefit:** *This refers to any reduction, avoidance, or deferral of tax, including increased tax refunds or credits.*

➤ **Implications for Taxpayers:**

- *The tax authorities have the **power to recharacterize transactions** to counter tax avoidance.*
- *The **onus is on the taxpayer** to prove that the primary motive of the transaction was not to gain a tax benefit.*
- *GAAR provisions **override any other tax provisions** to the extent of inconsistency.*

Procedural Aspects

- **Approving Panel:** *GAAR provisions are subject to approval by a high-level panel, which ensures that genuine transactions are not affected.*

➤ **Steps for Application:**

1. *The tax officer identifies an impermissible avoidance arrangement.*
2. *The case is referred to the Principal Commissioner of Income Tax.*

3. *The Principal Commissioner refers the case to the Approving Panel.*
4. *The Panel reviews the case and makes recommendations.*

Exemptions and Thresholds

- **Threshold Limit:** *GAAR applies only if the tax benefit obtained from an arrangement exceeds ₹3 crore.*
- **Exemptions:** *Investments made before August 30, 2010, are exempt from GAAR provisions.*

International Perspective

- **GAAR is not unique to India;** *many countries, including Canada, Australia, and the UK, have similar rules to combat tax avoidance.*
- *The principle behind GAAR aligns with the **Base Erosion and Profit Shifting (BEPS)** project initiated by the OECD and G20.*

Controversies and Challenges

- **Complexity:** *The provisions of GAAR are complex and require careful interpretation.*
- **Uncertainty:** *The wide scope of GAAR can create uncertainty for taxpayers regarding the tax treatment of transactions.*
- **Impact on Investments:** *There is concern that stringent anti-avoidance rules might deter foreign investments.*

Benefits of GAAR

- **Deterrence:** *Acts as a deterrent against aggressive tax planning.*
- **Equity:** *Ensures that all taxpayers contribute their fair share to the public exchequer.*
- **Revenue Generation:** *Helps in curbing revenue loss due to tax avoidance strategies.*

Conclusion

- *GAAR is a significant measure in India's tax regulatory framework aimed at curbing tax avoidance and ensuring tax equity. While it presents challenges in terms of complexity and implementation, it is crucial for maintaining the integrity of the tax system and preventing revenue leakage.*

US EU anti-subsidy action

Syllabus: GS-3: Indian Economy –Export Promotion.

Context:

- *India developing verification mechanism for tax refund scheme after anti-subsidy action by US, EU.*

Background on CVDs:

- *Imposed by US and EU on certain products (paper file folders, aluminium sheet, forged steel fluid) due to anti-subsidy investigations.*
- *Aimed at offsetting subsidies given by exporting countries to protect domestic industries.*

US Concern and Verification Requirement:

- *US queries India's verification method for RoDTEP rates.*
- *Requirement for an official verification mechanism recognized by US standards.*

Purpose of Institutional Mechanism:

- *Verify tax refunds to exporters under RoDTEP scheme.*
- *Avoid countervailing duties (CVDs) from top importing countries like EU and US.*

Government Action and Consultation:

- *Commerce Ministry collaborating with Department of Revenue (DoR).*
- *Formulating a verification mechanism involving field teams and a joint system with Directorate General of Trade Remedies (DGTR).*

RoDTEP Scheme Overview:

- *Introduced in January 2021 to refund embedded duties and taxes.*
- *Replaced WTO-incompatible MEIS scheme.*
- *Supports exports of various items with a budgetary allocation of Rs 15,070 crore for FY 23-24.*

Trade Relations Impact:

- *US and EU are significant trade partners for India.*
- *FY24 exports to US were \$77 billion and to Europe about \$86 billion.*

Nitrous oxide

Syllabus: GS-3: Environmental Pollution – N₂O pollution.

Context:

- *India is the second largest source of nitrous oxide (N₂O)*

Major findings:

- *N₂O is a potent **greenhouse gas**.*
- ***India contributed nearly 11% of global man-made N₂O emissions in 2020.***
- ***Only China emitted more, with 16% of global emissions.***
- ***Main source of N₂O emissions in India is Fertilizer usage.***

Global N₂O concentration:

- *Reached 336 parts per billion in 2022.*
- *This is 25% higher than pre-industrial levels.*

Comparison with carbon dioxide (CO₂):

- *CO₂ concentration was 417 parts per million in 2022.*
- *CO₂ levels are a thousand times higher than N₂O levels.*

Climate change priorities:

- *Reducing CO₂ is a higher priority due to its higher concentration.*
- *However, **N₂O needs urgent attention** because it stays longer in the atmosphere and its levels are rising rapidly.*

Increase in N₂O emissions:

- *Emissions from human activities have risen by **40% over the past four decades.***
- *Growth rates between 2020 and 2022 were the highest since 1980.*

Major sources of N₂O emissions:

- ***Agricultural production** using nitrogen fertilizers and animal manure.*
- *These sources contributed 74% of total human-caused N₂O emissions in the last decade.*

Impact on global warming:

- *N₂O emissions from human activities account for 6.4% of the greenhouse gases' effective radiative forcing.*
- *Added about 0.1°C to current global warming.*

Concerns from scientists:

- *Recent N₂O levels have exceeded the most pessimistic projections by the IPCC.*
- *IPCC's projections suggest temperatures could exceed 3°C by the end of the century if trends continue.*

Required reduction for climate goals:

- *To meet the Paris Agreement targets (keeping global temperatures below 2°C above pre-industrial levels), N₂O emissions must decline by at least 20% from 2019 levels by 2050.*

Top five N₂O emitting countries in 2020:

- *China: 16.7%*
- *India: 10.9%*
- *United States: 5.7%*
- *Brazil: 5.3%*
- *Russia: 4.6%*

Longevity of N₂O:

- *Stays in the **atmosphere for 117 years**, impacting climate and ozone long-term.*

Environmental pollution:

- *Inefficient use of synthetic nitrogen fertilizers and animal manure pollutes groundwater, drinking water, and inland/coastal waters.*

Impact of meat and dairy demand:

- *Increased demand leads to **more manure production**, causing higher N₂O emissions.*
- *More nitrogen fertilizers are used for animal feed, contributing to N₂O emissions.*

Sector-specific emission trends:

- *Agricultural N₂O emissions continue to grow.*
- *Emissions from **fossil fuels and the chemical industry** are stable or declining globally.*
- ***Aquaculture emissions** are small but growing rapidly, especially in China.*

Timely and alarming report:

- *India is the **second largest emitter of N₂O** from nitrogen fertilizers.*
- *These fertilizers are subsidized by **over 80% in India.***

Consequences of nitrogen fertilizers:

- *Contribute to climate change.*
- *Pollute water bodies.*

Call to action:

- *India needs to take this wake-up call seriously.*
- *Change cropping systems and production practices.*
- *Repurpose fertilizer subsidies to support alternative production systems.*

About N₂O

General Information:

- **Chemical Formula:** *N₂O*
- **Common Names:** *Laughing gas, nitrous*
- **Appearance:** *Colorless, non-flammable gas with a slightly sweet odor and taste*

Uses:

- **Medical Applications:**
 - **Anesthetic:** *Used in combination with other agents for anesthesia.*
 - **Analgesic:** *Provides pain relief, commonly used in dental procedures and during childbirth (often mixed with oxygen as "gas and air").*
- **Industrial Applications:**
 - **Food Industry:** *As a propellant in whipped cream canisters.*
 - **Automotive Industry:** *Used to enhance engine performance in racing (increases the oxygen supply to the engine).*
- **Recreational Use:**
 - *Used for its euphoric effects, though this is illegal and poses significant health risks.*

Environmental Impact:

- **Greenhouse Gas:** *Contributes to global warming; has approximately 300 times the global warming potential of carbon dioxide (CO₂).*
- **Ozone Layer Depletion:** *Plays a role in the degradation of the ozone layer.*

Health Effects:

- **Short-term Exposure:**
 - *Euphoria, dizziness, and disorientation.*
 - *Potential for asphyxiation if used inappropriately.*
- **Long-term Exposure:**
 - *Neurological damage due to vitamin B12 deficiency.*
 - *Risk of addiction with prolonged use.*