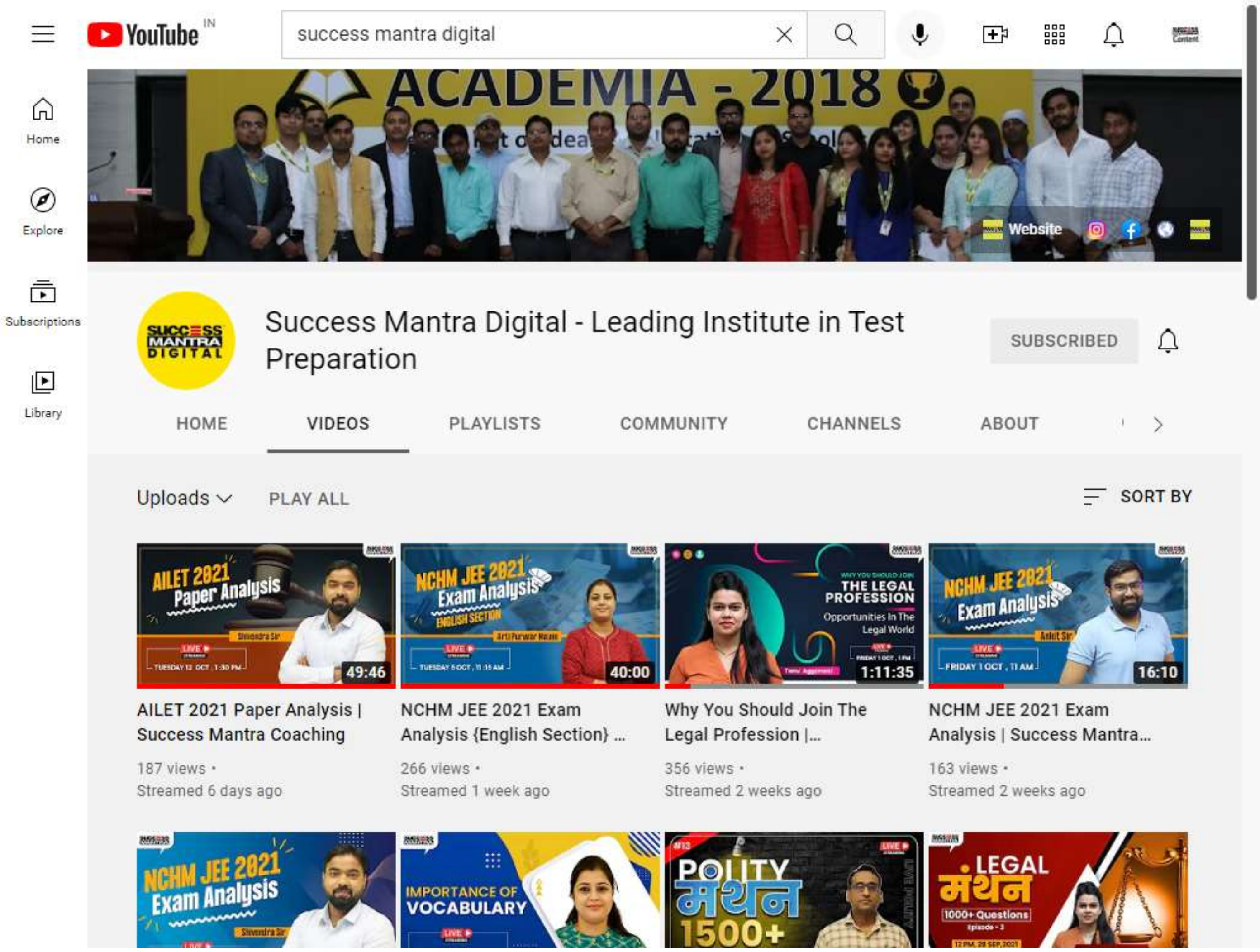
ECONOMIC AFFAIRS

JULY - NOV. 2021



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IMPORTANT ECONOMIC AFFAIRS

#WHAT IS CRYPTOCURRENCY BILL 2021?

- **The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021**, also known as the Crypto Bill, was not listed among the 23 bills in the tentative list of government legislative and financial business that will be tabled in the Lok Sabha during the Monsoon Session of the Indian Parliament.
- Earlier this week, **Union Finance Minister Nirmala Sitharaman** said that all stakeholders' views and feedback have been **ascertained and the Cryptocurrency Bill, 2021**, is ready to be tabled in the Monsoon session of the Indian Parliament that begins on July 19, 2021.

- Earlier, the Crypto bill was expected to be taken up during the Budget session but could not be taken up as the session was curtailed due to the second wave of the COVID-19 pandemic.

Why was Cryptocurrency Bill, 2021 not listed for Monsoon session of Parliament?

- The **Ministry of Finance, the Reserve Bank of India (RBI),** Indian banks, and stakeholders are further holding deliberations to take a holistic decision on cryptocurrency before introducing the bill in Parliament.
- Though the **RBI wants a ban on cryptocurrency**, the government is not in the favour of an outright ban on cryptocurrency.
- Rather, the government is more likely to treat **cryptocurrencies as a tradeable asset** class with a market that can be traded and invested, as per government officials. The relative volatility of cryptocurrencies is among many concerns within the government.
- Further, **regulation of cryptocurrencies is not on the Centre's economic agenda currently**. As per policymakers, the cryptocurrency market is witnessing substantial investments, but the cryptocurrency market's impact on the Indian economy is not much.
- The Centre has 23 economic bills and amendments taking precedence as of now to be tabled in the

Monsoon session of the Parliament. Some key bills include:

- Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021
- Coal Bearing Areas (Acquisition and Development) Amendment Bill, 2021
- Electricity (Amendment) Bill, 2021
- Chartered Accountants, the Cost and Works Accountants and the Company Secretaries (Amendment) Bill, 2021
- Trafficking of Persons (Prevention, Protection and Rehabilitation) Bill, 2021
- Limited Liability Partnership (Amendment) Bill, 2021
- Pension Fund Regulatory and Development Authority (Amendment) Bill, 2021
- Deposit Insurance and Credit Guarantee Corporation (Amendment) Bill, 2021
- RBI Petroleum and Minerals Pipelines (Amendment) Bill, 2021

What is Cryptocurrency and Regulation of Official Digital Currency Bill, 2021?

- The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021, also known as the Crypto Bill, was a new bill on cryptocurrencies that suggested a ban on private cryptocurrencies in India and facilitate the creation of an official digital currency.
- The bill was to be taken up in the **Budget session of the Indian Parliament.**

Purposes of Crypto currency Bill, 2021

- As per the bulletin relating to Parliamentary affairs issued by the Lok Sabha, the key purposes of the Crypto currency and Regulation of Official Digital Currency Bill, 2021 are:
- To create a facilitative framework for the creation of the official digital currency to be issued by the Reserve Bank of India.
- **To prohibit all private crypto currencies in India,**
- Allow for certain exceptions to promote the **underlying technology of cryptocurrency and its uses.**

Indian government stance on cryptocurrencies

- The Reserve Bank of India (RBI) on May 31, 2021, had announced that banks to allow cryptocurrency trades with routine due diligence measures on the same. The central bank had also nulled the circular issued in 2018 that asked banks to not facilitate cryptocurrencies exchanges.
- However, the Indian government is yet to clarify its stance on cryptocurrencies. Sitharaman in Union Finance Minister Nirmala Sitharaman said the Indian government is looking at **a 'calibrated' approach towards cryptocurrencies in India.**
- **Cryptocurrencies market in India:** As per the blockchain data company Chainalysis, India has witnessed a 600 per cent jump in total investment in cryptocurrencies from $923 million in April 2020 to $6.6 billion in May 2021.
- The company in June 2021 stated that India ranks 18th **with total Bitcoin investment** gains at $241 million.

#BHUTAN ADOPTS INDIA'S UPI STANDARD

- **Union Finance Minister Nirmala Sitharaman** along with Finance Minister of Bhutan LyonpoNamgayTshering launched BHIM-UPI in Bhutan on July 13, 2021, via a virtual ceremony.
- With this launch, Bhutan became the first country to adopt India's Unified Payment Interface (UPI) standards for its **Quick Response (QR) code**, the Ministry of External Affairs stated in a press release.
- This launch also made Bhutan the second country after Singapore to have BHIM-UPI acceptance at merchant locations.
- **During the launch, Sitharaman** also carried out a Live transaction using the BHIM-UPI app to purchase organic products from a Bhutanese OGOP outlet.
- **India and Bhutan have already operationalized inter-operability for accepting Rupay cards** in each other's countries in two phases following the visit of PM Narendra Modi to Bhutan in 2019.

Launch of BHIM-UPI in Bhutan: Key highlights

- BHIM-UPI app has been launched in Bhutan in **collaboration between the National Payment Corporation of India (NPCI) and the Royal Monetary Authority of Bhutan** to enable and implement BHIM-UPI QR-based payments in Bhutan.
- The app was launched by the **Union Finance Minister Nirmala Sitharaman** at a virtual ceremony along with Finance Minister of Bhutan LyonpoNamgayTshering, Governor of Royal Monetary Authority of Bhutan DashoPenjore, Ambassador of India to Bhutan Ruchira Kamboj, Ambassador of Bhutan to India General V Namgyel, Secretary-Department of Financial Services Debasish Panda, MD & CEO of NPCI DilipAsbe.

While launching the **BHIM-UPI app in Bhutan, Union Finance Minister Nirmala Sitharaman** said:

- The services for BHIM-UPI in Bhutan have been launched under India's neighbhourhood first policy.
- BHIM-UPI is an achievement for digital transactions in India during the COVID-19 pandemic.
- More than 100 million UPI QRs have been generated in the past 5 years.
- **In 2020-21, BHIM-UPI processed 22 billion transactions worth Rs 41 lakh crore.**

Significance of launch of BHIM-UPI in Bhutan

- The launch of BHIM-UPI in Bhutan has enabled the seamless connection of the payment infrastructures of both countries.The app now in Bhutan will also benefit more than 200,000 Indian tourists, businessmen, and Bhutanese citizens who travel to Bhutan each year.

#RBI LIKELY TO LAUNCH CENTRAL BANK DIGITAL CURRENCY

The **Reserve Bank of India** is considering launching **Central Bank Digital Currency (CBDC)** in the near future. This was informed by Deputy RBI Governor T Rabi Shankar.

- The **deputy RBI governor** said that the apex bank is currently working towards a phased implementation strategy of the digital currency and examining use cases, which can be implemented with little or no disruption.
- He stated that conducting pilots of the digital currency in wholesale and retail segments may be a possibility in near future. This was shared during a webinar organised by **the Vidhi Centre for Legal Policy, New Delhi.**
- H**igh-Level Inter-Ministerial Committee constituted by Ministry of Finance** in November 2017 to examine the policy and legal framework for the regulation of virtual currencies had recommended the introduction of CBDC.

Significance of the Digital currency

- This is the first time that there has been a clear indication that the bank is likely to launch a **digital currency soon. Previously, it was stated that the apex bank is studying the idea.**
- Legal changes are expected to be made to the **South Asian nation's foreign exchange rules and IT laws.**

How will the digital currency help the Indian economy?

- The **digital currency** is likely to lower the **Indian economy's reliance on cash**, which will, in turn, enable cheaper and smoother international settlements.
- It will also protect people from the volatility of private crypto currencies. The **RBI Deputy Governor** stated that every idea has to wait for its time and the time for a **central bank digital currency (CBDC) is near. He said that the RBI has to carefully evaluate the risks.**
- He said that the RBI's key endeavor is that India's digital currency can reiterate its leadership position in payment systems of the world.

What is CBDC?

- The **central bank digital currency (CBDC)** is a legal tender and a central bank liability in digital form.It is denominated in a sovereign currency and appears on the central bank's balance sheet.
- The currency is in the form of electronic currency and can be converted or **exchanged at par with similarly denominated cash and traditional central bank deposits.**

Digital Currencies in other countries

- The **European Central Bank** stated last week that it will begin a 24-month "investigation phase", which if successful, **could lead to the creation of a digital euro by 2025.**

- **China's central bank** also said last week that its digital yuan trial had reached $5.3 billion in transaction value by the end of June 2021.

Need for CBDC in India

- **Addressing the Malpractices:** The need for a sovereign digital currency arises from the anarchic design of existing cryptocurrencies, wherein their creation, as well as maintenance, are in the hands of the public.
- With no government supervision and ease of cross-border payments, renders them vulnerable to malpractices like tax evasion, terror funding, money laundering, etc.
- By regulating digital currency, the central bank can put a check on their malpractices.
- **Addressing Volatility:** As the cryptocurrencies are not pegged to any asset or currency, its value is solely determined by speculation (demand and supply). It is due to this, there has been huge volatility in the value of cryptocurrencies like bitcoin.
- As CBDCs will be pegged to any assets (like gold or fiat currency) and hence will not witness the volatility being seen in cryptocurrencies.
- **Next Big Thing:** In a survey conducted by **Bank for International Settlements**, around 80 per cent of the 66 responding central banks said they have begun working on central bank-issued digital currency (CBDC) in some form.
- Moreover, China is quietly bringing about a revolutionary change to the currency and payment system by launching its Digital Renminbi.
- **Digital Currency Proxy War:** India runs the risk of being caught up in the whirlwind of a proxy digital currency war as the US and China battle it out to gain supremacy across other markets by introducing new-age financial products.
- Today, a sovereign Digital Rupee isn't just a matter of financial innovation but a need to push back against the inevitable proxy war which threatens our national and financial security.
- **Reducing Dependency on Dollar:** Digital Rupee provides an opportunity for India to establish the dominance of Digital Rupee as a superior currency for trade with its strategic partners, thereby reducing dependency on the dollar.

#IMF PROJECTED INDIA'S GDP GROWTH (FY22)

- The **International Monetary Fund** on July 27, 2021, bought down its GDP growth forecast for India to 9.5% for the fiscal year to March 31, 2022.
- The **forecast by IMF for the fiscal year 2021-22 is lower than the 12.5% economic growth** that the agency had projected in April 2021, before the deadly second wave took a grip.
- For the year 2022-23, the **International Monetary Fund expects economic growth of 8.5 percent**, larger than the 6.5% that it had projected in April 2021.

What led to the cut of India's growth forecast?

- The onset of the **severe second wave of the COVID-19 pandemic** has cut into the economic recovery momentum of the country.
- IMF in its latest **World Economic Outlook (WEO)** said that the growth prospects in India have been

downgraded after the severe second wave of COVID-19 pandemic during March-May 2021 and expected the slow recovery in confidence from that setback.

- The country's economy is moderately recovering from a decline in the financial year ended on March 31, 2021 **(7.3%) and a severe second wave of Coronavirus pandemic.**

Other global and domestic agencies on India's growth

- The **International Monetary Fund** has joined a host of domestic and global agencies which have cut the growth estimates of India for the current fiscal.
- **S&P Global Ratings-** In June 2021, S&P Global Ratings had projected a 9.5% of GDP growth in the current fiscal and 7.8% in 2022-23.
- **World Bank-World Bank sees India's Gross Domestic Product** to grow at 8.3% from April 2021 to March 2022.
- **Asian Development Bank-** Last week, the Asian Development Bank (ADB) downgraded India's economic growth forecast to 10% from 11% which was estimated in April 2021.
- **Moody's-** The US-based rating agency had projected India's economic growth to be 9.3% in the current fiscal ending in March 2022. Moody's for the 2021 Calendar year has cut the growth estimate sharply to 9.6%.

Global economy projection by IMF:

- As per the IMF report, the global economy overall is projected to grow at 6% in the year 2021 and 4.9% in 2022. The 2021 global forecast is unchanged from April 2021 World Economic Outlook, but with the offsetting revisions.
- **IMF's Chief Economist, Gita Gopinath** said that the global economic recovery continues, but along with a widening gap between the advanced economies and many emerging markets and developing economies.

Increasing difference between advance and developing economies:

- **Gita Gopinath stated that IMF's latest global growth forecast of 6%** for the year 2021 is unchanged from the previous outlook, however, the composition has changed.
- The multilateral agency estimates that the covid pandemic has reduced per capita incomes in the advanced and developed countries by 2.8, compared with an annual per capita loss of 6.3% a year for the developing economies (excluding China) and emerging markets.
- **Reason-**
- The revision shows the differences in the pandemic developments as the delta variant of COVID-19 takes over in various countries.
- Around 40 percent of the population in the developed countries has been fully vaccinated, in comparison with the **11% in the emerging economies**, and a very tiny fraction in the low-income developing economies.
- The Chief Economist adds that the faster-than-expected COVID vaccination and return to normalcy have led to the upgrades, while the lack of vaccines and the recurring waves of COVID in some countries, notably India, have led to further downgrades.

INDIA PIPS US AS 2ND MOST ATTRACTIVE MANUFACTURING HUB

- India has emerged as the 2nd most attractive and sought-after manufacturing destination globally, stated **Cushman & Wakefield 2021 Global Manufacturing Risk Index.**
- The **Index assesses the most preferred locations for global manufacturing among 47 countries** in Europe, the American, and Asia Pacific region. China retained the top position while India and the US ranked second and third respectively. In the last year's report, the US ranked second while India was third.
- COVID-19 has had a significant impact on the manufacturing sector in the countries across the Asia Pacific region over the past 18 months resulting in **total industrial output falling by approximately 7 per cent in the first half of 2020 before bouncing back.**
- Asia-Pacific's largest manufacturing hubs have recovered due to the **country's ability to restart its manufacturing sector.**
- Countries such as China and India who have ranked first and second respectively on the Index have demonstrated economic conditions and infrastructure supportive of a faster recovery.

What is Global Manufacturing Risk Index?

- Cushman & Wakefield **2021 Global Manufacturing Risk Index** assesses the most preferred locations for global manufacturing among 47 countries in Europe, the American, and Asia Pacific region.
- The Index offers clients and manufacturers key information and statistical data to make optimal location decisions.

What are the parameters for Global Manufacturing Risk Index?

- The countries are assessed on four key parameters:
- **Bounce Back:** This indicates the country's ability to restart its manufacturing sector. Countries with economic conditions and infrastructure supportive of a faster recovery rate are at the top of the ranking while ones facing obstacles in achieving a full recovery are at the booth.
- **Conditions:** This indicates the business environment, including the availability of labor and access to markets.
- **Costs:** This indicates the operating costs including labor, electricity, and real estate.
- **Risks:** This indicates the economic, environmental, and political risks.
- **How did India emerge 2nd most preferred manufacturing destination?**
- The rising interest in India as a preferred manufacturing hub has been attributed to the country's proven success in meeting outsourcing requirements, operating conditions, and cost competitiveness.
- As per the Index report, manufacturers in India could also benefit by relocating activities from China to other parts of Asia. However, further reforms to both land and labor laws are critical to maintaining India's success as a global manufacturing hub.

India's Manufacturing Sector – Key developments

- In **World Bank's Ease of Doing Business Ranking 2020,** India jumped 79 positions from 142nd in 2014 to rank 63rd in 2019 among 190 countries.

- **With the improvement in the rank of Ease of Doing Business in India**, growth and demand potential, subsidies and incentive schemes, industry-specific policies, supportive infrastructure, FDI relaxations, availability of skilled labor, strong macro-economic fundamentals have been fueling the growth of India's manufacturing sector.
- The Indian government has been introducing ambitious initiatives to bring in reforms to boost the manufacturing sector such as:
  - Introducing tax reforms such as reducing corporate tax from 30 per cent to 22 per cent for existing manufacturing companies and from **25 per cent to 15 per cent for new manufacturing companies, and scrapping the Dividend Distribution Tax since April 2020.**
  - Introducing initiatives such as Skill India, Make in India, National Infrastructure (NIP), Credit Guarantee Scheme for Micro and Small Enterprises, ASPIRE, **PM Employment Generation Programme (PMEGP),**Atmanirbhar Bharat program, Industrial corridors that aid in creating a favorable growth ecosystem to emerge as a trusted supply chain partner and preferred manufacturing hub.
  - Schemes to strengthen the manufacturing industry such as **Production Linked Incentive Scheme (PLI),** Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS), Modified **Electronics Manufacturing Clusters (EMC 2.0).**
  - The Indian government is also looking into investor-friendly land reforms to boost the manufacturing sector thus encouraging foreign companies to relocate their manufacturing centers to India.

#TAXATION LAWS (AMENDMENT BILL, 2021)

- The Lok Sabha passed the **Taxation Laws (Amendment) Bill, 2021 on August 6, 2021.** Union **Finance Minister Nirmala Sitharaman** introduced the Bill to amend the Income-Tax Act, 1961, and the Finance Act, 2012 and withdraw retrospective tax demand provision.
- The bill proposes to amend IT Act to provide that "**no tax demand shall be raised in future on basis of said retrospective amendment for any indirect transfer of Indian assets if transaction before 28th May, 2012".** The Finance Act 2012 had received the assent of the President on May 28, 2012.

Taxation Laws (Amendment) Bill, 2021

- **Taxation Laws (Amendment) Bill, 2021** seeks to withdraw tax demands made under the 2012 retrospective legislation to tax the indirect transfer of Indian assets.
- The bill proposes that any demand raised for indirect transfer of Indian assets made before May 28, 2012 **shall be nullified on fulfilment** of specified conditions such as withdrawal or furnishing of undertaking for withdrawal of pending litigation and furnishing of an undertaking to the effect that no claim for cost, damages, interest shall be filed.
- The bill proposes to refund the amount paid in these cases without any interest. It also proposes to amend the **Finance Act, 2012 to provide that the validation of demand under section 119 of the Finance Act, 2012** shall cease to apply on fulfilment of specified conditions.

- The Bill states that the issue of taxability of gains arising from the transfer of assets located in India through the transfer of shares of a foreign company was a subject matter of protracted litigation.

Significance

- The bill is likely to benefit many companies **including Vodafone and Cairn Energy who had to pay tax based on the retrospective tax demand provision.**
- The amendment will have a direct bearing on the **long-running tax disputes with Cairn Energy Plc and Vodafone Group.**
- As per the amendment, the centre will withdraw all back tax demands on companies such as **Cairn Energy and Vodafone** and will refund the money collected to enforce such levies.
- This is crucial as the country stands at a juncture today when quick recovery of the economy after the COVID-19 pandemic is the need of the hour **and foreign investment will play a significant role in promoting faster economic growth and employment.**

Background

- The Supreme Court had in 2012 given a verdict that gains arising from indirect transfer of Indian assets are not taxable **under the existing provisions of the Income Tax Act 1961.**
- The **provisions of the Income Tax Act, 1961** were amended by the **Finance Act, 2012** with retrospective effect, to overturn the Supreme Court verdict and clarify that gains arising from the sale of shares of a foreign company is taxable in India if such shares, directly or indirectly, derive their value substantially from assets located in India.
- The **amendments made by the Finance Act, 2012** invited criticism from stakeholders mainly with respect to the retrospective effect given to the amendments.
- There were arguments that such retrospective amendments militate against the principle of tax certainty and damage India's reputation as an attractive destination.
- While the Indian government has brought major reforms in the past few years in the financial and infrastructure sector to create a positive environment for investment, **the retrospective clarificatory amendment continued to be a sore point with potential investors.**

#'UBHARTE SITAARE' ALTERNATIVE INVESTMENT FUND

Recently, the **Ministry of Finance** has launched **'Ubharte Sitaare' Alternative Investment Fund** to facilitate debt and equity funding to **export-oriented MSMEs** (Micro Small and medium Enterprises).

- The fund is **expected to identify Indian enterprises with potential advantages**, but **which are currently underperforming** or unable to tap their latent potential to grow.

Alternative Investment Fund

- Anything alternative to traditional forms of investments **gets categorized as alternative investments.**
- In India, AIFs are defined in **Regulation 2(1)(b) of Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.**
- It refers to **any privately pooled investment fund, (whether from Indian or foreign sources), in the form of a trust or a company or a body corporate or a Limited Liability Partnership (LLP)**, which are not presently covered by any Regulation of SEBI governing fund management nor coming under the direct regulation of any other sectoral regulators in India.
- Thus, the definition of AIFs includes venture **Capital Fund, hedge funds, private equity funds, commodity funds, Debt Funds, infrastructure funds, etc.**

About:

- Under the scheme, an identified company is supported **even if it is currently underperforming or may be unable to tap its latent potential to grow.**
- The scheme diagnoses such challenges and provides support through **a mix of structured support covering equity, debt and technical assistance.** It will also have a **Greenshoe Option of Rs 250 crore.**
- A **greenshoe option** is an o**ver-allotment option**, which is a term that is commonly used to describe a special arrangement in a share offering for example an **IPO (Initial Public Offering)** that will enable the investment bank to support the share price after the offering **without putting their own capital at risk.**
- The fund has been set up jointly by **Exim Bank and SIDBI** (Small Industries Development Bank of India) which will invest in the fund by way of equity and equity-like products in export-oriented units, in both manufacturing and services sectors.

Criteria for Selecting Companies:

- **Unique value:** Companies will be selected for support based on their **unique value proposition in technology, products or processes that match global requirements;**
- **Financial Strength:**
- Fundamentally strong companies **with acceptable financials, and outward orientation; small and mid-sized companies with ability to penetrate global markets**, with an annual turnover of up to approx. Rs 500 crore.
- **Business Model:** Companies with **a good business model, strong management capabilities, and focus on product quality.**

- **Support:** Eligible companies can be supported by both **financial and advisory** services by way of **equity**/equity-like instruments, term loans for modernisation, **technology** or capacity **upgradation**; and technical assistance for product adaptation, market development activities and viability studies.

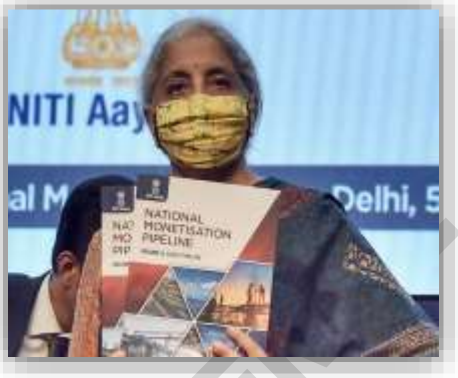
Objectives:

- To enhance India's competitiveness in **select sectors through finance and extensive handholding support.**
- Identify and nurture companies having **differentiated technology, products or processes**, and enhance their export business; assist units with export potential, which are unable to scale up their operations for want of finance.
- Identify and mitigate challenges faced by **successful companies which hinder their exports.**
- Assist existing exporters **in widening their basket of products and target new markets** through a strategic and structured export market development initiative.

Other Initiatives to Promote MSME Sector

- **Prime Minister's Employment Generation programme (PMEGP)**: It is a **credit linked subsidy scheme, for setting up of new micro-enterprises** and to generate employment opportunities in rural as well as urban areas of the country.
- **Scheme of Fund for Regeneration of Traditional Industries (SFURTI)**: It aims to properly organize the artisans and the traditional industries into clusters and thus provide financial assistance to make them competitive in today's market scenario.
- **A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE)**: The scheme promotes innovation & rural entrepreneurship through rural **Livelihood Business Incubator (LBI), Technology Business Incubator (TBI)** and Fund of Funds for start-up creation in the agro-based industry.
- **Interest Subvention Scheme for Incremental Credit to MSMEs**: It was introduced by the **Reserve Bank of India** wherein relief is provided upto 2% of interest to all the legal MSMEs on their outstanding fresh/incremental term loan/working capital during the period of its validity.
- **Credit Guarantee Scheme for Micro and Small Enterprises**: Launched to facilitate easy flow of credit, guarantee cover is provided for collateral free credit extended to MSMEs.
- **Micro and Small Enterprises Cluster Development Programme (MSE-CDP):** It aims to enhance the productivity and competitiveness as well as capacity building of MSEs.
- **Credit Linked Capital Subsidy and Technology Upgradation Scheme (CLCS-TUS):** CLCSS aims at **facilitating technology upgradation** of Micro and Small Enterprises (MSEs) by providing 15% capital subsidy for purchase of plant & machinery.
- **CHAMPIONS portal:** It aims **to assist Indian MSMEs march into the big league as National and Global CHAMPIONS** by solving their grievances and encouraging, supporting, helping and hand holding them.

#FM LAUNCHED NATIONAL MONETISATION PIPELINE



Recently, the government of India has launched the **National Monetisation Pipeline (NMP)**. The NMP **estimates aggregate monetisation potential of Rs 6 lakh crores through core assets of the Central Government, over a four-year period,** from FY 2022 to FY 2025.

- The plan is in line with **Prime Minister's strategic divestment policy**, under which the government will retain presence in only a few identified areas with the rest tapping the private sector.
- While speaking on the occasion, Finance Minister Nirmala Sitharaman said that **National Monetization Pipeline talks about brownfield assets where investment is already being made, where there are assets either languishing or not fully monetized or under-utilized.**

About the NMP:

- It **aims to unlock value in brownfield projects by engaging the private sector, transferring to them revenue rights and not ownership in the projects**, and **using the funds generated for infrastructure creation across the country.**
- The NMP has been announced to provide a **clear framework for monetisation** and give potential investors a ready list of assets to generate investment interest.
- **Union Budget 2021-22** has identified monetisation of operating public infrastructure assets as a key means for sustainable infrastructure financing.
- Currently, **only assets of central government line ministries and Central Public Sector Enterprises (CPSEs) in infrastructure sectors** have been included.
- The government has stressed that these are brownfield assets, which **have been "de-risked" from execution risks**, and therefore should encourage private investment.
- **Roads, railways and power sector assets will comprise over 66% of the total estimated value of the assets to be monetised**, with the remaining upcoming sectors including telecom, mining, aviation, ports, natural gas and petroleum product pipelines, warehouses and stadiums.
- In terms of annual phasing by value, 15% of assets with an indicative value of Rs 0.88 lakh crore are envisaged for rollout in the current financial year.
- The NMP **will run co-terminus with the Rs 100 lakh crore National Infrastructure Pipeline (NIP)** announced in December 2019.
- The estimated amount to be raised through monetisation is around 14% of the proposed outlay for the Centre of Rs 43 lakh crore under NIP.
- NIP will enable a forward outlook on infrastructure projects which will create jobs, improve ease of living, and provide equitable access to infrastructure for all, thereby making growth more inclusive. NIP **includes economic and social infrastructure projects.**
- Other Initiatives for Infrastructure Development include **Scheme of Financial Assistance to States for Capital Expenditure, Industrial corridors**, etc.

Monetisation

- In a monetisation transaction, the government is basically **transferring revenue rights to private parties for a specified transaction period** in return for upfront money, a revenue share, and commitment of investments in the assets.
- **Real Estate Investment Trusts (Reits)** and **Infrastructure Investment Trusts (Invits)**, for instance, are the key structures used to monetise assets in the roads and power sectors.
- These are also listed on stock exchanges, providing investors liquidity through secondary markets as well.
- While these are a structured financing vehicle, other monetisation models on **PPP (Public Private Partnership)** basis include:
- Operate Maintain Transfer (OMT),
- Toll Operate Transfer (TOT), and
- Operations, Maintenance & Development (OMD).

Greenfield vs. Brownfield Investment

- **Greenfield Project:** It refers to investment in a manufacturing, office, or other physical company-related structure or group of structures in an area where no previous facilities exist.
- **Brownfield investment:** The projects which are modified or upgraded are called brownfield projects.
- The term is used for purchasing or leasing existing production facilities to launch a new production activity.

Associated Challenges:

- **Lack of identifiable revenue streams** in various assets.
- The **slow pace of privatisation in government companies** including Air India and BPCL.
- Further, less-than-encouraging bids in the recently launched PPP initiative in trains indicate that attracting private investors' interest is not that easy.
- **Asset-specific Challenges:**
- Low Level of capacity utilisation in gas and petroleum pipeline networks.
- Regulated tariffs in power sector assets.
- Low interest among investors in national highways below four lanes.
- Konkan Railway, for instance, has multiple stakeholders, including state governments, which own stake in the entity.

Conclusion

- **Execution is the Key:** While the government has tried to address many challenges, owing to infrastructure development in the NMP framework, execution of the plan remains key to its success.
- **Dispute Redressal Mechanism:** Further, there is a need for an efficient dispute resolution mechanism.
- **Multi-Stakeholder Approach:** The success of the infrastructure expansion plan would depend on other stakeholders playing their due role.
- These include State governments and their public sector enterprises and the private sector.
- In this context, the **Fifteenth Finance Commission** has recommended the setting up of a High-Powered Intergovernmental Group to re-examine the fiscal responsibility legislation of the Centre and States.

#CHINA BANNED CRYPTOCURRENCY

- **China's central bank, the People's Bank of China** declared that all transactions of crypto-currencies are illegal, **effectively banning financial activities involving cryptocurrencies**, such as trading crypto, selling tokens, transactions involving virtual currency derivatives.
- **China had banned trading crypto currency in 2019** but the nation remained as one of the world's largest crypto currency markets.
- The price of the **world's largest crypto currency Bitcoin** fell by almost 10 per cent to around $40,000 after China issued a nationwide ban on crypto currency mining.

Why did China ban crypto currency?

- China's central bank, the People's Bank of China, said that trading of Bitcoin and other virtual currencies had become widespread and '**disrupting economic and financial order, giving rise to money laundering, illegal fund-raising, fraud, pyramid schemes, and other illegal and criminal activities.**'
- China had banned trading crypto currency in 2019 but the nation remained as one of the world's largest crypto currency markets. Therefore, in order to shut down crypto currency mining in all its forms, **China made a significant crackdown in 2021.**
- **May 2021:** China banned banks and payment firms from providing services related to cryptocurrency transactions. It also warned investors against speculative crypto trading.
- The **National Internet Finance Association of China**, the Clearing Association of China and the China Banking Association, and the Payment issued a warning that consumers would have no protection if they faced any losses during crypto-trading.
- **June 2021:** The **People's Bank of China** completely ordered several banks and payment companies to not provide any services such as clearing, settlement, or trading environment for cryptocurrency transactions. The Agricultural Bank of China and China's Postal Savings Bank also followed the suit.

China ban on crypto-trading platforms – Significance

- **Making crypto transactions illegal: Changpeng Zhao in China** who had founded the world's biggest crypto currency exchange Binance moved to Japan within months of the Chinese crackdown on crypto trading platforms.
- Smaller nations like El Salvador have recently adopted Bitcoin as legal tender to foster financial inclusion and economic growth while in May 2021, China's State Council vowed to crack down on Bitcoin trading and mining and create its own digital currency Yuan which will not use the **blockchain technology like the cryptocurrencies.**

Create its own digital currency

- Economy experts state China's ban on cryptocurrency trading has come at a time when **China's central**

bank, the People's Bank of China has been testing its own digital currency, the **Chinese Yuan, since 2014**.

- The **digital Yuan** aims at replacing and digitizing cash and coin. **Chinese authorities banned initial coin offerings (ICOs) in 2017.**
- The digital Yuan will be issued by the **People's Bank of China (PBOC)** unlike Bitcoin which is not controlled by any central authority.
- This will allow the government to keep track of how money flows around China's economy; detect any illegal flow of funds, and the internationalization of the Yuan currency.
- **People's Bank of China (PBOC):** The People's Bank of China is the **central bank** of the People's Republic of China. The PBOC is located in Beijing.

#INDIA TO BECOME WORLD'S 3RD LARGEST IMPORTER BY 2050

- **India will become the world's 3rd largest importer by** 2050 with a share of 5.9 per cent of global imports, following **China and the United States (US),** stated a new report 'Global Trade Outlook by the Department of International Trade in the UK'.
- Currently, India ranks 8th among the largest importing nations with a 2.8 per cent import share and is on the way to becoming the **4th largest importer by 2030**. A growing middle class and its rising discretionary spending are seen as contributing factors.

US and EU share of imports expected to decline

- The **Global Trade Outlook report** projected that the import trends will change as the share of global imports of the US and European Union (EU) is expected to decline while the global share of imports of Asia is expected to rise.
- The change in import trends is expected particularly in the travel, food, and digital services sectors as the growing wealthy populations in the **Indo-Pacific region** are expected to increase consumption of more discretionary goods.
- The rising contribution from the South Asia region primarily driven by **India** is expected to rebalance the growth within the Indo-Pacific region.

India to become world's 3rd largest economy

- The **Global Trade Outlook report** also stated that India will jump to 3rd place by 2050 in the ranking of the world's largest economies, just behind China and the US, with a share of 6.8 per cent in global GDP.
- **Currently, India ranks 5th in the ranking of the world's largest economies** with a share of 3.3 per cent in global GDP. India is likely to become the 4th largest economy as its GDP is expected to cross Germany by 2030.

#SALE OF AIR INDIA

- **Tata Sons and a group led by SpiceJet Chairman Ajay Singh** placed financial bids **for Air India**. This is a step towards the privatization of India's flag carrier Air India and the second attempt of the government to sell the loss-making national carrier.
- The Tata Sons submitted bids through its 100 per cent arm Talace Private Ltd and SpiceJet CEO Ajay Singh submitted its bids in his personal capacity along with some investment funds, media reports stated.

Who are bidding for Air India?

- **Tata Sons**, who operate Vistara and AirAsia India is the frontrunner in the bidding process for the sale of Air India. The Tata Sons submitted **bids through its 100 per cent arm Talace Private Ltd.**
- The shareholders of the Company had approved a **fund-raise programme of Rs 40,000 crore** via non-convertible debentures to finance acquisitions and invest in businesses.
- If Tata Sons emerge as the successful bidder, then Air India will be back in the control of its founders. Tata Group had set Tata Airlines in 1932 which was renamed Air India in 1946. The Indian government took control of Air India in 1953.
- **SpiceJet** CEO Ajay is making his bid in his personal capacity in the sale of Air India

Air India Privatization: What will the successful bidder get?

- The successful bidder from the sale of **Air India** will get control of 4,400 domestic and 1,800 international landing and parking slots at domestic airports. The winning bidder will also get 900 slots across airports overseas.
- The successful bidder will also get 100 per cent of the low-cost arm **Air India Express and 50 per cent of Air India SATS Airport Services Private Limited (AISATS)** which offers cargo and ground handling services at major Indian airports.

Air India sale: Background

- In 2018, the government attempted to sell a 76 per cent stake in Air India but failed. Two years ago, the government trying to retain a 26 per cent stake in the loss-making **national carrier was a major hurdle in the disinvestment of Air India.**
- The **private sector was apprehensive in the airline privatizationprocess** with a government-appointed board member.
- The government in its second attempt has sweetened the deal to complete the **Air India sale by December 2021.**
- The government in 2021 is willing to sell its 100 per cent stake in the Air India airline along with two other subsidiaries: low-cost Air India Express and a 50 per cent stake of **Air India SATS Airport Services**

Private Limited (AISATS).

- In order to further ease the Air India privatization process, **the Central Board of Direct Taxes (CBDT**) has also offered tax relief on the transfer of capital assets of Air India to a holding company.
- The total debt of Air India has reached Rs 43,000 crores of which Rs 22,000 crores will be transferred to the **Air India Asset Holding Limited (AIAHL)** and the remaining will be borne by the successful bidder. The government will bear the amount transferred to AIAHL before the airline is transferred to the successful bidder.

#UAE, URUGUAY & BANGLADESH AS NEW MEMBERS OF NDB

- The **New Development Bank (NDB)** admitted **United Arab Emirates, Uruguay and Bangladesh as its new members.** The bank has been set up by all the nations that are part of the BRICS Bloc.
- The BRICS groups of nations comprise five major emerging economies- Brazil, Russia, India, China and South Africa. They economies had launched the New Development Bank in 2015.
- The bank began formal talks with potential new members in 2020 in its latest expansion push.

About:

- It is **a multilateral development bank** jointly **founded by the BRICS countries** at the 6th BRICS Summit in Fortaleza, Brazil **in 2014.**
- It was formed to s**upport infrastructure and sustainable development efforts in BRICS and other underserved, emerging economies** for faster development through innovation and cutting-edge technology.
- It is **headquartered at Shanghai, China.**
- In 2018, the NDB received observer status in the **United Nations** General Assembly, establishing a firm basis for active and fruitful cooperation with the UN.

Objectives:

- Fostering development of member countries.
- Supporting economic growth.
- Promoting competitiveness and facilitating job creation.
- Building a knowledge sharing platform among developing countries.
- To fulfill its purpose, the Bank **supports public or private projects** through loans, guarantees, equity participation and other financial instruments.

Major Projects funded by NDB in India:

- It has committed funding to a number of **major infrastructure projects in India, including the Mumbai Metro rail, Delhi-Ghaziabad-Meerut Regional Rapid Transit System and many** Renewable Energy **projects.**
- The NDB has so far approved 14 Indian projects for an amount of nearly USD 4.2 billion.
- In 2020, India announced a **1 billion USD loan pact with NDB** to boost rural employment and infrastructure.

New Development Bank's Membership

- The five founding members of the **New Development Bank include Brazil, Russia, India, China and South Africa.**
- The bank's general strategy 2017-2018 had revealed the bank's plans to expand its membership. The expansion of membership was considered to be crucial for its long-term development by helping boost the bank's business growth.
- All members of the United Nations can be the members of the bank but the share of the BRICS nations can never be less than 55 percent of voting power.

Background

- Since its launch, the New Development Bank has signed almost 80 projects worth $30 billion in all of its five-member countries stretching across different sectors **including water, sanitation, transport, clean energy and digital and social infrastructure.**

BRICS Organization

- BRICS is an acronym for the grouping of the world's leading emerging economies, namely Brazil, Russia, India, China and South Africa.
- The **BRICS Leaders' Summit is convened annually.**
- Structure: BRICS does not exist in form of organization, but it is an annual summit between the supreme leaders of five nations.
- The Chairmanship of the forum is rotated annually among the members, **in accordance with the acronym B-R-I-C-S.**
- BRICS cooperation in the past decade has expanded to include an annual programme of over 100 sectoral meetings.

Salient Features

- Together, BRICS accounts for about 40% of the world's population and about **30% of the GDP (Gross Domestic Product),** making it a critical economic engine.
- It's an emerging investment market and global power bloc.

Genesis

- The **acronym "BRICS" was initially formulated in 2001 by economist Jim O'Neill, of Goldman Sachs**, in a report on growth prospects for the economies of Brazil, Russia, India and China – which together represented a significant share of the world's production and population.

- In 2006, the four countries initiated a regular informal diplomatic coordination, with annual meetings of Foreign Ministers at the margins of the General Debate of the UN General Assembly (UNGA).
- This successful interaction led to the decision that the dialogue was to be carried out at the level of Heads of State and Government in annual Summits.

Timeline

- **The first BRIC Summit took place in 2009 in the Russian Federation** and focused on issues such as reform of the global financial architecture.
- **South Africa was invited to join BRIC in December 2010,** after which the group adopted the acronym BRICS. South Africa subsequently attended the Third BRICS Summit in Sanya, China, in March 2011.

Objectives

- The **BRICS seeks to deepen, broaden and intensify cooperation** within the grouping and among the individual countries for more sustainable, equitable and mutually beneficial development.
- BRICS takes into consideration each member's growth, development and poverty objectives to ensure relations are built on the respective country's economic strengths and to avoid competition where possible.
- BRICS is emerging as a new and promising political-diplomatic entity with diverse objectives, far beyond the original objective of reforming global financial institutions.

#WORLD BANK PROJECTED INDIA'S GDP GROWTH

- **India's GDP growth rate is expected to grow at 8.3 per cent in FY2021-22**, stated the **World Bank** in its latest South Asia Economic Focus report titled 'Shifting Gears: Digitization and Services-Led Development'.
- The World Bank kept the growth projection of India unchanged at 8.3 per cent from its June forecast.
- The **Gross Domestic Product (GDP) of India** registered a growth of 20.1 per cent in first quarter (April-June quarter) of FY2021-22 owing to 'a significant base effect, strong export growth and limited damage to domestic demand', the report stated.

World Bank report: What are the risks to Indian economy?

- Higher than expected inflation and slow recovery of the informal sector as the main risks to consumer spending, stated the report. It warned that the persistently high inflation could also put pressure on the RBI's accommodative monetary policy stance.
- According to the **World Bank, India's economy, South Asia's largest,** is **expected to grow by 8.3% in the fiscal year 2021-22.**

- The **South Asia economic focus report** projects the **region to grow by 7.1% in 2021 and 2022.** It is **a biannual economic update** presenting recent economic developments and a near-term economic outlook for South Asia.
- **Other Major reports** of the World bank include **Human Capital Index**, **World Development Report.** Recently, it has decided to **discontinue the practice of issuing 'Doing Business reports'.**

GDP Growth:

- The projected growth (8.3%) is supported by an **increase in public investment** to bolster domestic demand and schemes like the **Production Linked Incentive (PIL)** to boost manufacturing.
- **India's Gross Domestic Product (GDP) increased by 20.1% in the first quarter** (April-June quarter) **of financial year 2021-22** in the backdrop of "a significant base effect, limited damage to domestic demand and strong export growth".
- In the **first quarter of financial year 2020-21, GDP of India contracted by 24.4%** because of nationwide coronavirus lockdown.
- The World Bank also observed that the **disruption in India's economy during the second wave of the pandemic was limited,** compared to the first.

On Economic Recovery:

- Economic recovery across various sectors in India **has been unequal.**
- **Manufacturing & construction sectors recovered steadily** in 2021 but low-skilled individuals, self-employed people, women and small firms were left behind.
- The extent of recovery in the financial year 2021-'22 will **depend on how fast household incomes recover** and activity across informal sector & smaller firms normalises.
- India's economic prospects will be **determined by its pace of vaccination against Covid-19** and successful implementation of agriculture &labour reforms.
- **Base Effect:** Economic data such as 'GDP growth rate' are calculated on a year-on-year basis.
- Thus, a low growth rate in the previous year leads to a low base for the number in the current year.
- **Associated Risks:** Risks associated with the extent of recovery include- worsening of financial sector stress, slowdown in vaccination, higher **inflation** constraining **monetary-policy** support etc.

Suggestions:

- **Medium Term Growth:** It is **time to start rethinking policies about medium term growth** by learning lessons from Covid-19 like crisis.
- It's time to build **social protection and adopt greener policies,** because the next shock might be from the environment.
- To reduce inequality, it is very important to **integrate the informal sector and women into the economy.** So that should be also an important element of the medium term growth strategy.
- **Need for Regulatory Experimentation:** The Bank called on **South Asian countries to lower entry barriers in the services sector,** creating more national and international competition while curbing the "emergence of new monopoly powers"; aiding labour market mobility and upgrading of skills; and enabling the absorption of these new services by households and firms.

#IMF PROJECTED INDIA'S GDP GROWTH

- **Indian economy** is expected to grow at **9.5 percent in 2021** and at **8.5 percent in 2022**, as per the latest projections by the International Monetary Fund (IMF) in its World Economic Outlook October 2021 released on October 12, 2021.
- The IMF stated that India's economy had **contracted by 7.3 per cent in 2020** due to the impact of the COVID-19 pandemic. Among other countries, the IMF has projected China to grow at 5.6 per cent in 2022, the US to grow at 5.2 percent and the United Kingdom to grow at 5 percent.
- **For major European nations, IMF has projected Germany to grow at 4.6 percent**, France to grow at 3.9 percent and Italy to grow at 4.2 percent in 2022.

Global Economy

- **The International Monetary Fund has lowered its global growth projection for 2021 slightly to 5.9 percent,** while it has kept its projection for 2022 unchanged at 4.9 percent. The projection for 2021 is 0.1 percentage point lower than in the July forecast.
- The modest downward revision in the growth projection for this year reflects **large downgrades for some countries**, in advanced economies largely due to supply disruptions and for low-income developing countries, largely due to worsening of pandemic dynamics.

Rise in Inflation

- As per the **International Monetary Fund, inflation has increased markedly in some emerging market economies** and in the United States due to an **increase in demand** with relaxations in restrictions and slow supply.
- However, the price pressures are expected to subside in most countries in 2022, according to IMF. Inflation prospects remain highly uncertain though as increases in inflation are occurring even as employment is below pre-pandemic levels in many economies, forcing difficult choices on policymakers.

Strong Policy Support

- The IMF noted that **strong policy effort is needed at the multilateral level on vaccine deployment,** climate change and international liquidity to strengthen global economic prospects.
- The body noted that national policies will require much more tailoring to country-specific conditions and better targeting, as policy space constraints become more binding the longer the pandemic lasts.

#PM MODI TO LAUNCH TWO RBI INITIATIVES

- PM Narendra Modi will launch two **Reserve Bank of India initiatives** through video conferencing.
- The two innovative customer-centric initiatives include the **RBI Retail Direct Scheme** and the **Reserve Bank - Integrated Ombudsman Scheme.**

RBI Retail Direct Scheme

- **The RBI Retail Direct facility** was announced in February 2021 to improve access to government securities for retail investors. The scheme offers the investors a new avenue to directly invest in government securities.
- The retail investors will also have the facility to open and maintain the '**Retail Direct Gilt Account' with the RBI, free of cost.**
- The initiative was first flagged by **RBI Governor Shaktikanta Das,** calling it a major structural reform in the February policy review.
- The **RBI Retail Direct Scheme is a one-stop solution** to facilitate investment in Government Securities by individual investors.

- **What are government securities?**
- **Government securities are debt issuances issued by the government.** It is basically a bond or other type of debt obligation that is issued by a government with a promise of repayment at the time of maturity.
- The issuances can be used to fund daily operations, military projects and special infrastructure.
- Government securities are a type of financial investment instrument that offers safe and guaranteed returns to investors. It is ensured that the **investors receive the promised returns at the time of the security's maturity.**

Reserve Bank - Integrated Ombudsman Scheme

- The Reserve Bank - Integrated Ombudsman Scheme aims to improve the grievance redress mechanism for resolving **customer complaints against entities that are regulated by RBI.**
- The main theme of the scheme is '**One Nation-One Ombudsman'** with one portal, one address and one email for the customers to lodge their complaints.
- Under the scheme, there will be a single point of reference for customers to submit documents, file their complaints, track status of their complaints and provide feedback.

#INDIA-US DIGITAL TAX DEAL

Recently, India and the United States have agreed for a **transitional approach on equalisation levy or digital tax on e-commerce supplies** beginning from 1st April, 2022.

- Earlier in January 2021, the Office of the **United States Trade Representative (USTR)** had said that the **Digital services taxes adopted** by India, Italy and Turkey **discriminate against US companies.**

Background:

- On 8th October, 2021, 136 countries, including India, agreed to enforce a **minimum corporate tax rate** (Global tax Deal) of 15%, as well as an equitable system of taxing profits of big companies in markets where they are earned.
- The deal **requires countries to remove all digital services tax** and other similar unilateral measures.
- After that, the **US, Austria, France, Italy, Spain and the United Kingdom reached an agreement** on a transitional approach to existing unilateral measures while implementing Pillar one

Global Tax Deal:

- It is **tailored to address the low effective rates of tax shelled out by some of the world's biggest corporations**, including Big Tech majors such as Apple, Alphabet and Facebook.
- The global minimum tax rate **would apply to overseas profits of multinational firms** with USD 868 million in sales globally.
- **Pillar 1 (Minimum tax and subject to tax rules):** Governments could still set whatever local corporate tax rate they want, but if companies pay lower rates in a particular country, their home governments could "top up" their taxes to the 15% minimum, eliminating the advantage of shifting profits.
- **Pillar 2 (Reallocation of additional share of profit to the market jurisdictions):** Allows countries where revenues are earned to tax 25% of the largest multinationals' so-called excess profit – defined as profit in excess of 10% of revenue.

India-US Deal:

- India and the US have agreed that the **same terms (as agreed by US, Austria, France, Italy, Spain and the United Kingdom) shall apply between the US and India with respect to India's charge of 2% equalisation levy** on **e-commerce** supply of services and the US' trade action regarding the said Equalisation Levy.
- Under the agreement, India will continue to impose the levy till March 2024, or till the implementation of the Pillar 1 of the **Organization for Economic Cooperation and Development (OECD)** agreement on taxing multinationals and cross-border digital transactions.

- India and the U.S. will **remain in close contact to ensure that there is a common understanding** of the respective commitments and endeavour to resolve any further differences of views on this matter through constructive dialogue.
- The **US will terminate the trade tariff actions** it had announced in response to the levy and will not take any further actions.

Significance of India-US Deal:

- It is beneficial to India as it **can carry on with the present 2% levy with certainty** until Pillar One takes into effect, along with a commitment from the US side to terminate the proposed trade actions and not to impose further actions as well.
- This would **help prevent the tax loss arising due to online transactions** as India has to roll back **Equalization Levy (EL) 2.0** any way after Pillar 1.
- It is to be kept in mind that **Pillar 1 only applies to companies with a global turnover above 20 billion euros**, which is precisely top 100 companies.

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 **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 2020, 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.**

#CRYPTOCURRENCIES BAN IN INDIA

- The Govt. of India **will introduce a 'Cryptocurrency Bill, 2021'** in India to ban all the private cryptocurrencies in the country.
- However, it will provide certain exceptions to facilitate the underlying technology of Cryptocurrency.
- **'The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021'** will be among the 26 new bills that will be introduced by the Government of India for the Winter Session of Parliament starting from November 29, 2021.
- Earlier in November 2021, **Prime Minister Modi** had chaired a high-level meeting on the way forward regarding Cryptocurrency and the related issues.

Govt to introduce bill on Cryptocurrency ban in India

- 'The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021' aims to create a facilitative framework to create the official digital currency which will be issued by the Reserve Bank of India.
- The bill will also seek to prohibit all the **private cryptocurrencies in India.**
- However, **the Crypto bill or Cryptocurrency Bill, 2021** will allow certain exceptions for facilitating the underlying technology of cryptocurrency and its uses.

Why govt has decided to ban Cryptocurrency in India?

- The meeting which was chaired by PM Modi on the way forward for Cryptocurrency and its uses strongly felt that the attempts of misleading the **youth regarding Cryptocurrency must be immediately stopped.**
- The discussion was also held on the **unregulated markets of Cryptocurrency** that cannot be allowed to become the path for terror financing and money laundering.
- The meeting on Cryptocurrency was an outcome of a consultative process.
- Previously, the **Finance Ministry of India, Reserve Bank of India, and Home Affairs Ministry** had already done an elaborate exercise on it, including the consulted experts from across India and the world.

Parliament Winter Session

- The **winter session of Parliament** will commence from November 29, 2021, and the Central Government is planning of introducing new bills before being taken up for passage.
- Apart from the 26 new bills, including a bill to ban Cryptocurrency in India, three bills that are referred to the Standing Committees, are also on the agenda of the Indian Government for consideration and passage.

Cryptocurrency Bill, 2021: Background

- **Crypto bill or 'The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021',** was not listed earlier among the 23 bills in the tentative list of the Indian Government's legislative and financial business that was tabled in Lok Sabha during the Monsoon Session of Parliament.

- Before that, **Crypto Bill** was also expected to be taken up during the Budget Session. However, it did not happen as the session was curtailed by the second wave of pandemic.

What is Cryptocurrency and Regulation of Official Digital Currency Bill, 2021?

- The **Cryptocurrency and Regulation of Official Digital Currency Bill, 2021**, also known as the Crypto Bill, was a new bill on cryptocurrencies that suggested a ban on private cryptocurrencies in India and facilitate the creation of an official digital currency.
- **Purposes of Cryptocurrency Bill, 2021**
- As per the bulletin relating to Parliamentary affairs issued by the Lok Sabha, the **key purposes of the Cryptocurrency and Regulation of Official Digital Currency Bill, 2021 are:**
  - ➢ To create a facilitative framework for the creation of the official digital currency to be issued by the Reserve Bank of India.
  - ➢ To **prohibit all private cryptocurrencies in India,**
  - ➢ Allow for certain exceptions to **promote the underlying technology of cryptocurrency and its uses.**

#GLOBAL MINIMUM TAX DEAL (GMT)

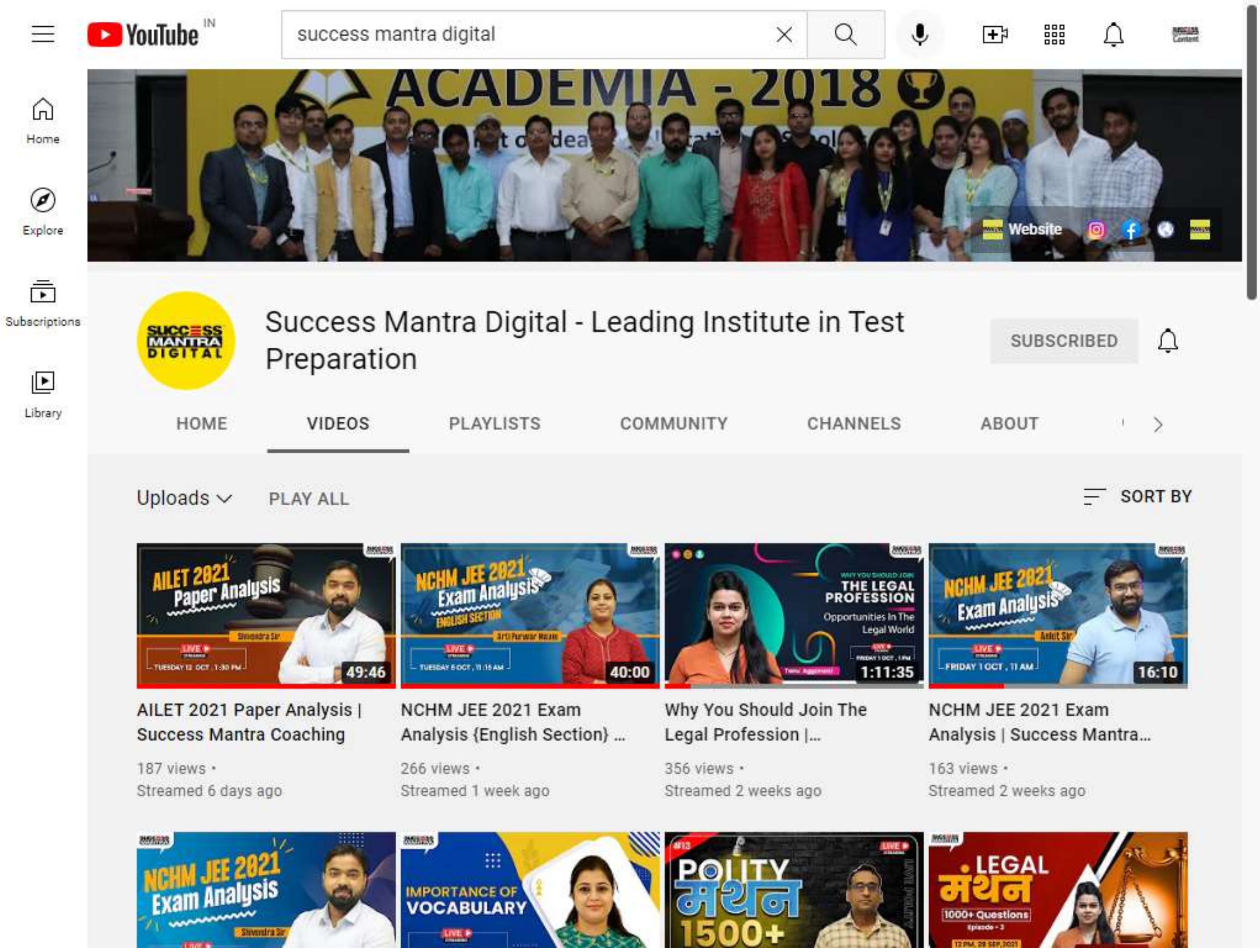
Recently, the **Organisation for Economic Cooperation and Development (OECD)** has announced that **a global deal to ensure big companies pay a Global Minimum Tax (GMT) rate of 15% has been agreed by 136 countries (including India).**

- The countries behind the accord together accounted for over **90% of the global economy.**
- **About GMT:Objective**: GMT is tailored **to address the low effective rates of tax shelled out by some of the world's biggest corporations**, including Big Tech majors such as Apple, Alphabet and Facebook.
- These companies typically rely on complex webs of subsidiaries to hoover profits out of major markets into **low-tax countries or Tax Havens** such as Ireland, the British Virgin Islands, the Bahamas, or Panama.
- GMT aimed at squeezing the opportunities for **MultiNational Enterprises** (MNEs) to indulge in profit shifting, ensuring they pay at least some of their taxes where they do business.
- **Proposed Two Pillar Solution**: The global minimum tax rate would **apply to overseas profits of multinational firms with $868 million in sales** globally.
- **Pillar 1 (Minimum tax and subject to tax rules)**: Governments could still set whatever local corporate tax rate they want, but if companies pay lower rates in a particular country, their home governments could "top up" their taxes to the 15% minimum, eliminating the advantage of shifting profits.

- **Pillar 2 (Reallocation of additional share of profit to the market jurisdictions):** Allows countries where revenues are earned to tax 25% of the largest multinationals' so-called excess profit – defined as profit in excess of 10% of revenue.
- **Timeline**: The agreement calls for countries to bring it into law in 2022 so that it **can take effect by 2023**.
- Countries that have in recent years created national digital services taxes (For example, **equalization levy** by the Indian Government) will have to repeal them.
- **Impact:** The minimum tax and other provisions **aim to put an end to decades of tax competition between governments to attract foreign investment.**
- The economists expect that the deal will encourage multinationals to repatriate capital to their country of headquarters, giving a boost to those economies.

Organisation for Economic Cooperation and Development

- The OECD is **an intergovernmental economic organisation**, founded to stimulate economic progress and world trade.
- **Founded**: 1961.
- **Headquarters:** Paris, France.
- **Total Members**: 36.
- **India is not a member**, but a key economic partner.



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