

SCIENCE & TECHNOLOGY**CRYPTO CURRENCIES**

- The Lok Sabha approved the Finance Bill, 2022. The approval completes the budgetary process for the next financial year. It has proposed to levy a flat 30% tax on capital gains from crypto currencies/assets, non-fungible tokens (NFT) etc. with effect from April 1, 2022.

What is a Cryptocurrency?

- It is a digital currency that can be used in place of conventional money.
- In cryptocurrencies, cryptography is used to secure and verify transactions. It is also used to control the supply of cryptocurrencies.
- It is supported by a decentralized peer-to-peer network called the blockchain.
- First cryptocurrency: Bitcoin, launched in 2009 by Satoshi Nakamoto.

Data on Tax

- India was probably the only country that did not resort to new taxes whereas as many as 32 countries have increased the tax rates after the pandemic as per an OECD report.

Key amendments/changes made**Definition for crypto assets**

- The government in the Union Budget for 2022-23 has for the first time provided definition for crypto assets and set out a list of proposals on the taxation of this new asset class.

Coverage

- The tax proposal covered all emerging digital assets, including non-fungible tokens (NFTs), assets in metaverse, digital currencies and tokens, among others.

Tax deducted at source

- The Budget also said a 1% TDS (tax deducted at source) will be applicable on payments made on the transfer of digital assets.

Loss from the transfer of virtual digital assets

- It will not be allowed to be set off against the income arising from the transfer of another VDA in the proposed amendments.

30 per cent tax on income

- The government will define virtual digital assets with a view to levy 30 per cent tax on income from all transfers of such assets.
- Section 115BBH was introduced in the Finance Bill, 2022 to inter alia tax transfer of VDAs.

Capital assets

- The amendment now seeks to clear the ambiguity by inserting a sub-section which applied the 2(47) definition to transfer of VDAs irrespective of whether they are construed as capital assets or not.

Infrastructure cost

- Incurred in the mining of virtual digital assets including cryptocurrencies will not be allowed as deduction by the taxman.

Penalty

- Deduction of surcharge and cess, which has been claimed and allowed to the taxpayer, will be deemed to be under-reported income and will attract a 50 percent penalty.
- They can voluntarily declare such classification and avoid the penalty.

Retrospective amendment to the Income-tax Act from 2005-06

- The Finance Bill 2022 had proposed a retrospective disallowance of deduction for surcharge or cess under Section 40(a) (ii) with effect from AY2005-06.
- Citing some court rulings that had given benefit to taxpayers in claiming cess as expenditure and not tax, the tax department said the retrospective amendment is being done to correct the anomaly.

Some issues with the amendments

- Double taxation: The proposed amendment on taxation of VDS could possibly lead to transactions in VDA being subject to TDS or TCS under provisions other than Section 194S and Section 194-O, thereby leading to double taxation.
- Some tax experts opine that it may be possible to set off crypto losses against crypto gains.
 - ❖ Set off of losses means adjusting the losses against the profit or income of that particular year. This provision is available in stock investments.
- The meaning of the phrase “transfer” was unclear as the definition of the term provided under Section 2(47) applied only in relation to capital assets.

Benefits of Cryptocurrency

- Inherent security: Use of pseudonyms and ledger systems conceals the identities.
- Low transaction cost: Very low fees and charges for transactions.
- Lack of interference from the banking system: Outside ambit of banking systems.
- Lower Entry Barriers: No entry barriers, unlike conventional banking systems.
- Universal recognition: Lots of cryptocurrencies and acceptable in many nations.

Concerns/Challenges with Cryptocurrency

- Security risks: Cyberattacks on wallets, exchange mechanism (Cryptojacking).
- Shield to Crime: Used for Illicit Trading, Criminal Activities, & organized crimes.
- Threat to the Indian rupee: If a large number of investors invest in digital coins rather than rupee-based savings like provident funds, the demand of the latter will fall.
- Lack of Liquidity and Lower Acceptability: Outside the traditional banking systems.
- Price Volatility: Prone to price fluctuations & waste of computing power.
- Lack of Consumer Protection: No Dispute Settlement Mechanisms and control of Securities and Exchange Board of India (SEBI).

INDIAN ECONOMY

SAGARMALA PROGRAM

- The Ministry of Ports, Shipping and Waterways organised an event to commemorate the successful seven years of Sagarmala program.

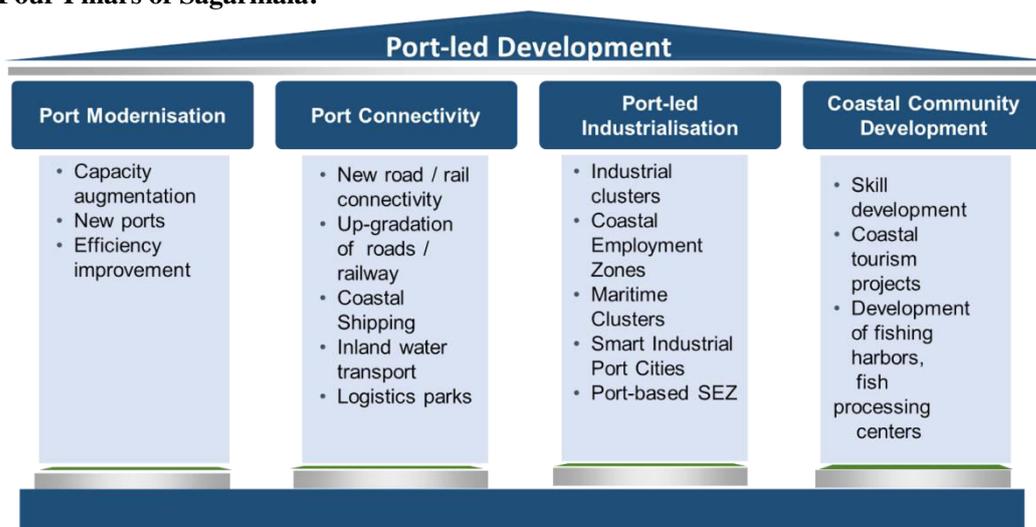
Objectives and Need for Port-Led Development in India

- **To address infrastructural and operational challenges**
 - ❖ India is one of the fastest growing large economies in the world with a GDP growth rate of 7.3% in 2018-19 and ports play an important role in the overall economic development of the country.
 - Approximately 95 % of India’s merchandise trade (by volume) passes through sea ports.
 - ❖ Many ports in India are evolving into specialised centres of economic activities and services and are vital to sustain future economic growth of the country such as JNPT, Mundra Port, Sikka Port, Hazira Port etc.
 - However, Indian ports still have to address infrastructural and operational challenges before they graduate to the next level.
- **Last mile connectivity to the ports**
 - ❖ It is one of the major constraints in smooth movement of cargo to/from the hinterland.
 - ❖ Around 87% of Indian freight uses either road or rail for transportation of goods.
- Any programme for port-led development needs to consider the above mentioned factors to effectively harness the potential of India’s long coastline.
- It is aimed at bringing about a step change in India’s logistics sector performance, by unlocking the full potential of India’s coastline and waterway

About Sagarmala Programme

- The concept of Sagarmala was approved by the Union Cabinet on 25th March 2015.
- It is the flagship programme of the Ministry of Ports, Shipping and Waterways to promote port-led development in the country through harnessing India’s 7,500 km long coastline, 14,500 km of potentially navigable waterways and strategic location on key international maritime trade routes.
- The main vision of the Sagarmala Programme is to reduce logistics cost for EXIM and domestic trade with minimal infrastructure investment.
- The program has followed a stepped approach of implementation with first attempt on implementing the maritime projects through Public Private Partnership (PPP) wherever feasible.
- Port-led development focuses on logistics intensive industries (where transportation either represents a high proportion of costs, or timely logistics are a critical success factor).
- **Implementation**
 - ❖ To implement this, State governments would set up State Sagarmala committees, headed by the chief minister or the minister in charge of ports.
 - ❖ At the central level, a Sagarmala Development Company (SDC) will be set up to provide equity support to assist various special purpose vehicles (SPVs) set up for various projects.

The Four Pillars of Sagarmala:



Objectives



Performance

- The data shows 802 projects worth Rs. 5.48 lakh Crore under the Sagarmala program targeted to be executed by 2035 out of which 194 projects worth Rs. 99,000 Crore have been completed.
- A total of 29 projects worth Rs. 45,000 Crore have been successfully implemented under PPP model, thus, reducing the financial burden on the exchequer.
- The skill centres developed under Sagarmala. Centre of Excellence in Maritime and Shipbuilding (CEMS) which has trained over 5000 candidates in 50+ courses since inception.
- Additionally, **Deen Dayal Upadhyay- Grameen Kaushalya Yojna** Sagarmala Convergence Programme, under Ministry of Rural Development, to enable skilling of coastal population, trained more than 1,900 candidates.

Issues /Challenges

- The increased commercial activities through new ports and petrochemical hubs planned on the coast would hit fishing and also increase the threat of extreme weather events .
 - ❖ Chemical pollution on the coast has already put the livelihoods of one lakh traditional fishermen under risk.
- Port development is threatening the lake, and also the nesting grounds of various species .
- Port Developments projects are facing a serious financial crisis.

Way Forward

- Coastlines are densely populated zones and vulnerable to storms, tidal surges, floods and the occasional tsunami.
- Any major intervention should be made only after serious consideration of the multi-faceted implications and a cost-benefit analysis that goes far beyond just numbers and economic evaluation.
- The country urgently needs a port development policy in keeping with the cargo volume and profile.
- Successful implementation can be a game-changer in terms of savings, employment generation, and value creation .
- The private sector would need to play a huge role if such mammoth investment is to materialise.

IMPORTANT FACTS FOR PRELIM**Q1. PROJECT UNNATI**

Union Minister of Rural Development & Panchayati Raj felicitated 75 trained candidates of Project UNNATI under Mahatma Gandhi NREGA.

About Project 'UNNATI'

- It is a skilling project intended to upgrade the skill base of the Mahatma Gandhi NREGA beneficiaries, and thereby improving their livelihoods, so that they can move from the current partial employment to full-time employment and hence reduce their dependence on Mahatma Gandhi NREGS.
- This project is meant for providing training for one adult member (of age 18-45 years old) of a household who has completed 100 days of work under Mahatma Gandhi NREGA in the previous financial year from the year of commencement of the project.
- **Features:**
 - ❖ The household from which candidates are selected for the training, continue to enjoy 100 days of work under Mahatma Gandhi NREGA.
 - ❖ The candidates undergoing training are paid a stipend for a maximum period of 100 days and for one program per household as per the wage rate prevailing in the concerned State/UT as per the provisions of the project.
 - ❖ Full expenditures towards a stipend, against wage loss compensation, are entirely borne by the Central Government.
 - ❖ Total of 2,00,000 beneficiaries shall be imparted training under this project in a span of three years in 26 States and 2 UTs.

Significance:

- The whole purpose of the project is to connect the rural people to various available livelihood opportunities and lead them to self-reliance and sustainable development.
- It is improving the livelihoods of the neediest Mahatma Gandhi NREGA beneficiaries by providing a skill, either for self-employment or wage employment.

Q2. BUCHAREST NINE

- Recently, the envoys rejected the Russian claim (which has been amplified by the Chinese) about the eastward “expansion” of NATO & mentioned the unjustified Russian aggression in Ukraine”.

Bucharest Nine

- The “Bucharest Nine” is a group of nine NATO countries in Eastern Europe that became part of the US-led military alliance after the end of the Cold War.
- The B9 or Bucharest Format, often abbreviated as the B9, was founded on November 4, 2015, and takes its name from Bucharest, the capital of Romania.
- The group was created on the initiative of Klaus Iohannis, who has been President of Romania since 2014, and Andrzej Duda, who became President of Poland in August 2015, at the High-Level Meeting of the States from Central and Eastern Europe in Bucharest.
- The members of B9 are Romania and Poland, Hungary, Bulgaria, the Czech Republic, Slovakia, and the three Baltic republics of Estonia, Latvia, and Lithuania.
- All members of the B9 are part of the European Union (EU) and North Atlantic Treaty Organisation (NATO).
- It is also regarded as the “voice of the Eastern Flank” in the NATO alliance.
- B9 offers a platform for deepening the dialogue and consultation among the participant allied states across the members of NATO.

DAILY ANSWER WRITING PRACTICE

Q1. Examine, why India has taken a subtle pro-Moscow position on the question of Russian attacks against Ukraine, highlighting the implications on India’s Strategic Autonomy. (250 Words)

Introduction

- India’s responses to the Russian aggression on Ukraine underline the fact that India is operating from a position of geopolitical vulnerability. While the Indian stand does reek of realpolitik, it reeks more of strategic weakness. India’s neighbourhood is now surrounded by China, Chinese backed Pakistan and Pakistan backed Taliban in Kabul. All three are continental challenges that India dreads. For this reason, India needs Russia more than ever.

Body

Background: Russia-Ukraine war

- The increasing aggression on part of Russia started with news of eastward expansion of NATO, especially Ukraine's membership to NATO. This would mean deployment of western missiles and weapons in Russia backyard and its borders.
- Russian President Vladimir Putin has played a major move by announcing formal recognition for the Donbas region enclaves (Oblasts) of Donetsk and Luhansk in Eastern Ukraine, one which changes the course of the present diplomatic efforts.
- Post this, Russian troops have started full scale invasion and have reached the capital city Kyiv.
- The recognition of the two separatist groups that control parts of the Donbas region as governments signals that Russia is no longer interested in talks on the basis of the "Minsk accords". The agreements — negotiated in 2014 and 2015, but never fully implemented — had secured a "special status" for the Donbas enclaves.

Reasons for India's subtle pro-Moscow position

- **'China' problem:** There are understandable reasons for India's (subtle) pro-Russia position.
 - ❖ An aggressive Russia is a problem for the U.S. and the West, not for India.
 - ❖ North Atlantic Treaty Organization (NATO) expansion is Russia's problem, not India's.
 - ❖ India's problem is China, and it needs both the U.S./the West and Russia to deal with the "China problem"
- **Geopolitics rather than emotions:** There is today a sobering recognition in New Delhi about the weakening of the U.S.-led global order and the rise of China as a counter-pole, geographically located right next to India.
 - ❖ US withdrawal from the region and its decline as the principal system shaper has complicated India's place in regional geopolitics.
 - ❖ Neighbouring China as the rising superpower and Russia as its strategic ally challenging the U.S.-led global order at a time when China has time and again acted on its aggressive intentions vis-à-vis India, and when India is closest to the U.S. than ever before in its history, throws up a unique and unprecedented challenge for India.
- **Strategic autonomy:** India did not endorse the harsh language used in the resolution condemning Russia's actions.
 - ❖ It wants to maintain a balance between the Western bloc led by the US, and Russia, since it has strategic partners on both sides.
- **Beyond all weather friendship:** For India, Russian ties are important. It must be recalled that Ukraine was against India during 1998 nuclear tests and had spoken against India with issue of Kashmir.
 - ❖ India's Russia tilt should be seen not just as a product of its time-tested friendship with Moscow but also as a geopolitical necessity.
 - ❖ If in the future there is Chinese aggression or Pakistan tries adventurism on India, India will need all hands on the deck. Russia being the most important.
- **Russia's support to solve continental problems:** There is an emerging dualism in contemporary Indian strategic Weltanschauung: the predicament of a continental space that is reeling under immense pressure from China, Pakistan and Taliban-led Afghanistan adding to its strategic claustrophobia; and, the emergence of a maritime sphere which presents an opportunity to break out of the same.
- **Defence supplies:** New Delhi needs Moscow's assistance to manage its continental difficulties through defence supplies, helping it 'return' to central Asia, working together at the Shanghai Cooperation Organization (SCO) or exploring opportunities for collaboration in Afghanistan.
- Russia, to put it rather bluntly, is perhaps India's only partner of consequence in the entire Asian continental stretch.
- Therefore, having Russia on its side is crucial for India, more than ever.
- Moscow may or may not be able to moderate Chinese antagonism towards New Delhi, but an India-Russia strategic partnership may be able to temper New Delhi's growing isolation in a rather friendless region.

Implications for India

- **War may embolden China:** The war on Ukraine could have major implications for India's strategic calculus. For one, Russian action in Ukraine dismissing the concerns of the rest of the international community including the U.S. will no doubt embolden China and its territorial ambitions.

