

A CENTRE-STATE SKEW FURTHER WIDENED

Context

- Chief Ministers recently expressed their concern about dwindling State revenues in a NITI Aayog meeting chaired by the Prime Minister and sought a **higher share in the divisible pool** of taxes and an **extension of GST compensation**, both of which have long remained a bone of contention between the Union government and the States.

Background

- States' financial health had worsened with the implementation of the Ujwal DISCOM Assurance Yojana, farm loan waivers coupled with the slowdown in growth in 2019- 20.
- Moreover, a heightened expense during the pandemic and a revenue shortfall has further strained their finances.

What belongs to whom?

- **Federal set-up:** The Constitution grants the **Union government** more **revenue-raising powers** while the **States** are tasked to undertake most of the **development and welfare-related responsibilities**.
- **Statistics:** According to the **15th Finance Commission's report**, in FY19, the Union government raised 62.7% of the total resources while States had borne 62.4% of the aggregate expenditure.
- **Reasons for revenue sharing with states:** The differential allocation of taxation powers and expenditure responsibilities results in an **imbalance**, and hence the Constitution provides for sharing of the Union government's revenue with the States.

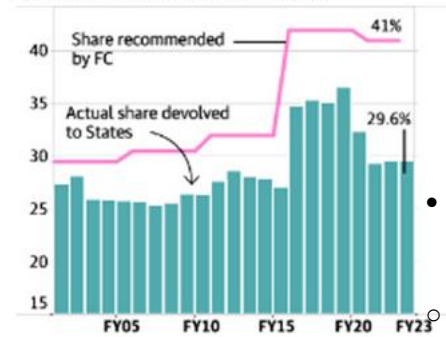
Widening gaps

- **Attempts by Finance commission:** Successive Finance Commissions (FC) have attempted to reduce the imbalance by increasing the States share in Central taxes.
 - Although the **14th and 15th FC** raised the **share of States in gross taxes to over 40%**, the actual share never reached this mandated level.

- After reaching a peak of 36.6% in FY19, States' share fell and has since stagnated at around 29%.

Chart 2

The chart shows the States' share in the divisible pool of taxes mandated by the Finance Commission and the actual share devolved to the States (figures in %)



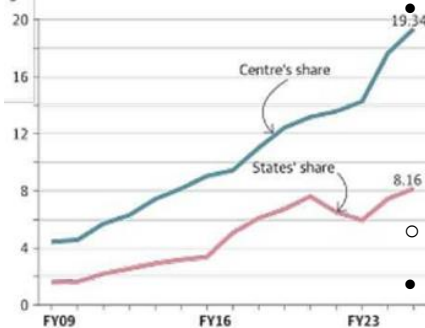
- **Shirking divisible pool:** The gap between the share recommended by the FC and the actual devolution has widened to more than 11 percentage points, the highest in at least two decades.

- **Demonstration:** This can be explained by illustrating the revenue sharing during the pandemic.

○ For instance, as the gross tax revenues took a hit during the pandemic, the States' share of the Union government's taxes recorded a steep fall in FY20 and FY21.

- However, the Union government's revenue share continued to rise owing to levying cesses and surcharges which are not shareable with the States. The cesses and surcharges are transferred to Reserve Funds to ensure that they are being used for the intended purpose.

The chart shows the States' and Union government's share of gross tax revenue in ₹ lakh crore. States' share of Centre's taxes recorded a steep fall in FY20 and FY21. But, the Union government's share continued to rise



- **Enhanced non-divisible pool:** From 4% in FY12, the share of cesses and surcharges in gross tax revenue climbed up to 20% by FY21, suggesting the Union government's excessive reliance on these instruments to raise revenue.

- **Worrying trends:** In FY20, about 40% of the cesses levied, worth ₹78,000 crore were not transferred to the Reserve

Funds.

Way forward

- The shrinking of the divisible pool despite a higher burden on expenditure on States suggests that it requires redressal.

- The 15th Finance Commission (FC) recommendation making revenue from cesses and surcharges a part of the divisible pool and shared with states while release of local body grants needs consideration.

PARLIAMENTARY PANEL'S SUMMONS FOR TECH GIANTS

In News:

- Recently, the Standing Committee on Finance has summoned top executives of Amazon, Twitter, Netflix, Google, Apple and Microsoft on the subject of 'anti-competitive practices' in the digital market.
- The panel summoned these firms in connection with **the Competition (Amendment) Bill, 2022**, which was previously referred to it.

The Competition (Amendment) Bill, 2022:

Background:

- Recently, the Competition (Amendment) Bill, 2022 was introduced in the Indian Parliament by the Ministry of Finance.
- The Bill seeks to amend the Competition Act, 2002, and to bring the Act in line with modern conditions, including the development of new technology.
 - The 2002 Act establishes the Competition Commission of India (CCI) for regulating market competition.
 - The existing act, framed in 2002, has no provisions to tackle the huge changes brought about in the digital market.
- Later, the Bill was referred to the **Standing Committee on Finance** for further scrutiny.

The key amendment includes:

- **Expansion of scope of the combinations** to include transactions with a value above Rs. 2000 crores.
 - Combinations imply mergers, acquisitions, or amalgamation



of enterprises.

- **Reduction in the time period** for approval of combinations from 210 days to 150 days.
- **Modification in the definition of control** for the purpose of classification of combinations.
 - The Act defines control as control over the affairs or management by one or more enterprises over another enterprise or group.
 - The Bill modifies the definition of control as the ability to exercise material influence over the management, affairs or strategic commercial decisions.
- **Expansion of the scope of Anti-competitive agreements.**
 - Under the Act, anti-competitive agreements include any agreement related to production, supply, storage or control of goods/services, which can cause an appreciable adverse effect on competition in India.
 - The Bill adds that enterprises or persons **not engaged in identical or similar businesses** shall be presumed to be part of such agreements, if they actively participate in the furtherance of such agreements.
- Provision with respect to **Settlement and Commitment** in anti-competitive proceedings.
 - The Bill permits CCI to close inquiry proceedings if the enterprise offers - settlement (may involve payment), commitments (may be structural or behavioural in nature).
 - The manner and implementation of settlement and commitment may be specified by CCI through regulations.
- **More scrutiny on Big Tech giants:**
 - The Bill also seeks to introduce knowledge and experience in the field of technology as additional criteria for the members of the selection committee.
 - This is a clear indication that the government is looking to add investigative strength and professional knowledge to the regulator's expanding monitoring of big tech companies.

[LOAN DEFAULTERS, ENTITIES UNDER PROBE NEED NOC TO INVEST OVERSEAS](#)

In News:

- The Department of Economic Affairs (DEA), under the Union Finance Ministry, has recently notified updated norms for residents wanting to invest in overseas entities.
- Presently, the overseas investment by a person resident in India is governed by the Foreign Exchange Management Regulations 2004 and 2015.

Foreign Exchange Management Act, 1999:

- The Foreign Exchange Management Act (1999) or in short FEMA has been introduced as a replacement for earlier Foreign Exchange Regulation Act (FERA).
- **Objectives –**
 - To consolidate and amend the law relating to foreign exchange,
 - To facilitate external trade and payments and
 - To promote the orderly development and maintenance of foreign exchange market in India.
- Under FEMA, every transaction involving a non-resident and resident can be classified either as a capital account or a current account transaction.
- **Current account transactions –**
 - All transactions undertaken by a resident that do not alter his / her assets or liabilities, including contingent liabilities, outside India are current account transactions.
- **Capital account transactions –**
 - All those transactions which are undertaken by a resident of India such that his/her assets or liabilities outside India are altered (either increased or decreased).

Applicability:

- FEMA is applicable to the all parts of India. The act is also applicable to all branches, offices and agencies outside India owned or controlled by a person who is resident of India.
- Under the Act, FEMA regulations are notified which seek to regulate acquisition and transfer of a foreign security by a person resident in India.

Who is a 'resident' as per FEMA?

- A 'person resident in India' is defined in Section 2(v) of FEMA, 1999 as –

- Barring few exceptions, a **person residing in India for more than 182 days** during the course of the preceding financial year.
- Any person or body corporate registered or incorporated in India.
- An office, branch or agency in India owned or controlled by a person resident outside India.
- An office, branch or agency outside India owned or controlled by a person resident in India.

Foreign Exchange Management (Overseas Investment) Rules, 2022:

- Ministry of Finance, in consultation with the Reserve Bank of India, has undertaken a comprehensive exercise to simplify the FEMA rules.
- The new rules will be administered by the RBI, and will subsume all existing norms pertaining to overseas investments as well as acquisition and transfer of immovable property outside India.

Major changes to the rules –

• **Restrictions on investments –**

- No Indian resident shall be allowed to make investments into foreign entities that are engaged in real estate activity, gambling in any form, and dealing with financial products linked to the Indian rupee without the central bank’s specific approval.

• **No Objection Certificate for certain category of people –**

- The new rules mandate they secure a No Objection Certificate (NOC) from their lender or investigative agencies before making any ‘financial commitment’.
 - This is to make it difficult for bank defaulters and fraudsters to acquire assets abroad.
- This NOC shall be mandatory for any person –
 - Who has a bank account classified as a non-performing asset, or
 - Who is labelled a wilful defaulter by any bank, or
 - Who is under the investigation by a financial service regulator, the ED or CBI.
- If lender banks or the concerned regulatory body or investigative agency fail to furnish the NOC within 60 days of receiving an application, it may be presumed that they have no objection to the proposed transaction.

[UGC TO SEEK PEOPLE’S VIEWS ON ‘PROFESSOR OF PRACTICE’ NORMS](#)

In News:

- The University Grants Commission (UGC) has approved the draft guidelines for engaging the industry experts and professionals from various fields as ‘professor of practice’.
- This is being done in order to get these professionals to use their experience and teach in higher education institutions.

In Focus: The University Grant Commission (UGC)

- The UGC was formally established in November 1956 as a statutory body by the UGC Act 1956.
- It was set up by the Department of Higher Education, Ministry of Education.
- It was established for the coordination, determination and maintenance of standards of university education in India.
- It is essentially an autonomous government agency that channels public funds (grants) to higher education institutions.
- This is done in exchange for their compliance with set quality criteria.
- It is headquartered in New Delhi and it has six regional centres in Pune, Bhopal, Kolkata, Hyderabad, Guwahati and Bangalore.


Mandate

- UGC has the unique distinction of being the only grant-giving agency in the country
- The UGC’s mandate includes:
 - Promoting and coordinating university education.
 - Determining and maintaining standards of teaching, examination & research in universities.
 - Framing regulations on minimum standards of education.
 - Monitoring developments in the field of collegiate and university education; disbursing grants to the universities and colleges.
 - Serving as a vital link between the Union and state governments and institutions of higher learning.
 - Advising the Central and State governments on the measures necessary for improvement of university education.

News Summary

- The UGC has approved the “Professors of Practice” scheme. The guidelines for this scheme are likely to be notified in September.
- This scheme will enable universities and higher education institutions to hire distinguished experts as faculty members. The engagement will be for a fixed term.

Key highlights of the draft guidelines

ACADEMIC DEGREE NOT ESSENTIAL			
<p>Draft guidelines for engaging 'professor of practice' in universities & colleges</p> <p>'Professor of practice' To bring the industry & other professional expertise into the academic institutions through this new position</p> 			
<p>Objectives</p> <ul style="list-style-type: none"> > To develop courses & curriculum to meet the industry and societal needs > To enable the higher education institutions to formally associate with persons of eminence 		<p>Eligibility</p> <ul style="list-style-type: none"> > Those who have proven expertise their specific profession or role with least 15 years of service/ experience preferably at a senior level > A formal academic qualification is not considered essential for this position if they have exemplary professional practice in lieu 	
Duties & responsibilities			
Designing of courses & curriculum	Introduce new courses and deliver lectures	Enhance industry-academia collaborations	Joint research project or consultancy services
Categories of engagement	'Professor of practice' funded by industries	'Professor of practice' funded by HEIs from their own resources	'Professor of practice' on honoraria basis

Experts from various field to be hired

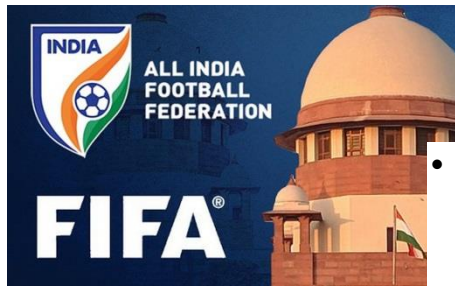
- Experts from fields such as engineering, science, media, literature, entrepreneurship, social sciences, fine arts, civil services, and armed forces among others will be eligible to be hired.

Exemptions given to these experts

- These experts will also be exempted from the requirement of publications and other eligibility criteria stipulated for the recruitment of faculty members at the Professor level.
- **Number of Professors of Practice in a higher education institution**
 - As per the guideline, the number of Professors of Practice in a higher education institution (HEI) should not exceed 10% of the sanctioned posts.

[ALL INDIA FOOTBALL FEDERATION \(AIFF\)](#)

The Supreme Court terminated the mandate of its Committee of Administrators (CoA) to manage the affairs of the All India Football Federation (AIFF) to overcome suspension of the Indian football body by FIFA.



About:

- The All India Football Federation (AIFF) is the governing body of football in India under jurisdiction of Ministry of Youth Affairs and Sports, Government of India.
- Formed in 1935 founded at Darbhanga, the federation was one of the founding members of the Asian Football Confederation, the overseer of football in Asia.
- The federation is also responsible for managing the India national football team, as well as the women's team and the various youth national sides.
- The federation is currently based in Delhi.

RASHTRIYA PURUSKAR PORTAL

The Union Government has launched Rashtriya Puruskar Portal to bring together all the awards of the various Ministries, Departments and agencies of the government under one platform. This has been done to ensure transparency and public partnership.



About:

- Home Ministry in a statement said that this common portal facilitates every citizen or organization to nominate individuals or organizations for various awards instituted by the government. It informed that the nominations or recommendations for the Padma Awards are open till 15th of next month, while nominations or recommendations for Jeevan Raksha Padak will be invited till 30th of next month.

ANNA MANI

Google on August 23, 2022 celebrated the 104th birth anniversary of Indian physicist and meteorologist Anna Mani, one of the country's first female scientists, with a special Doodle.



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About:

- Anna Mani (1918 – 2001) was an Indian physicist and meteorologist.
 - She retired as the Deputy Director General of the Indian Meteorological Department and further served as a visiting professor at the Raman Research Institute.
 - She made several contributions to the field of meteorological instrumentation, conducted research and published numerous papers on solar radiation, ozone and wind energy measurements.
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