NEWS ITEMS ON CAG/ AUDIT REPORTS

1. For the Indian Armed Forces, the Era of Moscow-Supplied Platforms and Assets Is Ending *(thewire.in)* 07 Nov 2023

Russia's once gargantuan military industry almost single-handedly armed India's military since the 1960s, especially its aerial requirements.

The phasing out last week of two Russian military aircraft types from the Indian armed forces inventory definitively presages the end of the era when Moscow-supplied fixed-wing combat, surveillance and transport platforms and assorted rotary-wing assets monopolised the catalogues of the country's three services.

On October 31, the Indian Air Force (IAF) retired one of its three remaining upgraded MiG-21 'Bison' fighter squadrons, the same day that the Indian Navy (IN) decommissioned, after 44 years, the last of its five Ilyushin IL-38 Sea Dragon long-range maritime patrol aircraft from the same epoch. The IAF also aims, by 2025, to superannuate its two remaining MiG-21 'Bison' squadrons of some 40 fighters, all of which had been imaginatively exploited by three generations of fighter pilots.

The MiG-21s will be imminently replaced by the indigenous Tejas Light Combat Aircraft (LCA), while the IL-38s already have two substitutes in place: 12 Boeing P-8I Neptune long-range maritime multi-mission platforms and 26 German-origin turboprop Dornier Do-228s, licence-built by Hindustan Aeronautics Limited (HAL) in Bangalore with refurbished engines, composite propellers, advanced avionics and a glass cockpit. Another 12 Do-228 maritime variants were presently on order from HAL by the IN.

"There is now little or no likelihood of India acquiring any more Russian military aircraft," declared a former three-star IAF fighter pilot. He said that other than intrinsic handicaps of low serviceability and crippling maintenance issues, Moscow's previously questionable reliability in providing after-sales support, including spares, for its in-service aerial platforms had now 'multiplied exponentially' following US-led sanctions for invading Ukraine.

A cross-section of serving and retired military officers concurred that the 'golden age' of Soviet/ Russian aerial military platforms that began in 1963 with the induction of the single-engine, single-seat MiG-21FL 'Fishbed' fighters into the IAF, and was thereafter supplemented by a vast panoply of other platforms, was finally drawing to a close.

Even Russia's defence industrial complex itself, for the first time after the imposition of sanctions 21 months ago, had publicly expressed its inability recently to continue delivering materiel to its many clients, including India, as it needed to 'prioritise' domestic military manufacturing to sustain domestic needs. Its unstated message signalled the urgency for Russian armament manufacturers to ensure uninterrupted equipment supplies to its armed forces to continue executing their deadlocked Ukrainian campaign.

In an October 19 press statement, Rosoboronexport, Russia's dominant joint stock arms export corporation, admitted to currently facing 'pressing challenges'. Consequently, in a departure from the past that focused primarily on exporting equipment, Rosoboronexport offered potential foreign partners alternate cooperative formats centred on technology partnerships. Military and defence planning officials in New Delhi fittingly interpreted this admission to signal the precipitous decline of Russia’s once gargantuan military industry which, almost single-handedly, armed India’s military since the 1960s, especially its aerial requirements.

The IAF’s transport fleet, for instance, earlier dominated by Antonov An-32s and Ilyushin Il-76, had undergone a significant makeover, with the induction of 11 Boeing C-17 Globemaster III and 12 Lockheed Martin C-130J-30 air lifters. Another 56 C295 MW medium transport aircraft from Airbus Defence and Space were on stream to replace the IAF’s legacy Avro-748M fleet, with 16 of them acquired in flyaway condition and 40 manufactured at a recently inaugurated facility in Vadodara, via a transfer of technology. And though some 100-odd An-32s continued in IAF service, their $400 million upgrade agreed with Ukraine in 2008, stands suspended after around 60 of them were retrofitted.

The Indian Air Force’s Antonov An32 ‘Cline’ transport aircraft. Photo: Oleg V. Belyakov/Wikimedia Commons CC BY SA 3.0

And, in early 2019, the IAF began replacing its dwindling fleet of 8-10 Mil Mi-25/35 attack helicopters with 22 Boeing AH-64E Apache equivalents that were acquired alongside 15 Boeing CH-47F Chinook heavy-lift helicopters. Both latter rotary aircraft were shortlisted after besting comparable Russian platforms in user trials. The Indian Army (IA) too is scheduled to take delivery in early 2024 of the first of six Apaches it had signed up to acquire in 2020 for around $500 million.

“India’s decades-old defence ties with Moscow have plateaued and are now on the downswing, especially with regard to military aircraft,” said Amit Cowshish, former Ministry of Defence (MoD) advisor on acquisitions. The materiel road for India, he added, now leads fortuitously to Western vendors and towards fast-tracking atmanirbharta (self-reliance) to indigenously develop weapon systems and platforms, or to a practical blend of the two, underscored by technology transfers.

That being said, Moscow undoubtedly takes commercial solace from the reality that some 60% of India’s overall in-service military kit was Russian in origin, even though Delhi’s materiel imports from Russia between 2017 and 2022 had dropped from 62% to 45%, according to the Stockholm International Peace Research Institute. But the IAF, the IN and to a large extent even the IA remain heavily dependent on Moscow to technically support their swathe of Russian fixed-wing and rotary aircraft, which are expected to remain in service for at least two decades or more.

The most prominent amongst these were the IAF’s 260-odd twin-engine Sukhoi Su-30MKI (India) multi-role fighters and some 65 retrofitted MiG-29UPG air superiority combat aircraft that presently constitute the ‘sword-arm’ of the IAF’s combat squadrons. And, in September the MoD had, after extended deliberation, approved the procurement of 12 HAL-built Su-30MKIs as replacements for an equal number lost over years in accidents.

In the meantime, a cursory evaluation of the steady drawdown of Russian-origin aerial military platforms by the IAF and IN, in particular, is instructive.

In 2006, the IAF retired its fabled Cold War-era MiG-25 ‘Foxbat’ supersonic interceptor and reconnaissance platform, nick-named Garuda after the mythological bird-like creature from Hindu scriptures, whose purported activities were as mysterious and enigmatic as those of this aircraft.

Thereafter, in March 2007 it phased out some 120 MiG23MF/BN ‘Flogger’ air defence and ground attack variant fighters – christened Bahadur by HAL, followed 12 years later, in late 2019, by retiring its last upgraded MiG-27 ML ‘swing-wing’ combat aircraft, of which some 165 examples were licence-built by HAL. Around the same time, the IN bid farewell, after 29 years, to eight of its four-engine Tupolev-142MK-Es, possibly one of the best maritime reconnaissance and anti-submarine warfare aircraft of the Cold War years.

Furthermore, India has also bypassed Russia on recent aircraft contracts, with the MoD more or less scrapping the over $1.2 billion tender from 2014 for 200 Russian Kamov Ka-226T ‘Hoodlum’ light utility helicopters. Of these, 135 were intended for the Army Aviation Corps and 65 for the IAF, but over years of negotiations, the deal became mired in a myriad of insoluble complications over technology transfer to HAL and overall cost, and was abandoned.

The IAF was also sidestepping Russia in upgrading 84 of its Su-30MKIs to ‘Super Sukhoi’ standards, in its first retrofit tranche, by enhancing their overall operational performance, to keep them in service till 2045-50. Negotiations for the Su-30MKIs retrofit by HAL and a consortium of local vendors which includes upgrading some 51 of the fighters operating, offensive, surveillance and detection systems, but not their Al-31F engines were initiated with Russia’s United Aircraft Corporation (UAC) and Sukhoi Corporation in 2011, but these rumbled on for years, before being recently abandoned.

And in yet another telling indicator of the IAF’s disillusionment with Russian military aircraft, was its reported ‘unenthusiasm’ and ‘disinterest’ in even evaluating UAC and Sukhoi Corporation’s offer of MiG-35 ‘Fulcrum-F’ and Su-35 ‘Flanker-E’ for its proposed procurement of 114 multi-role fighter aircraft (MRFA). Both Russian manufacturers had, alongside five other overseas original equipment manufacturers (OEMs), responded to the IAF’s April 2018 request for information or RfI for the planned MRFA buy to bolster its depleting fighter squadron numbers that had declined to around 29-30 from a sanctioned strength of 42 squadrons.

Senior IAF and industry officials are believed to have reasoned that for a variety of operational, availability and sustainability considerations, even evaluating the two fuel-intensive Russian fighter types for eventual acquisition, was ‘irrational and unworkable’, categorically precluding Moscow’s role in the lucrative contract. The other OEM responders to the IAFs MRFA RfI included France’s Dassault (Rafale), Eurofighter (Typhoon), Sweden’s Saab (Gripen-E) and the US’s Boeing and Lockheed Martin (F/A-18 and the upgraded F-21).

Conversely, the IN too was in the process of edging away from inducting Russian fighters into its new aircraft carrier's combat air arm. Currently, it was in advanced negotiations to acquire 26 French Rafale (Marine) fighters for INS Vikrant, instead of supplementary Russian MiG-29K/KUBs, all of which had collectively proven operationally inefficient and hugely problematic since their commissioning into service from 2009 onwards.

The IN had acquired 45 twin-engine MiG-29K/KUBs between 2004 and 2010 for $2.29 billion but presently operated around 40, almost half of which were believed to be in reserve because of their dismal performance and inability to deliver their weapons payload to their stated range with a full fuel load. An excoriating analysis by the Comptroller and Auditor General in 2016 had binned the MiG-29Ks, whose operational availability between 2014 and 2016, he revealed, fluctuated from 15.93% to 37.63%, whilst that of the MiG-29KUB dual-seat trainers hovered between 21.2% and 47.14%.

A MIG-29k takes off from INS Vikrant. Photo: Government of India, GODL-India

Revealingly, the IN is also believed to have halted negotiations with Russia to acquire 10 additional Kamov Ka-31 'Helix' airborne early warning (AEW&C) helicopters for $520 million, approved by the MoD in May 2019, for deployment aboard Vikrant, following uncertainty in supplies over sanctions and attendant knotty payment mechanisms. These 10 Ka-31s were to have supplemented 10-12 similar platforms in service with the IN since 2003, all of which needed upgrading, that too was now imperilled by sanctions on Russia. Meanwhile, the IN had acquired 24 Lockheed Martin/Sikorsky MH-60R multirole helicopters in a $2.6 billion deal agreed upon in early 2020, deliveries of which were ongoing, further diluting the navy's once-prodigious Russian rotary wing assets.

In conclusion, Delhi's druzhba or friendship with Moscow which sustained prodigious bilateral military commerce between the two, worth over $70 billion, seems to have run its course at the altar of newly emergent geopolitical configurations, encompassing a beleaguered Russia cementing close strategic, political, diplomatic, economic and, in time, even military ties with India's feared foe Beijing. https://thewire.in/security/indian-armed-forces-russia-supplied-platforms-assets-era-end

2. Electoral Bonds: Balancing Act between Political Funding Privacy and Democratic Transparency *(news18.com)* Nov 07, 2023

In the realm of democratic governance, the unequivocal transparency of political financial dealings stands as a critical imperative. India, the cradle of the most populous democracy globally, embarked upon a quest for lucid electoral financing with the advent of electoral bonds in 2017. Despite this, the inception of these financial instruments has incited fervent debates and garnered dissent from a spectrum of stakeholders.

Initially heralded as a tool for purifying the opaque financial channels of India's political entities, electoral bonds are now being scrutinised in the nation's supreme judicial forum as a potential "corruption of democratic principles".

The latest legal challenges presented to the Constitution Bench of the Supreme Court of India call into question the “selective secrecy” permitted by the Electoral Bonds Scheme (EBS). It brings to the fore a critical issue: should the privacy of specific individuals or bodies be given priority over the general populace’ constitutional entitlement to information as guaranteed by Article 19(1)? The five-judge Constitution Bench presided over by Chief Justice DY Chandrachud, on November 2, 2023, withheld its verdict on the suite of petitions disputing the legitimacy of EBS. Concomitantly, the bench also issued an interim order, mandating the Election Commission of India (ECI) to aggregate and disclose a detailed account of all political donations received by political entities in India up to the specified date of September 30, 2023. At the same time, the court remarked that the scheme suffered from “serious deficiencies” and “opacity”.

WHAT ARE ELECTORAL BONDS AND WHY ARE THESE PROBLEMATIC?

The institution of electoral bonds in India was initiated by the then Finance Minister Arun Jaitley during the 2017 budget announcement, with the objective of injecting greater transparency into political contributions and sanitising the political financing landscape of the nation. This reform was targeted at streamlining corporate donations and mitigating the pervasive influence of undisclosed, non-transparent funding within the political arena.

Electoral bonds, designed as confidential financial instruments, enable both individual and corporate benefactors to secretly fund political parties in India. To instil a degree of regulation, only political entities that have secured at least 1 per cent of the votes in the most recent national polls qualify to cash in these instruments. Available in denominations from Rs 1,000 to Rs 1 crore, the bonds can be acquired exclusively at designated State Bank of India branches, mandating the use of traceable transaction methods such as bank transfers or electronic payments. The identities of the donors remain undisclosed, allowing political organisations to anonymously redeem the bonds within a fixed period of 15 days, channelling these funds into electoral campaign endeavours. There is no cap on the number of electoral bonds that can be purchased.

Historically, any political donation over Rs 20,000 necessitated reporting to the Election Commission, which was integral for donors to receive an income tax deduction. However, with the introduction of electoral bonds, donors can now anonymously contribute substantial amounts, ranging from Rs 20 crore to even Rs 200 crore, bypassing previous disclosure requirements.

Legislative revisions have endowed political parties with three significant liberties. First, the obligation to report/publish bond-derived contributions under the Income Tax Act, 1961 and Representation of People’s Act, 1951 was nullified. Second, the revocation of the corporate donation cap to political parties unleashed unlimited financial patronage (Companies Act, 2013). Third, the modifications to the FCRA, 2010 have carved out exemptions for political parties receiving funds from abroad, sparking worries over the possibility of external influence in domestic politics.

Despite their intention to sanitise political financing, electoral bonds have invited intense scrutiny and debate. Critics point out a stark vulnerability: the anonymity provision primarily fortifies the ruling government. With the State Bank of India, a government-operated bank, as the issuer of these bonds, there lies a potential for donor identity tracking. This risk spawns concerns over possible exploitation or reprisal, giving the governing party, which reportedly garners more than three-quarters of these bond funds, a considerable advantage. Originally heralded as a step towards financial transparency in politics, electoral bonds have instead fostered a climate of opacity, igniting alarm over prospective corruption and exploitation within the political funding landscape.

CONTENTIOUS TERRAIN OF INDIA'S ELECTORAL BONDS: TRANSPARENCY VS SECRECY IN POLITICAL FUNDING

Petitioners led by the Association for Democratic Rights (ADR) have challenged the scheme's constitutionality, on three fundamental grounds:

-The right to information is inherently embedded within the right to freedom of speech and expression, as enshrined in Article 19(1)(a) of the Indian Constitution. However, the scheme fosters a system of selective secrecy, wherein the recipients of donations are privy to the donor's identity, yet this information remains undisclosed to the public, enabling a veiled transactional environment.

-It is inconsistent in permitting political entities to receive foreign contributions without the same rigorous restrictions that are imposed on other sectors like the media and non-governmental organisations.

-It facilitates a potential for undue influence, as corporate entities could potentially leverage substantial donations to curry favour and negotiate policy benefits from the ruling parties, all under the guise of anonymity provided by the electoral bonds.

It is profoundly concerning to observe the Solicitor General's response that the disclosure of donors and recipients in political funding is not a public entitlement. Further, he pointed out that the purpose of maintaining confidentiality (of political donations) must be assessed in accordance with the reasonable restrictions under Article 19(2). This perspective is incongruent with the expected transparency standards of a sovereign nation committed to democratic values. Moreover, just as voters are empowered to make informed decisions by being aware of a political candidate's criminal history, understanding who financially supports our prospective lawmakers provides essential insight into the political parties' loyalties and affiliations. The lack of transparency concerning the origins of political funding obscures the electorate's awareness of financial backers, thereby inhibiting voters from making informed choices and consequently fostering an environment conducive to quid-pro-quo/corruption.

What practical function do electoral bonds fulfil when powerful figures may employ intermediaries to acquire numerous electoral bonds, circumventing oversight, and corporations might establish subsidiary entities for equivalent purposes? Considering the scheme's allowance for unlimited donations, it becomes a straightforward conduit for individuals to exert influence over political parties, regardless of whether such influence aligns with the broader public interest.

The interwoven relationship between financial resources and influential strength means that typically only the affluent and mighty secure candidacy for elections. A significant number of political parties are likely to abstain from competing in elections. Such entities might engage in money laundering or exploit their political standing to legitimise illicit funds.

During the hearing, it came to light that after the introduction of this scheme, political parties could get donations even from shell companies, or any other company, even loss-making ones, which defeats the very purpose of the scheme.

"In the dance of democracy, electoral bonds have become a masquerade for anonymous donors and receivers, leaving the audience – the citizens – blindfolded."

POSSIBLE SOLUTIONS

To address the controversies surrounding electoral bonds and enhance transparency in political funding in India, several measures could be considered. First, the scheme could be modified to ensure that all donations received through electoral bonds are fully disclosed to the Election Commission and potentially to the public. Additionally, a cap on the purchase of electoral bonds by individuals or entities could be introduced to prevent excessive influence by any single donor.

To further promote transparency, real-time disclosure of bond purchases and redemptions to an independent regulatory body could be mandated.

While preserving the anonymity of donors to protect their privacy, their identities could be known to a regulatory authority to maintain accountability. Regular audits by an authority like the Comptroller and Auditor General (CAG) could be instituted to ensure that the funds are used appropriately. Limiting the redemption period of electoral bonds to match election cycles would also prevent the constant, opaque flow of funds. Corporate donations could be capped once again to limit corporate influence and protect corporate governance. Foreign funding through electoral bonds should be explicitly prohibited to safeguard against external influence on domestic politics. To empower voters, a centralised database with aggregated data on electoral bond donations could be made available to the public.

Exploring public financing options for elections may reduce dependency on large private donations. Implementing a sunset clause would ensure periodic review and renewal of the scheme, adjusting to new challenges and concerns. Engaging a wider array of stakeholders, including political parties, civil society, and experts in policy reform, would help create a more inclusive and considered approach to reforming political financing. The Indian judiciary, particularly the Supreme Court, will play a crucial role in shaping these reforms through its interpretation of the constitutionality and legality of the electoral bond scheme.

In conclusion, the integrity of the electoral process is fundamentally linked to the transparency of political contributions, a matter that has gained critical attention as the Supreme Court's decision is highly anticipated. It is crucial to extricate the democratic process in India from the deep-rooted influence of financial power. There is a strong hope that the Supreme Court will continue the legacy of its predecessors by upholding the fundamental belief that the purity of elections depends vitally on clear and open political financing. Moreover, it is expected that the highest court in the land will pave the way for a more open and just system of political funding, a move fraught with significant consequences and bearing immense significance for the future of India's democracy. https://www.news18.com/opinion/opinion-electoral-bonds-balancing-act-between-political-funding-privacy-and-democratic-transparency-8652467.html

3. NHAI 25 years away from deleveraging its balance sheet *(economictimes.indiatimes.com)* Nov 08, 2023

NEW DELHI: The National Highways Authority of India (NHAI) will take over 25 years to deleverage its balance sheet.

In response to an RTI query, NHAI said it will be able to deleverage its balance sheet by FY 2049-50.

This gains relevance at a time when the authority is grappling with its burgeoning debt. Many questions have been raised, by the Comptroller and Auditor General of India (CAG), about cost overruns of highway projects being executed by the NHAI.

The Union government's think tank NITI Aayog had also ordered evaluation of NHAI. NITI Aayog said that the reason for seeking evaluation was NHAI's increasing debt servicing burden, contingent liabilities, dependence on government budgetary support and ambitious highway and infrastructure plan.

In the Union Budget 2023-24 NHAI has been allocated Rs 1.62 lakh crore, 15% more than the revised estimates for 2022-23. As of September 2023, NHAI's total outstanding debt was Rs 3.48 lakh crore.

Experts feel that the asset monetization exercise started by the authority will start giving results in the next 15-20 years and hence NHAI has set an internal target of FY 2049-50 to complete deleveraging its balance sheet.

As far as project execution is concerned, Bharatmala phase I that covers 34000 km is under execution and work on Bharatmala phase II has not even started and the same would require funds over a period of time.

In the last 5-7 years, NHAI has awarded a large number of projects on the hybrid-annuity model and they have to be attended to. Under HAM, the initial 40% of the project cost will be given to the concessionaire by the authority in five equal installments and the remaining 60% will be borne by the concessionaire initially through a combination of debt and equity.

Semi-annual annuity payments shall be made to the concessionaire by NHAI on completion of the project for the balance of the 60% of the project cost.

"These payments (for Bharatmala phase II and HAM annuity) have to be made over a period of time now, which will add to the expenditure of NHAI and therefore based on these calculations NHAI must have finalized it plans to deleverage the balance sheet," an industry expert said on condition of anonymity. https://infra.economictimes.indiatimes.com/news/roads-highways/excl-nhai-25-years-away-from-deleveraging-its-balance-sheet/105053917

4. Modi govt changed coal block allocation policy to benefit Adani Group, alleges Congress *(deccanherald.com)* 07 November 2023

New Delhi: The Congress alleged on Tuesday that the Narendra Modi government reversed the longstanding policy of competitive auction for coal block allocation and gave away lucrative fields to the Adani Group.

Congress general secretary Jairam Ramesh said in a statement that the group has been allotted coal blocks even when it has been the sole bidder or when a related party has acted as a second bidder. This, he claimed, is in violation of the spirit of the Supreme Court orders on coal block auctions.

The opposition party also demanded the constitution of a joint parliamentary committee (JPC) to unravel the truth.

Though an immediate comment was not available from the Adani Group, it has been claiming no wrongdoing on its part.

'The prime minister's single-minded focus on enriching his close friends is once again in evidence, this time in coal mining. Reversing a longstanding policy of competitive auctions for coal block allocations, the Modi government has given away lucrative coal blocks to Adani.

'This has been done even in cases where it was either the sole bidder or in which a related party acted as the second bidder in a thinly-disguised collusion, and in gross violation of the spirit of the Supreme Court's orders on coal auctions,' Ramesh alleged.

Since the Modi government has begun awarding coal blocks for commercial mining as opposed to captive mining, the Adani Group has won seven coal blocks through "bidding" in auctions, he claimed.

Sharing the statement in a post on X, the Congress leader said, 'Here is our statement on the latest example of the Modi-Adani nexus, and how a coal auction was rigged to favour the PM's most favoured business group.' 'This is revenue foregone by the state exchequer, and this is revenue denied to the local people whose lands and forests have been taken over for coal mining,' he said.

Ramesh said an Empowered Committee of Secretaries (ECoS) was set up during the peak of the Covid-19-induced lockdown in May 2020 for allocation of coal blocks that had single bidders or were being auctioned for a second time.

'When the Gondbahera Ujheni East block was offered once again for auction, the ECoS awarded it to the single bidder – an Adani Group firm. The ECoS decision came despite the recommendation of an earlier expert committee that any auction with less than three bidders be annulled,' he claimed.

Citing examples where the Adani Group got coal blocks either as the sole bidder or as bidders with another party, Ramesh alleged, 'This is exactly the 'bid rigging' that the CAG highlighted in its audit of earlier coal auctions, and why the rules governing bidding by subsidiaries and joint ventures were tightened after 2015.' 'It is no coincidence that the blocks awarded to Adani in this manner had the lowest winning revenue-share of all the awarded coal blocks, making the PM's close friend the prime beneficiary of the government's commercial coal mining policy,' he alleged.

'This is yet another sordid episode in the PM's quest to create one Modi-made Monopoly (3M) after the other at the cost of Indian consumers and taxpayers. And one more reason why only a JPC (joint parliamentary committee) will be able to unravel the truth about the Modani MegaScam,' the Congress leader claimed. https://www.deccanherald.com/india/modi-govt-changed-coal-block-allocation-policy-to-benefit-adani-group-alleges-congress-2760827

5. The absurdity of large tax demands: Such demands have often been made despite laws and court decisions to contrary *(financialexpress.com)* November 7, 2023

In the recent past, the Directorate-General of Goods and Service Tax Intelligence (DGGI) has reportedly issued show-cause notices to several gaming companies demanding GST of Rs 1.5 trillion for 2017-2022.

In August 2009, the then-minister of state for finance SS Palanimanickam informed the Rajya Sabha that the top 100 defaulters owed Rs 1.41 trillion as income tax. Of this amount, the stud-farm owner, Hasan Ali, owed Rs 50,345 crore and the late Harshad Mehta owed Rs 12,000 crore. Four years later, the Union minister of finance P Chidambaram informed the Rajya Sabha that as on December 31, 2012, the total arrears of income tax were Rs 4.18 trillion, of which the dues of Hasan Ali amounted to about Rs 1.17 trillion and the dues of Harshad Mehta had risen to Rs 17,000 crore, per a report in Mint on March 12, 2013.

Just three years later, the Indian Express (April 8, 2016) reported that the Income Tax Appellate Tribunal delivered a ruling that the total amount due from Hasan Ali was just Rs 30 million as the income tax department had failed to establish its claim. Clearly, the amount stated by the then-finance minister was unsustainable by law. In 2012, the CAG Report on the 2G scam famously claimed that the loss to the public exchequer was Rs 1.76 trillion. The actual loss has never been established, and all the accused were eventually acquitted in the 2G scam, most spending several months in jail.

In the recent past, the Directorate-General of Goods and Service Tax Intelligence (DGGI) has reportedly issued show-cause notices to several gaming companies demanding GST of Rs 1.5 trillion for 2017-2022. The basis of these demands is that all the amounts pooled are for “betting and gambling” and every rupee is subject to a whopping 28% GST.

These claims are not only misleading but without legal foundation. Section 12 of the Public Gambling Act, 1867 expressly states that any game of mere skill will not amount to gambling. Thus, for over 150 years, it is settled law in India that any winning on a game of skill cannot be treated as amounting to betting or gambling. Even though dozens of 19th century laws were repealed as part of legal reforms, this vintage law continues to be binding.

In the case of online gaming, several high courts have repeatedly held that games of skill do not amount to betting and gambling even if winners are rewarded in cash. Therefore, if a game of rummy, poker, or bridge is played online and if there is a winner, it will not amount to betting and gambling. In State of Andhra Pradesh v. Satyanarayana, (1968), the Supreme Court held that rummy is preponderantly a game of skill, and in Junglee games, the Madras HC held that poker is a game of skill.

In its 276th Report, the Law Commission of India examined this issue in detail. Starting with a 1915 judgment of the Madras HC, the Commission considered not only other HC and SC decisions, but decisions from Canada and the US as well. The report concluded:

"Analysis of the aforementioned decisions brings out two principles. Firstly, prize competitions and contests, where the winner is determined by draw of the lots are in the nature of gambling and cannot be extended protection under Article 19(1)(g) of the Constitution. Secondly, games where preponderance of skill dominates cannot be considered gambling and are protected under the Constitution."

Recently, a show cause notice issued to GamesKraft Technologies for over `20,000 crore was quashed by the Karnataka HC, although this was later stayed by the SC. It is indeed unfortunate that these staggering amounts are once again made without regard to earlier court rulings and contrary to a central law.

The other reason for these huge demands is the retrospective application of the law. From October 1, 2023, the GST Council decided to amend the law and treat winning on games of skill as also amounting to betting and gambling. But the claim of `1.5 trillion from the online gaming companies is for the period 2017-22, when such a law did not exist.

In the case of gaming companies, service tax was always paid at 18% on the platform fee. Thus, if 20 persons paid `500 each to play a game of skill, the total amount pooled is `10,000. The gaming companies typically collect 10% as their service charges and the balance sum of `9,000 is then to be shared amongst the winners. From 2017, the balance amounts have been paid to thousands of winners. These payments were perfectly legitimate in view of the central law and rulings of the HCs. It is difficult to understand how a GST demand of 28% can now be made on the entire amount which has been disbursed to thousands of winners over the last six years. Several gaming companies will close because of the retrograde levy of 28% on the gross amount; indeed, no country which permits online gaming has such a regressive tax.

What is worse is that the staggering amounts demanded do serious damage to India's image as a safe investment destination. Several foreign companies had invested substantial amounts in gaming companies generating employment to thousands of people. It does no credit to a country if tax authorities can make demands contrary to their own laws and decisions of HCs and the SC.

If past experience is any indication, a few years down the line, the gaming industry will be almost dead with little or no recovery of GST. But the collateral damage to India's reputation as a country which respects the rule of law will be even greater. It is time to rethink the widespread practice of making staggering demands which have very little hope of any recovery. https://www.financialexpress.com/opinion/the-absurdity-of-large-tax-demands-such-demands-have-often-been-made-despite-laws-and-court-decisions-to-contrary/3300179/

STATES NEWS ITEMS

6. Goa CM Faces Backlash as National Games Plagued by Infrastructure Woes *(hwnews.in)* November 7, 2023

As stadiums leak and athletes decry mismanagement, a burning question remains: Where did the Rs 750 crore go?

Panjim – The ongoing 37th National Games in Goa have been marred by a string of infrastructure failures and logistical missteps, casting a cloud of doubt over Chief Minister Pramod Sawant's leadership.

Despite a staggering estimated budget of Rs 750 crores, with the majority allocated for infrastructure development and renovation, the state government has fallen short in ensuring that the venues are adequately prepared to host this prestigious event. Notably, the Shyama Prasad Mukherjee stadium, a key venue, exhibited leaks during a brief rain shower, and the Athletic stadium in Bambolim was swiftly waterlogged, exposing inadequate drainage facilities in a state accustomed to over 100 inches of rainfall annually.

Congress General Secretary Captain Viriato Fernandes, in a recent press conference, unveiled alleged instances of corruption within the National Games' preparations. He insisted that an extensive investigation be initiated to expose what he termed a "massive scam" involving embezzlement of public funds. Instances such as the arch's collapse at an indoor stadium, pillar failures, and roof leaks during rain served as a testament to the purported corruption surrounding the event.

These incidents not only tarnish the reputation of the state government but also pose severe safety risks to participating athletes and officials, shedding light on rampant corruption and mismanagement that have tainted the state's administration under Chief Minister Sawant.

In addition to infrastructure woes, the Goa government has been criticized for poor logistical planning. More than ten new electric buses, procured for the G20 meetings in Goa, currently sit idle despite their potential use for athlete and official transportation during the National Games, underscoring a lack of foresight in government planning.

The National Games, a prominent sporting event drawing top athletes from across the nation, have been marred by the state government's lack of readiness, resulting in a situation bordering on farcical. This has led to growing calls for Chief Minister Pramod Sawant's accountability and the embarrassment that this situation has brought upon the state.

Incompetence and Mismanagement

The recent infrastructure collapses and logistical fiascoes at the National Games add to a string of instances highlighting Chief Minister Sawant's incompetence and mismanagement. Since taking office in 2019, Sawant has presided over a series of mishaps, including the 2021 collapse of the Kala Academy auditorium roof, resulting in casualties. Furthermore, his inability to control the mining industry has led to extensive environmental degradation across the state.

Sawant's repeated failures have elicited calls for his resignation, even from within his own party, the Bharatiya Janata Party (BJP). Yet, in the face of mounting public pressure, he has refused to step down.

Misappropriation of Funds

The staggering expenditure of Rs 750 crores for the National Games, primarily earmarked for infrastructure development and revamping, has raised serious concerns regarding possible misallocation of funds. Reports of corruption and irregularities in the construction process further intensify suspicions.

During a recent session in the Goa Legislative Assembly, heated debates ensued with the opposition accusing the government of orchestrating multi-crore scams under the guise of infrastructure projects for the 37th National Games. Such allegations included redundant works on previously completed infrastructure, like the Campal swimming pool, and exorbitant expenses for urgent repairs and maintenance.

MLA of Aldona, Advocate Carlos Ferreira, demanded a full account of the government's expenditure and requisites for completing the infrastructure works. He also sought transparency regarding the funds allocated by the Government of India for hosting the National Games in Goa.

The Goa government has additionally come under scrutiny for misusing funds meant for vital projects, including road and bridge construction. A report by the Comptroller and Auditor General of India (CAG) revealed misappropriation of over Rs 1,000 crores on various projects.

Despite denying all corruption allegations, Sawant has failed to provide a satisfactory explanation for the financial mismanagement, further eroding public trust in his administration.

Athlete Complaints

Athletes have also raised their voices in protest. A swimmer from Uttar Pradesh criticized the substandard quality of sportswear provided. A Table Tennis star and World Rank holder lamented the inadequate accommodations, with multiple athletes crammed into a single room, violating privacy and comfort.

As per the media, state sports minister denied all allegations made by congress leaders.
https://hwnews.in/uncategorized/goa-cm-faces-backlash-as-national-games-plagued-by-infrastructure-woes/

SELECTED NEWS ITEMS/ARTICLES FOR READING

7. The Old Pension Scheme wildfire must be stopped before it's too late *(livemint.com)* 08 November 2023

India's ageing will be rapid and we need a fully-funded pension system with wide coverage that ensures social security for all the elderly. For that, the OPS ghost must be banished.

The political battle between protecting the National Pension System (NPS) and going back to the Old Pension Scheme (OPS) is heating up, thanks to the various state elections just started. The political victory of the Congress party in the 2022 Himachal Pradesh elections, even if by a tiny vote-share margin, is being attributed to the promise of bringing back OPS. Indeed, that promise was promptly redeemed after the newly-elected government took office. But attributing the keenly-fought victory to the single issue of OPS may be the wrong lesson to draw. The NPS was launched nationwide on 1 January 2004 by the National Democratic Alliance (NDA) government led by PM Atal Bihari Vajpayee. Did the NDA lose the national elections later that year due to the introduction of NPS? There are dishonest pundits who will claim that the NDA paid the price of reforming the pension system. My contention is that electoral outcomes are more swayed by emotional issues, so post facto attribution to single causes is always misleading, if not outright wrong. Public opinion and voter passion is being stirred by presenting the OPS as 'pro-people' and NPS as 'anti-people.' Meme creators and slogan writers are busy making graphic and emotive campaigns. It would be a serious setback to fiscal stability if OPS is resurrected. That is not to say that the NPS cannot be tweaked to tackle the issues that have come up, genuine or perceived. Or that as a political compromise, a hybrid of the OPS and NPS (tilted toward the latter) could be implemented.

Pensions under OPS represent mounting unfunded obligations of governments. They are the path to bankruptcy, even if it is the path of the slowly boiling frog in the water. OPS guarantees a lifetime pension linked to one's last drawn salary, and keeps rising due to wage indexation. But the NPS nest-egg is jointly created by the employee and employer during the working lifetime. So, there is no unfunded obligation post-retirement. As cited in an editorial in this paper, a report by Hyderabad-based Foundation for Democratic Reforms (FDR) paints a dismal picture if OPS is allowed to continue. West Bengal never signed on to the 2004 reform to NPS and has stuck to OPS. And states like Rajasthan, Punjab, Chhattisgarh and Jharkhand have announced an intention to join the OPS bandwagon, just like Himachal. The Andhra Pradesh government has made detailed calculations based on a rigorous model and these have been validated by actuaries to evaluate the impact of a switch to OPS. These show that in just seven years, the entirety of the state's own revenue would be eaten up just by salaries and pensions. There would be no money left for even paying interest on loans, leave aside development expenditure. These calculations are applicable to almost all states. The growth in the pension burden on their exchequers would be staggering, as documented by the FDR report. In 1990-91, the expenditure on pensions as a share of states' own revenues was 7.9%. By 2020-21, this had reached a whopping 27.4%. Keep in mind that pensions, including both OPS and NPS, currently cover barely 3.2% of India's workforce. But they collectively gobble 18% of government revenues. Why do the other 96.8% of Indian workers not protest this unfair allocation? The provision of social security in developed countries is near-universal and eats up a much smaller portion of government revenues. In the US, every person over the age of 65 gets a basic pension, which is augmented by an individual retirement account much like NPS. But the US government's social security fund gets contributions from all working people. Size wise, social security makes up 15% of government revenues but covers nearly 94% of the workforce. In the UK, the coverage is almost 100%, even as the expenditure share of pensions is only 12.6%. Most developed countries have made the switch from pension systems with defined and guaranteed benefits to ones with defined contributions. India rolled out this reform in 2004, but 20 years later, it has run into rough weather. The OPS has both intra- and inter-generational inequity built in. Its guaranteed benefits not only grab an increasing share of a government's current revenues, but also deprive unborn generations of their fair share. Running high deficits is like stealing from the future, not just borrowing from those unborn taxpayers.

The vast majority of voters are not affected by the OPS-vs-NPS choice, but may be swayed by fiery campaigns. It is said that Himachal has a somewhat peculiar demography, in that almost every household has at least one member working for the government or armed forces, giving OPS politics salience. Yet, its role as the sole reason for a poll victory is doubtful. The tiny but vociferous and highly-organized minority of OPS wannabe beneficiaries are playing with fire.

India's fiscal situation is nothing to be complacent about. It is an outlier among major economies, going by debt servicing ratios. Its debt-to-GDP ratio is too high, given that there is virtually no burden due to social security on India's sovereign debt. There is no use saying that we can kick the can down the road since more young people will be born, which will keep the per capita tax burden low. India's ageing will be rapid, as even now half of all states have a total fertility rate below the replacement rate. A fully-funded pension system with a wide minimum coverage of social security for all the elderly is a must. For that to happen, the ghost of OPS must be banished. https://www.livemint.com/opinion/online-views/the-old-pension-scheme-wildfire-must-be-stopped-before-it-s-too-late-11699371711297.html

8. Government-appointed panel recommends linking wages under MGNREGA scheme to market rate *(telegraphindia.com)* 08 November 2023

The ministry of rural development (MoRD) had set up a committee last year to study the reasons for the low demand for MGNREGA work in northern states like Bihar and Uttar Pradesh and suggest measures on how these states can better utilise the scheme to provide employment and stop migration

A government-appointed panel is learnt to have suggested that the wage rate under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) should be revised to bring it on a par with the prevailing market rate.

The market wage rate has no legal sanctity and it is determined based on demand and supply. In most states, it is higher than the minimum wage and the MGNREGA wage. The MGNREGA wage rate, which is revised on the basis of the Consumer Price Index for Agricultural Labourers (CPIAL), is less than the minimum wage in half the states. The NREGA rate in individual states is fixed on the basis of inflation.

The ministry of rural development (MoRD) had set up a committee last year under its former secretary, Amarjeet Sinha, to study the reasons for the low demand for MGNREGA work in northern states like Bihar and Uttar Pradesh and suggest measures on how these states can better utilise the scheme to provide employment and stop migration.

Committee sources said the panel found the MGNREGA wage rate was lower than the prevailing market rate in the northern states, and suggested that they should be made the same. The report has been submitted to the MoRD, which is yet to make it public.

Earlier, a committee set up under economist Mahendra Dev had suggested aligning the NREGA wage rate with the state minimum wage. However, the government has not implemented it since it adds to its spending.

An activist who did not wish to be named said it was impractical to implement the recommendation of the Sinha committee since there was no formula for determining the market wage.

"There is no definition for market wage. Linking the MGNREGA rate to the market rate would be impractical since the market rate is never notified. It would be a challenge to determine this wage," he said.

A.R. Sindhu, Citu general secretary, said market wage was not a legal term. The ideal thing to do is to link the MGNREGA wage rate with the minimum wage rate of the respective state, she said.

"The market wage rate may go up and down. It has no legal sanctity. Minimum wage is legally accepted terminology and there are laid-down criteria for its determination," Sindhu said.

The MGNREGA provides up to 100 days' work to every rural family in a year. According to the MGNREGA, workers raise their demand for work to the gram panchayat office. In every gram panchayat, there is a Gram Rojgar Sevak who is supposed to receive the applications and coordinate with the sarpanch and the panchayat secretary for planning work in the locality and provide jobs to applicants within 15 days of the demand.

But the uptake in northern states is poor because people are not sensitised about the programme and demands for work are not registered in many cases, Sindhu said. She said the government gave a lot of importance to water-related work. Though projects on individual land are allowed, community work is given greater priority. Sindhu said the types of work should be increased. https://www.telegraphindia.com/india/government-appointed-panel-recommends-linking-wages-under-mgnrega-scheme-to-market-rate/cid/1978384

9. Surge in India's taxpayer base mirrors upward mobility *(moneycontrol.com)* 08 November 2023

The number of people declaring Rs 10 lakh-plus annual income has grown nearly fourfold in the past 10 years. While inflation could explain part of this rise in income levels, and a part by more toning of the tax administration nudging people towards more income disclosures, a substantial part of this 93.7 million taxpayer base is a reasonable proxy of growing formalisation, rising incomes, and better affordability that have turned yesterday's luxuries into today's necessities

Who is a "taxpayer"? This could well be an interesting segue to gauge an economy's progress seen through people's income levels. The income tax department defines a "taxpayer" as "a person who either has filed a return of income for the relevant assessment year (AY) or in whose case tax has been deducted at source in the relevant financial year but the taxpayer has not filed the return of income."

For AY 2022-23, there were 93.7 million "taxpayers" in India. Of this, "individuals" and "Hindu undivided families (HUF)" accounted for more than 96 percent (90.37 million) of the total taxpayers in the country.

This translates into 6.45 percent of the population being taxpayers. But this can be fallacious. The more appropriate marker would be to leave the children out of this count. There are about 431 million children in India who are under 18 years of age. This would imply that of the 970 million adults in India, 9.3 percent pay income taxes.

Another way of measuring the taxpayers' pool would be through the working age population (15-64) cohort. About 68 percent or about 952 million people in India are in the working age group. Of these, 9.48 percent are taxpayers.

Growth in Tax Base

A more appropriate question to ask would be: how has these numbers grown over years? The data throws up an interesting trend. On a point-to-point basis, the number of individual and HUF taxpayers in India has grown from 50.6 million in assessment year 2013-14 to 90.37 million in AY 2022-23, representing a 78 percent jump, over the past nine years.

That's not the whole story. There are a significantly greater number of people reporting annual incomes of more than Rs 10 lakh now than 10 years ago. In 2013-14, there were 22,34,078 people who declared an annual income of more than Rs 10 lakh. In 2021-22, the latest for which data is available, there were 83,61,294 people with a declared annual income of more than Rs 10 lakh—a nearly four-fold jump.

While inflation could explain part of this rise in income levels, and a part by more toning of the tax administration nudging people towards more income disclosures, a substantial part of this growth in income levels is a reasonable proxy of upward mobility.

Retail Spurt

There are other markers too. Retail activity in stock markets can also serve as a reasonably good representation to spot mobility. In 2014, there were 21.83 million demat accounts in India. As of September 2023, there were 129 million demat accounts, a more than six-fold jump in less than 10 years.

How do you spot signs of an expanding economy? One of the surest signals can be found in shopping malls or neighbourhood shopping complexes or car showrooms. The footfalls in these have seen remarkable long-term growth over the past 15 years or so.

Let's consider some numbers. In 2014 an estimated 2.5 million passenger vehicles were sold in India. In 2022, an estimated 3.8 million passenger vehicles were sold in the country. A majority of passenger vehicles in India are bought on loans for which income levels and tax compliances are necessary conditions. If more cars are being bought, and loans are driving these purchases, it only buttresses the economy's wider and rapid formalisation driven by a rapidly expanding middle class fuelled by growing income and aspirations.

Improving Material Circumstances

Global brands are also beginning to make India an essential component of their China Plus One plans. Apple CEO Tim Cook, who recently visited India, has described it as an "incredibly exciting market" and a "major focus" for the company, as the Cupertino-based iPhone maker highlighted that business in India "set a quarterly record, grew very strong, double-digit year-over-year". India is at a "tipping point", he said during the Q2 earnings call of the company, where Cook mentioned India 20 times.

While consumption as India's primary growth driver is well understood, there are a few other underlying trends that are emerging in India. One of these is urbanisation. In 2011 urban areas accounted for 31.2 percent of the population; it was 23.3 percent in 1981. By the time the next decadal census data comes along, India's urban landscape would have changed dramatically – the biggest jump coming in the past decade.

This has been accompanied by a visible improvement in material circumstances such as the quality of transport and mobile phones of the population. Add to this the large villages that mimic the demographic characteristics of a town.

Rising incomes and better affordability have turned yesterday's luxuries into today's necessities, a sign of upward mobility, which the widening tax base and other numbers are mirroring. https://www.moneycontrol.com/news/opinion/surge-in-indias-taxpayer-base-mirrors-upward-mobility-11696101.html

10. Global climate finance increasing, but scale & pace not enough: New report *(downtoearth.org.in)* 07 November 2023

Increase in overall average climate finance flows to the one trillion threshold represents only 1% of the global GDP

Climate finance flows have doubled compared to previous years but have been unevenly distributed across geographies and sources, showed the latest analysis by the Climate Policy Initiative.

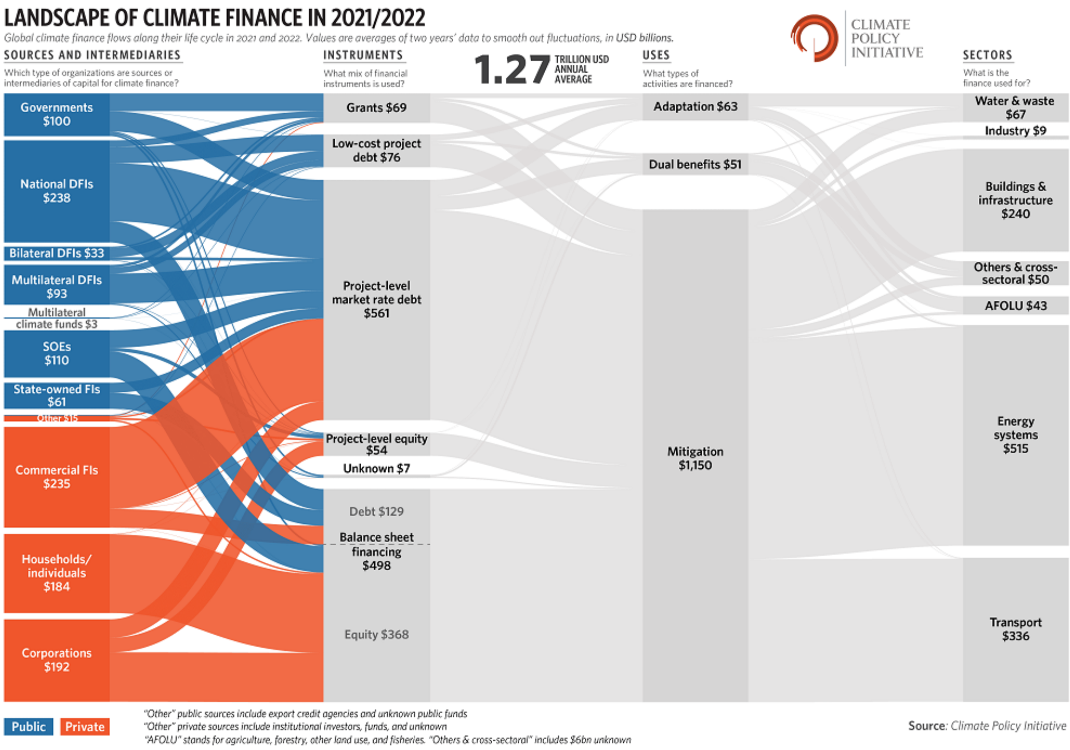
Climate finance is one of the key agenda items up for discussion at the much-awaited 28th Conference of Parties (COP28) to the United Nations Framework Convention on Climate Change to be held in Dubai later this month.

Climate Policy Initiative's (CPI) new report Global Landscape of Climate Finance 2023 brings together the latest data and analysis in this regard.

Average annual flow of climate finance in 2021 and 2022 was $1.3 trillion, twice the $653 billion of 2019 and 2020, according to the report.

The report breaks down the flow of climate finance by its application, geographical distribution and sources, using data from 2021 and 2022. The flows tracked in the report "represent targeted climate mitigation and adaptation-specific project-level allocation of capital".

CPI has been tracking global climate finance flows between all countries and entities for a decade now, making these updates important for the global climate conversation. The Organisation for Economic Cooperation and Development (OECD) on the other hand, specifically tracks the flows from developed to developing countries. The latter measures progress on the promise of delivering $100 billion per year from 2020 from developed to developing countries, which was announced in 2009 at COP15. OECD's projections show that this goal may be met in 2023.



Just 1% of global GDP

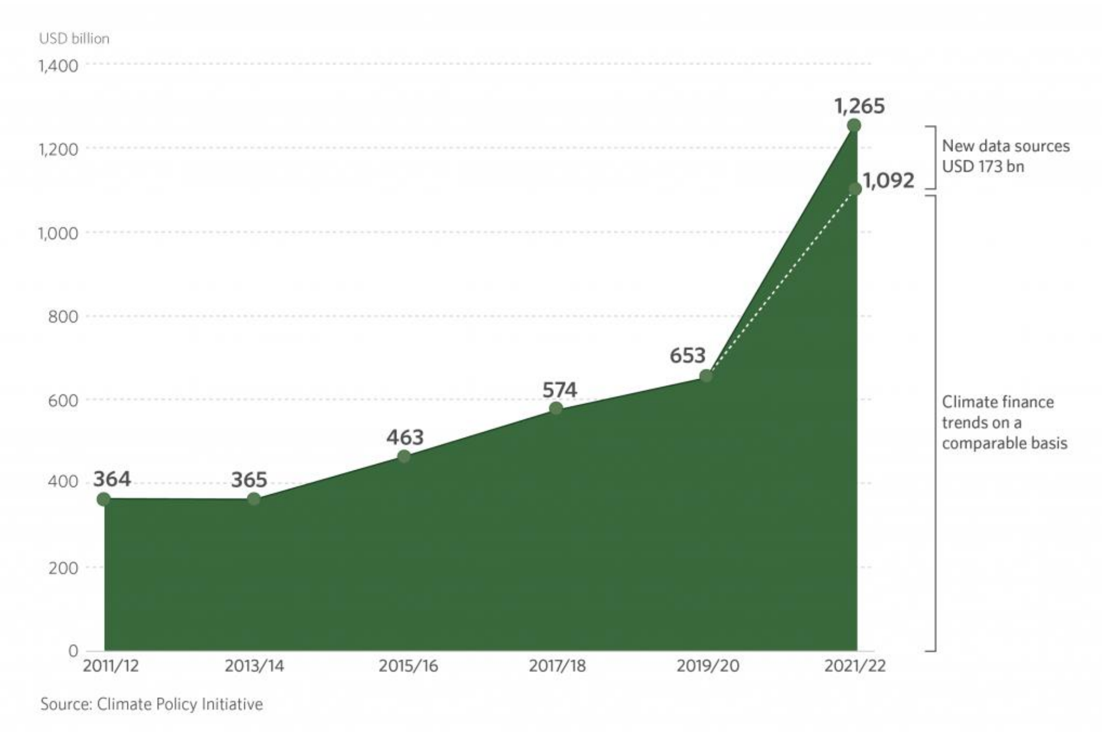
The increase in annual average climate finance over the years was driven primarily by the escalation in mitigation finance, which has increased by $439 billion from 2019 and

2020. In addition to this, the report noted particularly improved coverage of finance data from three sectors — agriculture, forestry and other land use (AFOLU); buildings and infrastructure; and waste.

About 28 per cent — $173 billion — of the increase over the last year is attributed to this improved data collection. This indicates a positive trend for the availability of high-quality climate finance data that is publicly available.

However, the increase in overall average climate finance flows to the one trillion threshold represents only 1 per cent of the global gross domestic product, reflecting the need to rapidly scale climate ambition across countries. The need for this is further highlighted by the report's projections that average estimated annual needs will increase to $9 trillion by 2030.

Global climate finance 2011-2022, biennial averages



Source: Global Landscape of Climate Finance 2023, CPI

Uneven stimulus
The climate finance that flowed in in 2021 and 2022 was unevenly distributed across sectors and geographies. Here's a snapshot:

Mitigation finance
-Renewable energy (RE) and transport continue to display most growth, with the former comprising 44 per centof total mitigation finance and the latter 29 per centof it. Both sectors are dominated by private financing. Total mitigation finance flows amounted to $ 1.15 trillion

-The United States, Europe, Brazil, Japan, China and India received 90 per centof the funds for clean energy

-Agriculture and industry, despite being the second largest sources of emissions, received less than 4 per centof total mitigation and dual benefits finance — significantly lower than RE and transport mentioned above

Adaptation Finance

-Adaptation finance has reached an all-time high of US $63 billion according to the report, but still does not measure up to the estimated needs of $212 billion per year by 2030 just for developing nations

-98 per centof all adaptation finance tracked for the report stemmed from public actors
Geographically concentrated

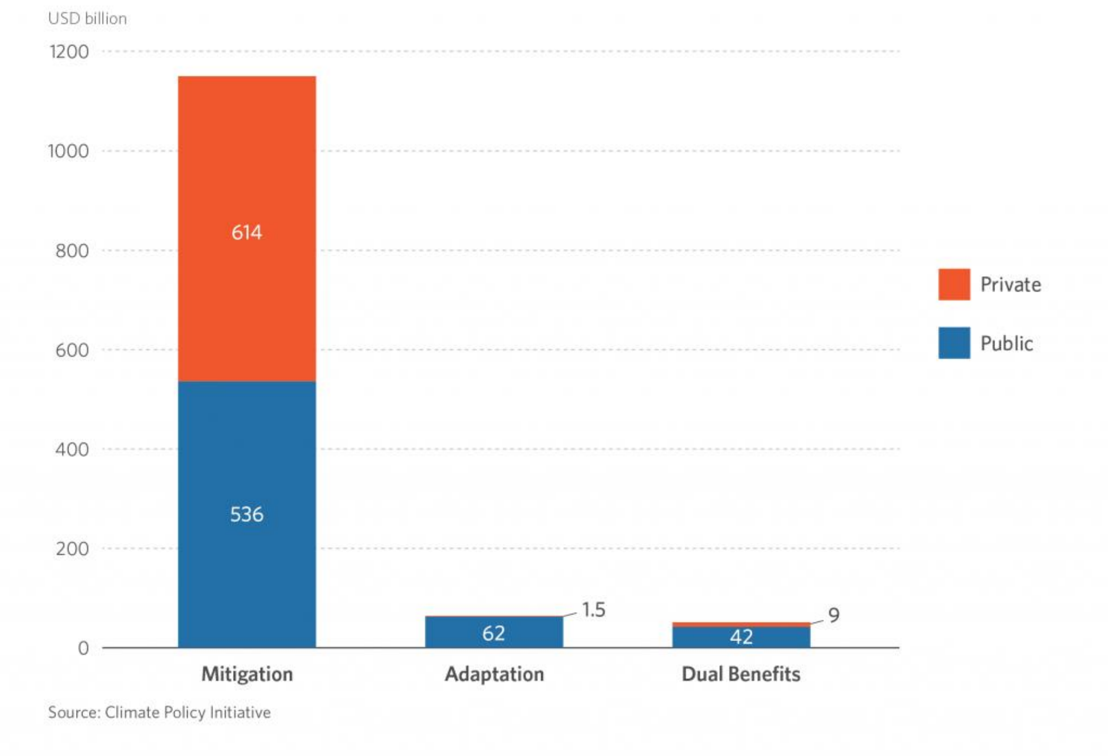
-The report showed that developed countries mobilised majority of the climate finance, with highest contributions being from the private sector

-East Asia and the Pacific, US and Canada and Western Europe accounted for a total of 84 per centof all the climate finance. Countries in these regions also had the highest domestic resource mobilisation for climate finance, with China leading at 51 per centof all domestic climate finance globally

-Developing and low-income countries continue to face a paucity of funds. Less than 3 per centof a total $30 billion went to or within least developed countries, and 15 per cent went to or within emerging markets and developing economies (excluding China). Alarmingly, the report noted, "The 10 countries most affected by climate change between 2000 and 2019 received just $23 billion; less than 2 per cent of total climate finance."

The report noted that private actors contributed 49 per cent of total climate finance, to the tune of $625 billion. Interestingly, the highest growth in private finance came from household spending, specifically from the sales of electric vehicles, which have doubled from 2020 to 2021, the authors added. The increase was stated to have been driven by strong fiscal policies promoting low-carbon technologies.

Uses of climate finance with private-public splits



Source: Global Landscape of Climate Finance 2023, CPI

Way forward
The authors of the report outlined measures to enhance the scale and quality of climate finance to meet the urgent and growing needs of countries across the world. The recommendations were broadly divided into four categories: Transforming the financial system, bridging climate and development needs, mobilising domestic capital and improving the state of climate finance data overall.

Highlighting the need for reducing cost of capital barriers, which impact developing and low-income countries severely, the researchers suggested building on the growing momentum to reform financial institutions and make concessional finance more accessible.

Overall, the data presented in the report suggested that climate finance flows are increasing, as are the methods of data collection and interpretation. The authors also highlighted that the need for increasing the pace and scale, however, remains imperative. https://www.downtoearth.org.in/news/world/global-climate-finance-increasing-but-scale-pace-not-enough-new-report-92671

11. On gaming industry rules, the Indian government is not following the letter of the law *(indianexpress.com)* Updated: November 8, 2023

Several gaming companies will close because of the retrograde levy of 28 per cent on the gross amount; indeed, no country which permits online gaming has such a regressive tax

In August 2009, the then Minister of State for Finance S S Palanimanickam informed the Rajya Sabha that the top 100 defaulters owed Rs 1.41 lakh crore as income tax. Of this amount, the stud farm owner, Hasan Ali, owed Rs 50,345 crore and the late Harshad Mehta owed Rs 12,000 crore. Four years later, Union Minister of Finance P Chidambaram informed the Rajya Sabha that, as on December 31, 2012, the total arrears of income tax were Rs 4.18 lakh crore of which the dues of Hasan Ali amounted to Rs 1,16,778 crore and the dues of Harshad Mehta had risen to Rs 17,000 crores. (This was reported in Mint, March 12, 2013)

Just three years later, The Indian Express (April 8, 2016) reported that the Income Tax Appellate Tribunal delivered a ruling that the total amount due from Hasan Ali was just Rs 3 crore as the Income Tax Department had failed to establish its claim. Clearly, the amount stated by the then Finance Minister was unsustainable in law. In 2012, the CAG report on the 2G scam famously claimed that the loss to the public exchequer was Rs 1.76 lakh crore. The actual loss has never been established, and all the accused were eventually acquitted in the 2G scam, most spending several months in jail.

In the recent past, the Directorate-General of Goods and Service Tax Intelligence (DGGI) has reportedly issued show-cause notices to several gaming companies demanding GST of Rs 1.5 lakh crore for the period 2017-2022. The basis of these demands is that all the amounts pooled are for “betting and gambling” and every rupee is subject to a whopping 28 per cent GST.

These claims are not only misleading but without legal foundation. Section 12 of the Public Gambling Act, of 1867, expressly states that any game of mere skill will not amount to gambling. Thus, for over 150 years, it has been settled law in India that any winning on a game of skill cannot be treated as amounting to betting or gambling. Even though dozens of 19th-century laws were repealed as part of legal reforms, this vintage law continues to be binding.

In the case of online gaming, several high courts have repeatedly held that games of skill do not amount to betting and gambling even if winners are rewarded in cash. Therefore, if a game of rummy, poker or bridge is played online and if there is a winner, it will not amount to betting and gambling. In State of Andhra Pradesh v Satyanarayana (1968), the Supreme Court held that rummy is preponderantly a game of skill, and in Junglee games, the Madras High Court held that poker is a game of skill.

In its 276th Report, the Law Commission of India examined this issue in detail. Starting with a 1915 judgment of the Madras High Court, the Commission considered not only other high court and Supreme Court decisions, but decisions from Canada and the US as well. The Report concluded: “3.37. Analysis of the aforementioned decisions brings out two principles. Firstly, prize competitions and contests, where the winner is determined by draw of the lots are in the nature of gambling and cannot be extended protection under Article 19(1)(g) of the Constitution. Secondly, games where preponderance of skill dominates cannot be considered gambling and are protected under the Constitution.”

Recently, a show cause notice issued to GamesKraft Technologies for over Rs 20,000 crore was quashed by the Karnataka High Court, although this was later stayed by the

Supreme Court. It is indeed unfortunate that these staggering amounts are once again made without regard to earlier court rulings and contrary to a central law.

The other reason for these huge demands is the retrospective application of the law. From October 1, the GST Council decided to amend the law and treat winning on games of skill as also amounting to betting and gambling. But the claim of Rs.1.5 lakh crores from the online gaming companies is for the period 2017-22, when such a law did not exist.

In the case of gaming companies, service tax was always paid at 18 per cent on the platform fee. Thus, if 20 persons paid Rs 500 each to play a game of skill, the total amount pooled is Rs 10,000. The gaming companies typically collect 10 per cent as their service charges and the balance sum of Rs 9,000 is then to be shared amongst the winners. From 2017, the balance amounts have been paid to thousands of winners. These payments were perfectly legitimate in view of the central law and rulings of high courts. It is difficult to understand how a GST demand of 28 per cent can now be made on the entire amount which has been disbursed to thousands of winners over the last six years. Several gaming companies will close because of the retrograde levy of 28 per cent on the gross amount; indeed, no country which permits online gaming has such a regressive tax.

What is worse is that the staggering amounts demanded do serious damage to India's image as a safe investment destination. Several foreign companies had invested substantial amounts in gaming companies generating employment for thousands of people. It does no credit to a country if tax authorities can make demands contrary to their own laws and decisions of high courts and the Supreme Court.

If past experience is any indication, a few years down the line, the gaming industry will be almost dead with little or no recovery of GST. But the collateral damage to India's reputation as a country which respects the rule of law will be even greater. It is time to rethink the widespread practice of making staggering demands which have very little hope of any recovery. https://indianexpress.com/article/opinion/columns/on-gaming-industry-rules-the-indian-government-is-not-following-the-letter-of-the-law-9018020/

12. 7 years after demonetisation, cash circulation in economy nearly doubles to 33 lakh crore: Survey *(businesstoday.in)* 07 Nov 2023

Seven years after demonetisation, UPI (Unified Payments Interface) and other digital payment mechanisms have reduced the number of cash transactions, but cash in circulation in the Indian economy has nearly doubled, a survey has found. The survey also found that 76 per cent of those who bought a property in the last 7 years had to pay a component of the price in cash.

Demonetisation, announced in November 2016, was undertaken to weed out black money and nudge people to change their method of payment from cash to digital.

In May 2023 for instance, UPI accounted for over 78 per cent of total retail digital payments in India, according to the survey conducted by LocalCircles. Experts project that it is likely to reach 90 per cent of total retail digital payments in India by FY 2026–

27, the survey added. "Similarly, the recently launched Central Bank Digital Currency (CBDC) also has the potential to change the way people transact digitally."

However, while UPI and other digital payment mechanisms have reduced the number of cash transactions, cash in circulation in the Indian economy has increased from 17 lakh crores in November 2016 to 33 lakh crores in October 2023, the survey said.

"Cash is still being used heavily in big-ticket transactions, especially property transactions with the survey finding that 76 per cent of those who bought a property in the last 7 years had to pay a component of the price in cash," the survey said. In fact, it added, the cash component in property transactions is once again rising as this year only 24 per cent indicated that they did not have to pay cash as against 30 per cent of respondents two years back.

The survey said that most household purchases of high value be it a vehicle or a gadget were now happening digitally and with a receipt which was a positive change. However, the survey found that most consumers were still using cash to pay for groceries, eating out, and food delivery as well as when it came to paying for services like household help, home repairs, personal services, repair of white goods, etc.

"The community feedback indicates that for groceries, eating out, household help payments convenience is the driver while for services taxable at 18 per cent GST rates, it is the taxation that is driving vendors and consumers to transact in cash." https://www.businesstoday.in/latest/economy/story/7-years-after-demonetisation-cash-circulation-in-economy-nearly-doubles-to-33-lakh-crore-survey-404967-2023-11-07

13. India is set for an AI transformation: From farming to factories and beyond *(livemint.com)* 07 Nov 2023

AI can empower people to be their creative best by working as a companion that frees up bandwidth for human ingenuity. It can help us with both routine and complex tasks, enlarging the scope for humans to take on big challenges.

In recent years, India has taken a lead with digital adoption and innovation, be it in the field of governance with digital public goods, or as seen in the enactment of legislation that's in line with a progressive policy. This has helped foster entrepreneurship and grow the country's startup ecosystem to become the third largest globally. As India looks to become the third largest economy in the world, artificial intelligence (AI) will play an important role in unlocking the productivity of its people and industries, and achieving its ambitions.

The government has outlined its vision for 'Make AI in India' and 'Make AI Work for India' and set up centres of excellence for AI in top educational institutions to facilitate scalable solutions in areas such as agriculture, health and sustainable cities. The adoption of AI holds the potential to revolutionize various sectors of the Indian economy, from farming to manufacturing, to further India's commitment to sustainability. AI is fast emerging as a co-pilot, working alongside humans to assist in tasks that are complex or routine and freeing them from drudgery for more creative problem solving.

Leveraging AI for grassroots impact: There are several proof points on how India is already leveraging AI for good purposes and creating an impact where people need it the most. Take, for example, the AI Sowing App that sends advisories to over 3,000 farmers in villages in Karnataka and Andhra Pradesh. This app provides farmers information on optimal sowing dates and depths and also soil-test-based fertilizer application schedules that are critical for crop output and sustainable farming.

Working in tandem with dashboards personalized for each village, the app helped farmers boost crop yields by 10%-30%. And it was able to do this without farmers having to invest in advanced sensors or other equipment. All they needed was a phone that could receive messages. This use-case is illustrative of how AI can truly be a force multiplier, helping us solve some of the most pressing challenges that society and industry face today.

Unlocking innovation and productivity: The healthcare industry is on the cusp of a major revolution. The introduction of AI is set to change the way healthcare is delivered, making it more efficient and effective. AI has the potential to streamline administrative procedures, improve decision-making and provide personalized care to patients. It can also help identify health risks early, allowing for preventive measures to be put in place. AI can assist in early disease detection by alerting people to high risk factors based on large, anonymized data-sets. Apollo Hospitals, for example, is developing a cardiac prognosis model that will help its users predict the risk of a cardiac event in South Asian populations and will be available to all hospitals. It can aids governments in pandemic control, as with MyGov Sathi, an AI-enabled chatbot created to get key healthcare information across to Indian citizens during the covid pandemic.

In manufacturing, AI is empowering factory workers, production managers and people across the value chain with predictive maintenance, algorithms that monitor and adjust production lines in real-time and AI-driven quality control systems that inspect products with unparalleled accuracy, leading to a decrease in defects and waste. And as India looks to incentivize manufacturing done in the country, this presents a unique opportunity for it to leapfrog with Internet-of-Things and smart manufacturing systems designed to enable doing more with less time, money and wastage.

In today’s knowledge economy, and specifically in information technology, where India has already made its mark as a significant contributor to the global digital economy with its talent, software developers are using AI-assisted tools like GitHub Copilot to increase their productivity. The Copilot helps developers focus on the big picture and come up with innovative solutions to challenges, while AI acts as their companion through the software development life-cycle, assisting them with complex tasks and in completing the more routine part of the coding process.

Re-imagining the future with AI: India’s apex software industry body, Nasscom, estimates data and AI could add $450-$500 billion to India’s gross domestic product (GDP) by 2025; enhancing AI at a functional level, particularly in operations, has the potential to unlock close to half this value. While AI has relevance across industries, agriculture, consumer goods and the retail, banking and insurance sectors are estimated to account for nearly 45% of the value for India.

By investing in AI education and training programmes, India can empower its youth to do more and reduce income gaps. Cloud and AI-powered education platforms can help with skill-building initiatives at scale, while also personalizing the learning process, improving educational outcomes and reducing the country's digital divide.

The AI-enabled future is one where people are empowered to be their creative best and innovate, with AI working alongside them as a companion, helping with both routine and complex tasks to free up bandwidth for those that require human ingenuity. For India, this presents a unique opportunity to unlock the creative potential of its young workforce for solving some of the pressing challenges faced by industry and society. This is an opportunity for India to lead with AI. https://www.livemint.com/opinion/online-views/india-is-set-for-an-ai-transformation-from-farming-to-factories-and-beyond-11699352414485.html

14. Crores of public funds leak from a virtually redundant Gaunem dam *(heraldgoa.in)* 08 Nov 2023

It was completed in 2017 for Rs 21 crore; the dam has failed to achieve its purpose of supplying water to the neighbouring village till date

CANACONA: The Gaunem dam in the tribal dominated Gaondongrim village has proved to be a white elephant as it has not served its purpose, thereby exposing the inefficiency of the Public Works Department (PWD).

The construction of this dam was completed in 2017 at the cost of Rs 21 crore. However, the dam has failed to achieve its purpose of supplying water to the neighbouring village till date.

With a storage capacity of 177 hectare-meter, the dam was supposed to provide 5 million liters of water per day (MLD) thereby addressing the water woes faced by the locals for years.

However, six years after completion, this dam has proven to be yet another instance of woeful wastage of public funds as no relief has been given to the villages.

This dam was supposed to address the water woes of Gaondongrem, Nane, Indrawada, Bharsa, Bhooper, Tudal, Ziltawadi, Satorlim and parts of Cotigao which face acute shortage of water during the summer.

Ironically these areas inhabited largely by the tribal community have had their kinsman representing them in the Assembly for four terms with the present MLA being the speaker of the House.

For the locals who continue to suffer during the summer, the lofty promise of clean and reliable water supply has remained a pipe dream.

The Rs 21 crore spent on its construction could have been better utilised on some other and more productive works for this backward area. This wasteful expenditure of such huge amount is another case of mismanagement and absolute lack of accountability in the administration.

The failure to provide water to the villagers has resulted in further waste of public money on tankers pressed into service to provide water.

Gautam Gaonkar lamented that the local community was not kept abreast of the project as was then promised.

“The lack of transparency has fuelled mistrust and scepticism among the people. The PWD is proving to be incompetent to lay the pipeline to supply water to the villagers,” Gaonkar said.

The lack of transparency has exacerbated the volatile situation as people are truly furious. Tolu Gaonkar from Gaondongrem raising environmental issues said: “With the dam's reservoir sitting stagnant, it has become a breeding ground for mosquitoes and other disease-carrying insects. The local ecology is suffering, and the potential for water contamination increases with each passing day”.

In light of these issues, it is imperative that PWD provide clear and detailed explanations regarding the delays and setbacks surrounding the Gaunem Dam project, said another local Mangesh Gaonkar.

“Accountability must be established, and those responsible for the mismanagement of resources and the prolonged delay should be taken to task”, he said.

Dilip Velip a youngster from Cotigao said the government should initiate a comprehensive and transparent review of this project so that it can become operational as soon as possible.

“It is essential to implement measures to prevent such instances of inefficiency of officials in future,” he said while directly stating that the PWD’s inefficiency is the cause of this colossal waste of public funds.

Interestingly Water Resources Department officials wash off their hands claiming that their responsibility was to only construct the dam, while distribution of water is the responsibility of the Public Works Department.

However, local MLA and Speaker of the Goa Assembly Ramesh Tawadkar assured that the pending land acquisition issue would be resolved by the end of this year and thereafter water from the dam will be supplied to the villages.

PWD Minister Nilesh Cabral agreed that around four problems similar to the Gaunem dam are faced by his department primarily due to land acquisition.

“However, now that the government can acquire land without getting an NOC from the owners if it is for public purpose, this problem will be resolved shortly,” he said.

He lamented that people are ready to curse the government for not providing water but are not willing to give away 500 sq mts of land for a sump and 400 sq mts for an overhead tank. https://www.heraldgoa.in/Goa/Crores-of-public-funds-leak-from-a-virtually-redundant-Gaunem-dam-/213330

15. ₹50cr scam in Mohali MC? CM orders probe *(timesofindia.indiatimes.com)* Nov 8, 2023

Mohali: The Punjab chief minister has marked an inquiry to the secretary, Punjab Vigilance Bureau, into the alleged Rs 50 crore scam in Mohali Municipal Corporation and submit a fact-finding report to the CMO. The probe was ordered after ward number 2 councillor and former deputy mayor Manjit Singh Sethi shot a letter to CM Bhagwant Mann a few days back, alleging corruption to the tune of Rs 50 crore in various projects allotted by the Mohali civic body.

In his letter, Sethi had cited seven such projects in which he had alleged high-level corruption.

Sethi said, "For the past two years, Mohali MC has been involved in a high-level corruption. We had demanded a vigilance inquiry which has been allowed by the Punjab chief minister into various projects allotted by the MC. Most of the projects are still incomplete despite being allotted two years back. I believe that corruption worth Rs 50 crore will be unearthed."

Sethi had pointed out irregularities in underground sewerage pipeline project from Phase XI to cremation ground, ornamental streetlights project, civil works and misuse of luxury vehicles bought using office funds. https://timesofindia.indiatimes.com/city/chandigarh/50cr-scam-in-mohali-mc-cm-orders-probe/articleshow/105054867.cms