

**1. What is equalisation levy? Why was it in news recently? Discuss. (GS Paper 2, IR)****Demand of the question:**

It expects students to write about the concept of equalisation levy and related current developments. Students should also write about its positive and negative impact on Indian economy and foreign relation.

**Introduction:**

In 2016, India was the first country to introduce an “equalisation levy” as part of the measures to address the tax challenges posed by the increased digitalization of the economy. The levy is also often referred to as ‘Google tax’.

**Body:****Equalisation Levy:**

- The idea behind the equalization levy is to tax services of digital service providers in other markets with a customer base in India.
- Under the Finance Act, 2016, a person making payment in excess of Rs. one lakh in a year for the “specified services” like online advertisement to a non-resident firm having no permanent establishment in India, will have to withhold tax at 6 per cent of gross amount paid as equalization levy.
- The levy gives effect to one of the recommendations of the Organisation for Economic Co-operation and Development’s (OECD) Base Erosion and Profit Shifting project to tax e-commerce transactions.

**Recent development related to Equalisation Levy:**

- Recent amendments to the Finance Act, 2020 which came into force on 1<sup>st</sup> April 2020, has expanded the scope of the equalisation levy for non-resident e-commerce operators involved in supply of services, including online sale of goods and provision of services, with the levy at the rate of 2 per cent.
- The office of the United States Trade Representative (USTR) has initiated investigation into digital services taxes (DST) that have been either adopted or are being considered by 10 of its trading partners including India.

**Negative Impact of Equalisation Levy:**

- The levy could heighten trade tensions between the US and India and potentially affect the outcome of a possible bilateral trade deal with the US.
- It could adversely impact the emerging start-up ecosystem in India which is 3<sup>rd</sup> largest in the world as per NASSCOM.
- Criticism for being amongst the first nations legislating such unilateral levy may impact India’s Ease of Doing Business prospects.
- Such measures can give individual market jurisdictions greater power to tax and make consensus difficult.

- It could further encourage protectionist tendencies and erode into positive benefits of Globalisation to developing countries like India.

#### Positive Impact of Equalisation Levy:

- Due to absence of a conclusive and consensual global arrangement even countries like France and Hungary have implemented digital taxes, while Belgium, Italy, UK and Spain have proposed similar taxes. It will encourage nations to build consensus and eliminate unilateral levies
- It might decrease global digital divide as prominent tech firms may increase permanent physical presence or significant economic presence in other countries especially India and other developing countries to avoid levy.
- Encourage technology sharing, investment and increase efficiency of Indian start-ups.
- The revenues generated via levy can be used for social and economic development. The Indian government has collected around Rs 315 crore in FY17, and about Rs 700 crore in 2018 and Rs 950 crore in 2019.
- Discourage fake entities, products and bring in transparency.

#### Conclusion:

A good tax system is often evaluated along the axes of certainty, simplicity and neutrality. Thus the equalisation levy need to satisfy these principles through global consensus to address the challenges posed by the increased digitalization of the economy and enable a sustainable growth of digital economy which benefits all and discriminate none.

## 2. How does multiplicity of institutions and regulatory authorities create challenges for good governance? Illustrate with the help of suitable examples. (GS Paper 2, Governance)

#### Demand of the question:

It expects students to write about what is multiplicity of institutions and regulatory authorities and what challenges it poses to good governance and this has to be substantiated with the help of suitable examples

#### Introduction:

The regulatory body is expected to frame rules for the entry and operations of the institutions under its purview; set standards of operations and performance; monitor progress and performance against the stated standards; take corrective action against institutions found faltering and deter misuse and malpractices so as to safeguard the interests of the stakeholders, including the larger public interest.

#### Body:

Following are the challenges that governance in India is facing due to multiplicity of institutions and regulatory authorities:

- Overlapping regulations causing delays in implementation
- Vulnerable to corrupt practices
- Diminished accountability and transparency
- Scope for political interference
- Reduced efficiency of entities under them
- Increased cost of projects
- Rise in number of litigations
- Declining people participation

Examples:

- Government interference in the functioning of RBI functions may cause uncertainty and erode the credibility of RBI at global level
- Multiple regulators in higher education like University Grants Commission (UGC, All India Council for Technical Education (AICTE), etc. require different layers – for opening a university/college; offering a course; getting accredited – which add to the time and cost of entering and operating in this sector.
- Failure of telecom regulator led the Supreme Court to order the telecom companies to pay statutory dues worth ₹1.47 lakh crore to the central government
- Conflict between SEBI and IRDAI over Unit Linked Insurance Policy.

Initiatives needed to overcome these challenges:

- Merging related regulatory authorities and institutions
- Providing autonomy in true spirit
- Regular self and external evaluation.
- Clarity in functions and its scope
- Fast track courts or use of alternative mechanism like arbitration, mediation to resolve disputes.

### **Conclusion:**

The true test of "good" governance is the degree to which it delivers on the promise of human rights: civil, cultural, economic, political and social rights. Efficient institutions and regulatory authorities can be effective tools in achieving these deliverables of good governance.

**3. Amidst the COVID-19 epidemic, we have witnessed shining examples of individuals demonstrating selfless leadership and dedication towards public good. Has any of these individuals motivated you? What did you learn from him/her? Discuss. (GS Paper 4, Compassion, Leadership)**

**Demand of the question:**

It expects students to write about individual's examples related to COVID crisis that highlight the qualities of selflessness, leadership and dedication to public service. Students should also write how these examples motivate them and what learning they take from such examples.

**Introduction:**

COVID-19 epidemic crisis though considered as greatest human tragedy after World War-II, it has also brought to fore the individual and collective innate human values like selfless leadership and dedication towards public good that have helped humanity to survive even in such a crisis situation.

**Body:**

- Selfless leadership connotes taking tough decisions in tough times and to implement those decisions efficiently for the benefit of the society as a whole while surpassing one's own well-being.
- Dedication towards public good means our efforts are focused on the welfare of society by providing essential services and to uplift the needy from their misery.

Some shining examples highlighting above mentioned values in COVID crisis:

- Actor Sonu Sood took decision to arrange transport facilities to migrants irrespective of his own economic security.
- 85-year-old K Kamalathal of Tamil Nadu also known as 'Idli Amma' – sold idlis to migrants at Rs.1 despite losses.
- Police, Healthcare employees and other COVID relief related personnel are working day and night to overcome this crisis.

All the above mentioned warriors and many others took upon selfless leadership to achieve the goal of public good of eliminating miseries of people affected adversely due to COVID crisis.

- K Kamalathal needs a special mention as she motivates me by showing age and money cannot be a barrier in helping society when needed.
- One needs to be compassionate enough to realise others suffering and take whatever possible steps to alleviate their sufferings.
- One should not wait for others to do anything that needs to be done, but needs to take conscious initiatives as an individual.

**Conclusion:**

The acts of people like Sonu Sood, K Kamalathal and others set a precedent for generations to come that adherence to values like selfless leadership and dedication towards public good can sustain humanity and its values even during the worst of our times.