

ECONOMICS

Uniform 28 per cent tax on online gaming: What the GST Council’s decision says, its implications

In context: Recently, Goods and Services Tax (GST) Council, decided to levy a uniform 28 per cent tax on full face value for online gaming, casinos and horse-racing.

- The government is now expected to bring in a legal amendment to facilitate this in the monsoon session of Parliament, which will enable inclusion of online gaming and horse racing under actionable claim.
- While the government has maintained that this decision is not intended to end any industry, however online gaming companies have raised concerns about the impact of this move on the industry, as it is likely to affect volumes and thus the viability of gaming companies.

AT THE MEETING

Conundrum resolved

▶ A key issue before the GoM was whether to impose a 28% GST on the face value of bets, or gross gaming revenue, or just on platform fees

Exempted from GST

- ▶ Cancer-fighting drugs, medicines for rare diseases
- ▶ Satellite launch services by private operators

Tax eased

- ▶ GST rate on food served in cinema halls to be 5%. Earlier, the rate was 18%
- ▶ Tax on uncooked and unfried snack pellets and fish soluble paste down from 18% to 5%; tax on imitation zari thread down from 12% to 5%

Progress awaited

- ▶ Retail sale price-based cess on some tobacco items

Setting the ball rolling

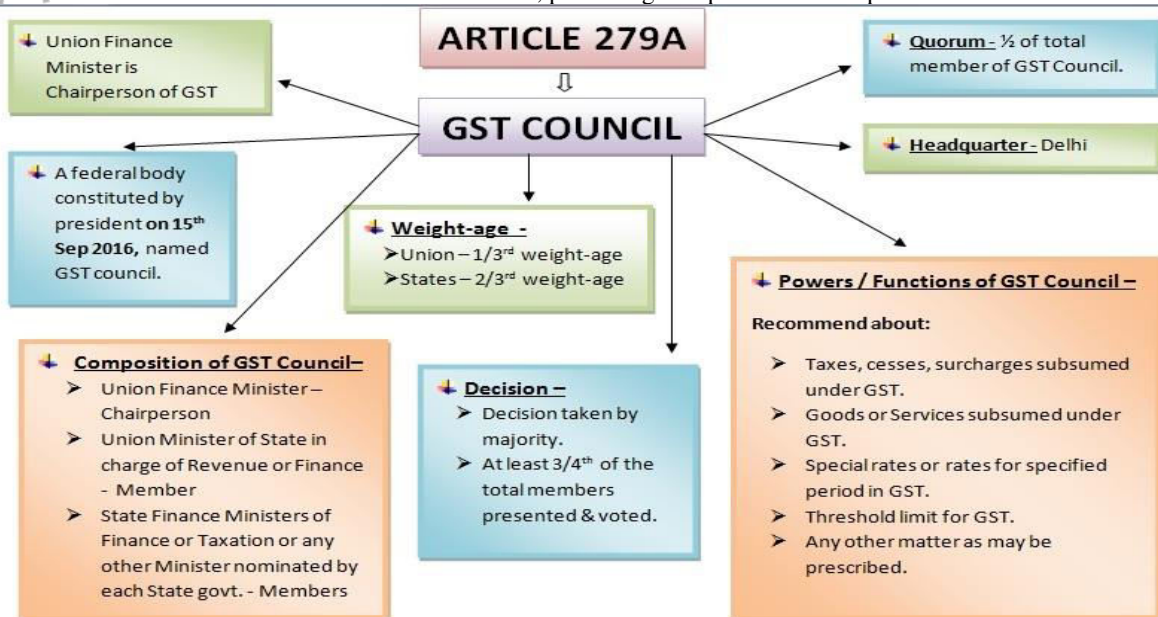
- ▶ GST tribunal to be operational in phases. It will expand from initial Benches in state capitals. A framework is likely by August

SUV defined

- ▶ The definition of an Sports Utility Vehicle tweaked for attracting a cess over and above the GST rate

About GST council:

- GST Council is a constitutional body responsible for making recommendations on issues related to the implementation of the Goods and Services Tax (GST) in India.
- As per Article 279A (1) of the amended Constitution, the GST Council has to be constituted by the President within 60 days of the commencement of Article 279A.
- The Council has been instrumental in deciding key issues related to the GST such as tax rates, exemptions, thresholds, and administrative procedures.
- During its meetings, the GST Council takes decisions through a consensus-based approach every decision of the GST Council shall be taken by a majority of not less than three-fourths of the weighted votes of the members present and voting with a weightage of one-third of the total votes cast to the Centre and a weightage of two-thirds of the total votes cast to the States, promoting the spirit of the co-operative federalism.



What is the decision of the GST Council for online gaming, casinos and horse racing?

- ✓ The uniform levy of 28 per cent tax will be applicable on the face value of the chips purchased in the case of casinos, on the full value of the bets placed with bookmaker/totalisator in the case of horse racing, and on the full value of the bets placed in case of online gaming.
- ✓ Earlier, the ministerial panel on online gaming, casinos, horse-racing had discussed the other option of levying tax on gross gaming revenue or platform fee, that is, the charge paid to avail the gaming services but this did not find favour.
- ✓ The government will bring in amendments to the GST-related laws to include online gaming and horse racing in Schedule III as taxable actionable claims.
 - In the context of GST, an actionable claim is defined as goods under the Central Goods and Services Tax Act, 2017.
 - It is a claim to an unsecured debt or a claim to any beneficial interest in movable property that is not in the possession of the claimant
 - So far, lottery, betting, and gambling were classified as actionable claims. Now, horse racing and online gaming will be added.

How big is the online gaming market in India?

- ✓ The revenue of the Indian mobile gaming industry is expected to exceed \$1.5 billion in 2022, and is estimated to reach \$5 billion in 2025.
- ✓ The industry in the country grew at a CAGR of 38% between 2017-2020, as opposed to 8% in China and 10% in the US.
- ✓ It is expected to grow at a CAGR of 15% to reach Rs 153 billion in revenue by 2024. India's percentage of new paying users (NPU) in gaming has been the fastest growing in the world for two consecutive years, at 40% in 2020 and reaching 50% in 2021.

Who gets impacted by this decision?

- ✓ The decision has been applied indiscriminately to gaming and gambling platforms. This includes companies that have spent years in lobbying efforts to create a distinction between a game of skill and game of chance, essentially trying to distinguish themselves from gambling platforms.
- ✓ As such, online gaming is perhaps the only segment of the internet economy that has multiple highly profitable companies.

Government's stand on including new activities under GST:

- ✓ Union Finance Minister Nirmala Sitharaman, who heads the GST Council, said the intent was not to end any industry but rather a "moral question" about taxing both gaming at the same rate as other "essential items".
- ✓ Government agenda is not to end any industry as all types of businesses have to function but there was discussion on the moral question of not giving more incentives to them than essential goods and decision is taken with the active participation of states.

What was the decision by the Group of Ministers (GoM)?

- ✓ A Group of Ministers (GoM) was constituted to look into the issues related to taxation on casinos, horse racing and online gaming.
- ✓ The GoM submitted its first report in June 2022
 - In the first report, the GoM had recommended a uniform 28 per cent rate for casinos, race courses and online gaming on the full value of the consideration paid (contest entry fee/bets pooled/ coins purchased etc.).
 - It had also recommended that no distinction should be made for levying GST on the basis of an activity being a game of skill or of chance or both.
 - After Goa raised reservations on the GoM report in June last year, the Council decided for a review of the report.
- ✓ Following this, three meetings of the GoM were conducted last year, and the discussions were around two questions:
 - whether the activities of race course and online gaming amount to betting and gambling or not in the context of various High Court and Supreme Court judgments; and
 - how should the supplies of casinos, race courses and online gaming be valued — on the full-face value of bets placed or on Gross Gaming Revenue (GGR) (for casinos), and platform fee/GGR (for online gaming).

How will the tax work in real life?

- ✓ At present, most gaming companies were paying a tax of 18 per cent applicable on the platform fees, distinguishing based on the factor of these activities being games of skill such as fantasy gaming platforms.
- ✓ The Revenue Department, however, has maintained that the tax rate on these categories is 28 per cent and Tuesday's decision is only a clarification.

- ✓ However, under the new structure, a GST of 28% will be applicable on the entire face value of the bet or the consideration paid, and not the platform fee. Meaning that for every Rs 100 deposited, the GST on it will be Rs 28.

How does the tax interplay with the IT Ministry's rules for online gaming companies?

- In April, the IT Ministry had notified rules for online gaming intermediaries, allowing for the creation of self regulatory bodies that will decide what is a permissible online game.
- Finance minister said the GST Council's decision focused on the taxation part of online gaming and it will align with the regulation of the Ministry of Electronics and Information Technology (MeitY).
- And tax on online gaming companies would be imposed without making any differentiation based on whether the games required skill or were based on chance, and that there will be an amendment in the GST law to tweak the definition of actionable claim.

Conclusion: Decision of GST council to impose uniform 28 per cent tax on full face value for online gaming, casinos and horse-racing is in right direction which shows the balance approach of government for not completely ending these industry on the other hand it creates level playing field for essential goods under GST tax rate vis-i-vis bet or chance based games.

ECONOMICS AND POLITICAL SCIENCE

1. Need for reform in CPI basket

In Context: The items in the CPI basket and the weights assigned to them should not remain unchanged as it conceals the actual inflation picture.

What is Consumer Price Index (CPI)?

- ✓ CPI is a comprehensive measure used for estimation of price changes in a basket of goods and services representative of consumption expenditure in an economy.
- ✓ Inflation is measured using CPI.
- ✓ The percentage change in this index over a period of time gives the amount of inflation over that specific period.
- ✓ The National Statistical Office (NSO) under Ministry of Statistics and Programme Implementation (MoSPI) releases Consumer Price Index (CPI) in India with the base year 2012.

What is Household Consumption Expenditure Survey (CES) data?

- ✓ The Household Consumption Expenditure Survey (CES) is a recurring survey taken every five years by the government's National Sample Survey Office (NSSO).
- ✓ The data from the Household CES is used to shift the weights for CPI.
- ✓ Currently, the Ministry of Statistics and Programme Implementation (MoSPI) is in the midst of the CES.
- ✓ The first round of CES is slated to conclude in July 2023 and the second round a year later, in July 2024.
- ✓ Effects of CES data absence - Inability to determine the population under the poverty line accurately.
- ✓ Inability to track inflation effectively.

What are the issues with the present CPI?

- ✓ CPI is used in accurately measuring the cost of living and economic well-being.
- ✓ The real consumption basket of a common Indian is fluid and continually evolving, mirroring the shifts in societal needs, preferences, and economic conditions.
- ✓ Archaic parameters - Tracking items that no longer hold the same relevance in our consumption patterns.
- ✓ According to Engel's Law, as the economy grows, the proportion of income spent on food decreases.
- ✓ Higher food weightage - In the current CPI (base year 2012), weightage of food and beverages is still 45.86 (46.2 in 2001).
- ✓ Over-reliance on food inflation today distinguishes Indian inflation from many other developed countries.
- ✓ Modified consumption pattern - The high weight of cereals (9.67) in the current CPI highlights two critical issues.
- ✓ With economic development of a country, there should be a paradigm shift in dietary habits of its people.
- ✓ The Pradhan Mantri Garib Kalyan Yojana has substantially reduced cereal expenditure for a large segment of the populace.
- ✓ This modifying consumption patterns further led to reducing the relative expenditure on cereals.
- ✓ Dependence on TOP - Tomatoes, onions and potatoes have a considerably higher impact on inflation. It should be lower.
- ✓ Technical lag - In a rapidly evolving digital economy, our data collection and inflation estimation methods must adapt and evolve in tandem.

What are the challenges?

- ✓ CPI and inflation should accurately reflect the realities of modern-day consumption and living.
- ✓ An up-to-date consumption expenditure data is required to effectively reflect the evolution of consumption patterns in our inflation metrics.
- ✓ Efficient data processing should be given non-negotiable priority.
- ✓ Early collection and processing of data and integrated usage of technological advancements.

2. Association of World Election Bodies (A-WEB)

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In context: Chief Election Commissioner & 3 members of Election Commission of India (ECI) to attend the 11th meeting of the Executive Board of the Association of World Election Bodies (A-WEB).

About:

- ✓ Association of World Election Bodies (A-WEB) is the largest association of Election Management Bodies (EMBs) worldwide.
- ✓ **Aim** – To achieve sustainable democracy around the world through the strengthening of the processes of election management in member countries.
- ✓ **Launch** - 2013 in Seoul, Republic of Korea.
- ✓ **Members** - 119 Election Management Bodies (EMBs) as Members and 20 Regional Associations/Organisations as Associate Members.
- ✓ All members may participate in all A-WEB activities, take part in making decisions for the Association, and receive services and benefits provided by the Association.
- ✓ A-WEB organises capacity building programmes and undertakes Election Visitor and Observation Programmes in various countries to study election management practices and share knowledge with other member EMBs.
- ✓ **India's position** – India is a member to the association of world election bodies (A-WEB) and is represented by Election Commission of India (ECI)
- ✓ **Election Commission of India (ECI)**
 - Vice-Chairperson of A-WEB for 2017-19 term.
 - Chair - 2019-22 term.
 - At present a member of its Executive Board for 2022-24.

India A-WEB Centre

- ✓ India A-WEB Centre has been established at New Delhi in 2019
- ✓ Aim – To document and research for sharing the best practices and training and capacity building of officials of A-WEB members.
- ✓ The Centre is bringing out several publications and documents, including a world class Journal titled ‘A-WEB India Journal of Elections.’
- ✓ The ECI is providing all the necessary resources for the India A-WEB Centre.

2023 Annual meeting

- ✓ Theme, 2023 - A global view on the challenges of regional elections 2023.
- ✓ Venue, 2023 – Colombia
- ✓ ECI proposals
 - Setting up an A-WEB portal which would serve as repository of electoral best practices and initiatives taken by member EMBs in various aspects of electoral management
 - Establishing A-WEB Global Awards for EMBs who make significant contribution and take important initiatives in the democratic processes.
 - Both the proposals were approved by the Executive Board

PRELIM FACTS

3. Namda Art

In Context: Skill India project successfully revives the dying Namda Art of Jammu and Kashmir
About the Art:

- ✓ Namada is said to have begun in the 16th century when Mughal Emperor Akbar wanted to get a covering for his horses to protect them from the cold.
- ✓ The term Namda is derived from Nubi, the name of the person who came up with the idea of felted woollen carpets.
- ✓ It is believed that a Sufi saint named Shah-e-Hamdan introduced Kashmiris to the Namda art.
- ✓ Namda carpets and rugs are created by felting wool.
 - Wool is spread in a thick layer over a mat, then soap water is sprinkled on it, following which the layer may be pressed using a tool called pinjra.
 - This is followed by rolling the mat and tying it with a rope and compressing by rolling it on the floor using the hands and feet.
 - Then, the rope is untied and the mat is unrolled.
- ✓ Namda has been practiced by the Pinjara and Mansuri communities and Sama Muslims in Kachchh.
- ✓ Today, Namda is an endangered craft of Kashmir which requires efforts for its revival.
 - One such initiative is the introduction of a machine rolling process that uses a blend of silk and wool fibres.
 - Another initiative for the revival of Namda is the brand Incredible Kashmir Craft.

4. Maputo Protocol

In Context: There has been some progress on gender equality in African countries due to the Maputo Protocol, but it has been uneven, according to a new report.

Key details:

- ✓ It is also known as the Protocol to the African Charter on Human and Peoples' Rights on the Rights of Women in Africa.
- ✓ It is an international human rights instrument established by the African Union that went into effect in 2005.
- ✓ It guarantees comprehensive rights to women including:
 - the right to take part in the political process,
 - to social and political equality with men,
 - improved autonomy in their reproductive health decisions, and
 - an end to female genital mutilation.
- ✓ It was adopted by the African Union in Maputo, Mozambique, in 2003 in the form of a protocol to the African Charter on Human and Peoples' Rights (adopted in 1981, enacted in 1986).
- ✓ The Protocol is considered one of the world's most progressive legal frameworks for women's rights.

5. Aspartame

In Context: Artificial sweetener aspartame has been labelled “possibly carcinogenic to humans”, according to the International Agency for Research on Cancer (IARC).

About Aspartame:

- ✓ Aspartame is a low-calorie artificial sweetener that is approximately 200 times sweeter than sugar.
- ✓ It is a white, odourless powder and is used in more than 5,000 food products globally.
- ✓ Aspartame is a non-nutritive sweetener, meaning it contains an extremely tiny or zero amount of carbohydrates
- ✓ Health effects:
 - A number of studies have found correlations between artificial sweeteners and various health issues, such as migraines, depression, heart disease, cognitive, behavioral and developmental issues, and the development of dementia, diabetes and cancer.

6. Official Mascot of Asian Athletics Championships 2023



About:

- ✓ The 2023 Asian Athletics Championships which began in Thailand recently have chosen revered Hindu god Hanuman as the official mascot for the 2023 year's event.
- ✓ The event was held on the 50th anniversary of the establishment of the Asian Athletics Association (established in 1973).
- ✓ The 25th Asian Athletics Championships 2023 logo indicates the athletes participating in the games, skills, teamwork of athletes, showcase of athleticism, dedication, and sportsmanship.
- ✓ A total of nine countries (Japan; Hong Kong; Singapore; China; Indonesia; the Republic of Korea; Malaysia; and Philippines) participate in the Asian event including India.

7. Grand Cross of the Legion of Honour

In context: Prime Minister Narendra Modi has been conferred with the Grand Cross of the Legion of Honour, France's highest civilian and military honour, by French President Emmanuel Macron.

About:

- ✓ Launch - It was established in 1802 by Napoleon Bonaparte.
- ✓ Categories - The Legion of Honour is divided into 5 classes (lower to higher) - Knight, Officer, Commander, Grand Officer and Grand Cross.
- ✓ The Prime Minister of India is awarded with the 5th honour, making him the first Indian premiere to receive this honour.
- ✓ Purpose - The Legion of Honor is the reward for outstanding merit acquired in the service of the nation in a civilian or military capacity.
- ✓ Criteria - The award is restricted to French nationals but foreigners may get this award if they have rendered services (e.g. cultural or economic) to France or supported causes defended by France.

Other personalities who received this honour

- ✓ Nelson Mandela - Former President of South Africa
- ✓ King Charles - The then Prince of Wales

- ✓ Angela Merkel - Former Chancellor of Germany
- ✓ Boutros Boutros-Ghali - Former Secretary General of the United Nations
- ✓ Vladimir Putin - Russian President

ANSWER WRITTING

Q. Discuss the major reasons behind increasing incidents of wildfires and their impacts across the globe. Also, explain why global action plans in line with the 'Fire Ready Formula' (designed by UNEP) are critical in addressing the issue.

Introduction: The progressive increase in incidents of wildfires is a cause of grave concern across the world. The recent pattern of wildfire shows an alarming trend where even colder Siberian arctic regions are also getting affected by it. Wildfires are a cause of concern when they happen with such a frequency that the ecological system is not able to recover. Between 2002 and 2016, an average of about 4.23 million square km of the earth's land surface was burnt every year. This is equivalent to an area around the size of the entire European Union.

The major reasons behind the increase in wildfires are:

- ✓ **Climate change:** The World is experiencing a constant increase in temperature despite the collective efforts through global action plans. The effects of climate change such as heatwaves and drought support long sustained massive forest fires hitherto unseen.
- ✓ **Changes in land use pattern:** Unviable land management practices have led to the disruption of ecosystems around the globe. Water bodies are used to act as buffer zones in containing seasonal wildfires. The number and the area of water bodies are alarmingly reducing. Rapid deforestation has also led to a steady decrease in the soil moisture thus enabling suitable conditions for sustained forest fires.
- ✓ **Natural causes:** Lighting and Volcanic eruptions are the common natural causes triggering wildfires. Human interventions have assisted these causes to amplify their effects.
- ✓ **Other Anthropogenic factors:** Burning of debris, careless tourism, increased construction activities in the forest borders, and slash and burn agricultural practices contribute to increased occurrences of wildfires.

The impact of wildfires:

- ✓ **Destruction of biodiversity:** Wildfires can lead to complete destruction of ecosystems sometimes leading to the extinction of species of plants and animals.
- ✓ **Soil degradation:** Forest fires alter soil qualities and render it unfit for further propagation of vegetation.
- ✓ **Loss of livelihood:** Wildfires result in disruption of the life of the indigenous communities. The people whose lives are directly linked to the forests are the first to bear the impact.
- ✓ **Air Pollution:** One of the most visible effects of wildfires is the huge amount of pollutants that are released into the atmosphere as a result including CO₂, black carbon, brown carbon, etc.
- ✓ **The cyclical impact of wildfire and global warming:** Forest fires release a number of greenhouse gases. More fires would also mean more greenhouse gases emitted into the atmosphere, which in turn would lead to higher temperatures and subsequently, more wildfires.
- ✓ **Altering Carbon Cycle:** Forests are huge carbon sinks. They usually counterbalance the effect of using large quantities of fossil fuels. Wildfires release stored carbon which may take thousands of years to store.
- ✓ **Wildfires can also disrupt transportation, communications, power and gas services, and water supply.** They also lead to the loss of property, crops, resources, and people.

The present scenario in mitigating forest fires lacks holistic global action plans. There is a need to develop an international consensus since the forest fires are oblivious to the national borders and their impacts are shared by the global community. In this light, The United Nations Environment Programme (UNEP) introduced a new 'Fire Ready Formula,' to manage the rise in incidences of wildfires in the future.

Fire ready formula:

- ✓ The formula focuses on budgetary response to managing forest fires. It envisages 66 percent of spending be devoted to planning, prevention, preparedness, and recovery. The remaining 34 percent can be spent on response. At present most of the expenditures related are spent on response to mitigate the disaster.
- ✓ Focus on investing more in fire risk reduction working with local communities and strengthening global commitment.

Policy directives in line with Fire ready formula will help in reducing the instances of wildfires by:

- ✓ Strengthening international and regional cooperation on wildfires.
- ✓ Management of funds involving local communities as the front runners in planning strategies.
- ✓ Developing international standards for wildfire management.
- ✓ Capacity building for nations by sharing proven practices and tools- such as fire monitoring and early detection, fire danger rating, and asset vulnerability management such as through buffer zones and the adoption of codes and standards.
- ✓ Strengthening stakeholder coordination and preparedness- involving many stakeholders including various levels of government, the private sector, and civil society organizations

Conclusion: While such wildfire prevention measures may get less recognition and publicity than suppression efforts, they are essential if we are to reduce the social, economic, and ecological costs of extreme wildfires and meet

objectives under the Sustainable Development Goals, the Paris Agreement on climate change, and the post-2020 biodiversity framework.

MCQ

1. Considered the following statement regarding Namada Art.
 1. Namda Art is belongs to Jammu and Kashmir.
 2. It is believed that a Sufi saint named Shah-e-Hamdan introduced the Namda art.
 Which of the above statement is/are correct?
 - a) Only 1
 - b) Only 2
 - c) **Both 1 and 2**
 - d) Neither 1 nor 2
2. Recently, the Grand Cross of the Legion of Honour is in news belongs to which country.
 - a) **France**
 - b) Egypt
 - c) UAE
 - d) UK
3. Considered the following statement regarding the 2023 Asian Athletics Championships.
 1. The 25th Asian Athletics Championships 2023 is began at Thailand
 2. Hindu god Hanuman as the official mascot for the 2023 year's event.
 3. A total of nine countries participate in the Asian event including India
 How many of the above statement is are correct?
 - a) Only 1
 - b) Only 2
 - c) **Only 3**
 - d) None
4. Considered the following statement regarding Maputo Protocol.
 1. It is also known as the Protocol to the African Charter on Human and Peoples' Rights on the Rights of Women in Africa.
 2. It was adopted by the African Union in Maputo, Mozambique, in 2003
 Which of the above statement is/are correct?
 - a) Only 1
 - b) Only 2
 - c) **Both 1 and 2**
 - d) Neither 1 nor 2
5. Considered the following statement regarding Consumer Price Index
 1. Consumer Price Index (CPI) in India calculate with the base year 2015.
 2. The National Statistical Office (NSO) under Ministry of Statistics and Programme Implementation (MoSPI) releases Consumer Price Index (CPI).
 3. Inflation of India is calculated in CPI.
 How many of the above statement isare correct?
 - a) Only 1
 - b) **Only 2**
 - c) Only 3
 - d) None
6. Considered the following statement regarding GST Council.
 1. GST Council is a constitutional body.
 2. Article 279A (1) of the amended Constitution, the GST Council has to be constituted by the President within 60 days of the commencement.
 Which of the above statement is/are correct?
 - a) Only 1
 - b) Only 2
 - c) **Both 1 and 2**
 - d) Neither 1 nor 2
7. Considered the following statement regarding launch Vehicle Mark-III (LVM3)
 1. Launch Vehicle Mark-III (LVM3) is a three-stage medium-lift launch vehicle developed by DRDO.
 2. The 3-stages include two solid boosters and the core liquid fuel-based stage.
 3. LVM-3 was used also in launching Chandrayaan-2.
 Which of the above statement is/are incorrect?
 - a) **Only 1**
 - b) Only 2
 - c) 2 and 3
 - d) Only 3
8. Consider the following statements with respect to Zhuque-2
 1. It is the world's first hydrogen-based space rocket.
 2. It uses methane as the fuel and liquid oxygen (LOX) as the oxidizer.
 3. It was launched by the National Aeronautics and Space Administration (NASA).
 How many of the statements given above are correct?
 - a) **Only one**
 - b) Only two
 - c) All Three
 - d) None
9. Recently, 11th meeting of the Executive Board of the Association of World Election Bodies (A-WEB), considered the following statements.
 1. Theme, 2023 - A global view on the challenges of regional elections 2023.
 2. 11th meeting of the Executive Board of the Association of World Election Bodies held at Colombia.
 Which of the above statement is/are correct?
 - a) Only 1
 - b) Only 2
 - c) **Both 1 and 2**
 - d) Neither 1 nor 2
10. Consider the following statements with respect to Honey Bees
 1. All honeybees are social insects and live together in nests or hives.
 2. Honey bees communicate information to its fellow bees through waggle dance.
 3. Queen bee regulate the hive's activities by producing chemicals that guide the behaviour of the other bees.
 How many of the statements given above are correct?
 - a) Only one
 - b) Only two
 - c) **All Three**
 - d) None