



Tender cut

Bottom Line: Instead of shutting out cryptocurrencies, the government must ensure smart regulation

Highlights:

1. The government's statement about bringing in a law on cryptocurrencies is welcome, as it could put an end to the existing ambiguity over the legality of these currencies in India.
2. Earlier, the government has suggested that it does not consider them to be legal tender.
3. It has not, however, been able to channel this understandable disapproval — arising out of the fact that such currencies are highly volatile, used for illicit Internet transactions, and wholly outside the ambit of the state — into any sort of regulation.
4. In 2018, the RBI did send a circular to banks directing them not to provide services for those trading in cryptocurrencies. But this was eventually set aside by the Supreme Court, which found the circular to be “disproportionate,” given that the central bank had consistently maintained that virtual currencies were not banned in India.

Smart regulation is preferable, as a ban on something that is based on a technology of distributed ledger cannot be implemented for all practical purposes. The government must resist the idea of a ban and push for smart regulation.

A resilient future for Uttarakhand

Why is Uttarakhand vulnerable?

Natural Factors	Anthropogenic Factors
Uttarakhand is located in the midst of young and unstable mountains, and is subject to intense rainfall. But these natural characteristics can't be solely responsible for devastations the State has witnessed in the past decade.	For years geologists, glaciologists and climate experts have voiced their fears about an impending disaster due to climate change, rapid and indiscriminate construction activities, and the subsequent ecological destruction in the region.



Causes of Recent Burst:

1. The occurrence of the current glacier burst was loosely attributed to erosion, a build-up of water pressure, an avalanche of snow or rocks, landslides or an earthquake under the ice.
2. Experts also identified large-scale human settlements and expansion of agricultural activities leading to massive deforestation, as a possible trigger.
3. Studies have shown that widespread settlements, farming, cattle grazing and other anthropogenic activities could destroy the natural barriers that control avalanches and floods, thereby enhancing the possibilities of a glacial lake outburst flood.
4. Experts and activists have incessantly asked for scrutiny into the construction of hydroelectric power projects in Uttarakhand. There have also been allegations about the use of explosives in the construction of dams and other infrastructure.
5. In 2014, an expert committee led by Dr Ravi Chopra, instituted to assess the role of dams in exacerbating floods, provided hard evidence on how haphazard construction of dams was causing irreversible damage to the region.

The Hindu Kush Himalaya Assessment Report (2019) by The International Centre for Integrated Mountain Development (ICIMOD)

1. The report had pointed out that one-third of the Hindu Kush Himalaya's glaciers would melt by 2100 and potentially destabilise the river regime in Asia, even if all the countries in the region fulfilled their commitments under the Paris Agreement.
2. It also warned that any ecologically destructive activities would lead to more intensified disasters like landslides.

Some immediate steps

The need of the hour is to invest in long-term crisis response mechanisms and resilience solutions. A few immediate steps include:

1. investing in resilience planning, especially in flood prevention and rapid response;
2. climate proofing the infrastructure such as by applying road stabilisation technologies for fragile road networks and strengthening existing structures like bridges, culverts and tunnels; strengthening embankments with adequate scientific know-how;



3. reassessing development of hydropower and other public infrastructure;
4. investing in a robust monitoring and early warning system;
5. establishing implementable policies and regulatory guidelines to restrict detrimental human activities, including responsible eco- and religious tourism policies; and
6. investing in training and capacity building to educate and empower local communities to prevent and manage risks effectively.

Is India's Digital Services Tax discriminatory?

News: Last month, a United States Trade Representative (USTR) investigation report found India's **Digital Services Tax (DST)** to be discriminatory. It said the tax is "inconsistent with prevailing principles of international taxation", and burdens or restricts U.S. commerce. India has denied these charges. The bone of contention is a 2% tax that India has charged since April 2020 on revenues from digital services, applicable only to non-resident companies.

Taxing the digital economy

1. Under the Base Erosion and Profit Shifting (BEPS) programme of OECD action point one was to look at the tax challenges of the digital economy. By 2015, action point one still remained a work in progress.
2. The main problem was to find a new way of taxing digital companies that are not adequately taxed because of how the rules are designed. So, the primary concern was that companies don't have a physical location in the markets where they operate. And use the intangibles, which are hard to value.
3. India, in 2016, became the first country to implement the equalisation levy, on advertising services at 6%. This was basically on payments made to a non-resident by a resident advertising on the platform. The thinking was that when a solution is reached at the global level, this will be phased out.
4. The new equalisation levy, which expands the scope significantly, even to e-commerce, was introduced in 2020. And after that, the U.S. has taken a stance that it would interrogate such measures as a hindrance to its commerce and trade.
5. Unlike the 2016 levy, this 2020 levy was devoid of any sort of public consultation. It was a major surprise for the digital community.
6. Even other countries introduced DSTs akin to India's equalisation levy. However, these have not been devoid of public consultation. For instance, the

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U.K. DST underwent significant public scrutiny, and the result is that it is more sound than what perhaps India's levy is.