



Current Affairs of the Day

Taxing drama

The Centre must conclude the retroactive tax disputes and ensure policy predictability.

Highlights:

1. In what should be the last act of a long and winding tax dispute drama, British firm Cairn Energy has said it has concluded all steps prescribed by the Indian government in order to be eligible for the refund of a contentious retroactive tax levy.
2. The firm, now rechristened as Capricorn Energy, expects to get back ₹7,900 crores. Cairn Energy was the second major firm pursued by the I-T Department for taxes it believed had accrued in the past, using retroactive legislative changes introduced in 2012.
3. The original target for this move, which has sharply dented India's credibility, was Vodafone, which had secured a Supreme Court verdict against the tax department's demands for past transactions.
4. Empowered to dig up similar transactions, involving the indirect transfer of assets situated in India, the I-T Department had, since 2014, pursued Cairn over a group restructuring undertaken in 2006, culminating in a tax demand of as much as ₹24,500 crores.
5. Cairn and Vodafone had initiated arbitration proceedings against the Indian tax authorities' actions and won in late 2020. But in Cairn's case, the taxman had recovered part of its 'dues' by forcibly selling its shares even as arbitration proceedings were pending — an action that led to The Hague awarding it penal damages of \$1.2 billion.





Way Forward:

1. As part of the Government's compromise formula worked out belatedly last August through amendments in the tax law, Cairn had to drop all legal proceedings seeking to enforce the arbitration award against India, forgo the damages and indemnify the Government against all future claims or liabilities.

2. Last month, Vodafone also availed these provisions. The Government should, on its part, work swiftly to process their paperwork and preferably remit their dues before the fiscal year concludes.
3. While this will be a necessary first step towards restoring some of the damage caused to Brand India, it may not be immediately sufficient — from labelling it as tax terrorism while in the Opposition, this government dithered on corrective action till its eighth year in office.
4. Even in the eight months following the loss of the Cairn arbitration, it shuffled its feet, from denial and obfuscation to working out legal amendments to fix the mess.
5. The only ostensible trigger for the change was global courts approving the seizure of Indian assets as Cairn sought to enforce the arbitration award.

Whether this was an outcome of bureaucratic bravado, official obstinacy, political paralysis or a combination of all three, India needs to abandon such fickleness and demonstrate greater certainty and predictability across economic policy, be it about GST or global trade engagement, in order to bolster its credentials as an ideal investment destination.

CONDITIONS APPLY

The new bill says tax claims made on offshore transactions executed prior to 28 May 2012 will be nullified, subject to riders. The status of such demands at a glance:

Status of retrospective tax demands



Arbitration awards (in ₹ crore)

Tax demanded	Arbitration
Cairn Energy Plc	12,600 including interest
Vodafone Group Plc	40 in costs**

*plus an equal amount in penalty, accrued interest
* updated demand in 2017
** plus ₹45 crore tax refund if award is not contested. India has appealed the award.

LEGISLATIVE CHANGE

MOVE will help close past disputes, avoid future litigation costs

THE govt proposes to refund only the principal, not interest



Integrity Pact: CVC modifies criteria

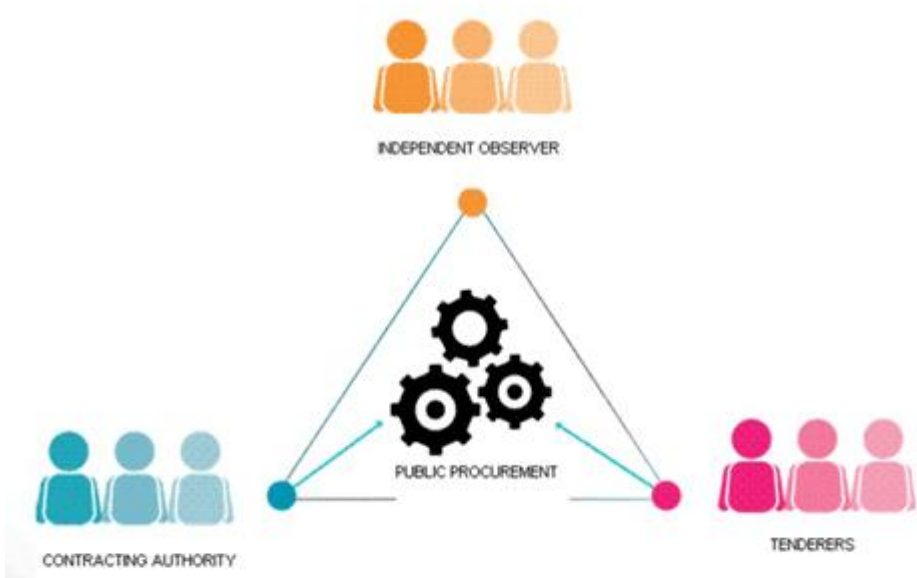
The Central Vigilance Commission (CVC) has again modified the criteria for the nomination of Independent External Monitors (IEM) in government bodies, months after it had issued a revised standard operating procedure for adoption and implementation of the 'Integrity Pact' clause, which is meant to prevent corruption in public procurement.



INTEGRITY PACT

1. A vigilance tool conceptualized and promoted by Transparency International.
2. Central Vigilance Commission recommended adoption of the pact and provided guidelines for the Government organizations.
3. It envisages an agreement between the prospective vendors and the buyer not to resort to any corrupt practices in any aspect / stage of the contract

INTEGRITY PACT MODEL





PM to hold Central Asia summit today

1. Prime Minister Narendra Modi will hold the first India-Central Asia summit, in a videoconference with five Presidents from Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.



2. Government officials said the major areas of focus for the conference would be trade and connectivity, building development

partnerships and enhancing cultural and people-to-people contacts, but it is clear that a number of global and regional developments will also form a large part of the discussions.

3. During the conference, the countries are expected to propose ways to increase trade between India and the region, which is only about \$2 billion at present, most of which comes from energy imports from Kazakhstan.

4. India extended a \$1 billion Line of Credit (LOC) for development projects in the areas of energy, healthcare, connectivity, IT, and agriculture in 2020 and proposes to increase the number of educational opportunities for students from Central Asian countries.

5. In addition, India hopes to build on its trilateral working group on Chabahar with Iran and Uzbekistan to strengthen connectivity to the region.

6. Meanwhile, other developments like the COVID-19 are expected to be discussed, and in particular rebuilding, economies affected by pandemics.

Contentious geopolitical issues:

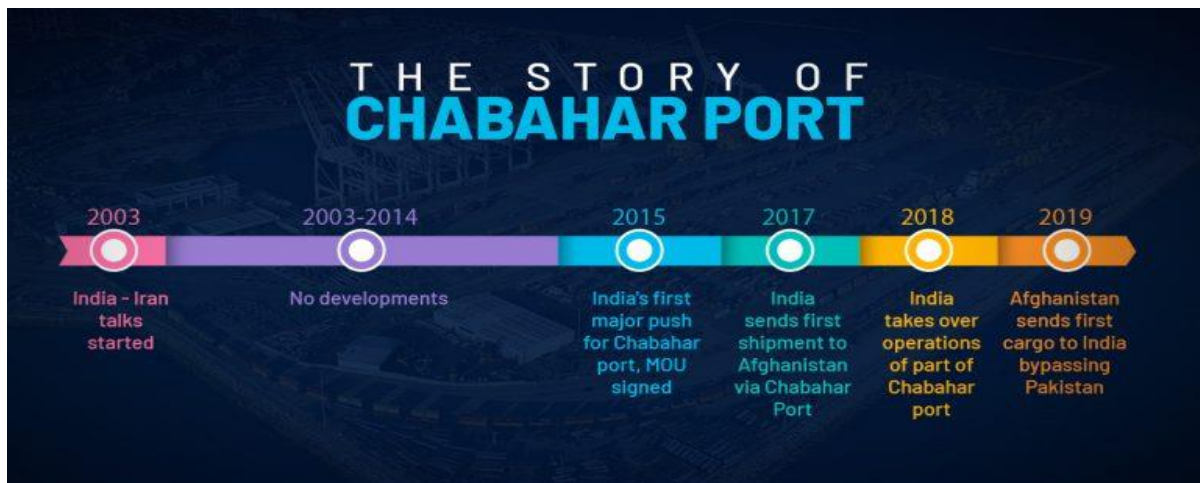
1. The growing tensions between Russia and NATO countries over the troop build-up on the Ukraine-Russia border, which Moscow says is in response to plans for NATO expansion in East Europe, will cast a shadow over the



meeting as well, given the close strategic ties between Russia and the five former Soviet States, as well as Russian ties with India.

2. During the recent uprising in Kazakhstan, President Tokayev had received support from Russian President Vladimir Putin, who dispatched Russian Army soldiers to help restore the situation.
3. The situation in Afghanistan was discussed at length at the SCO, and by National Security Advisers at an India-Central Asia meet hosted by NSA of India.
4. Despite statements from several multilateral groupings, the Taliban regime in Kabul is yet to agree to form an inclusive government, restoring education for girls of all ages, and giving concrete guarantees on preventing terrorist groups from operating in Afghanistan.
5. Not all Central Asian countries are on the same page as India on dealing with the Taliban, and with the exception of Tajikistan, all have exchanged high-level diplomatic visits with Kabul, while at least two, Uzbekistan and Turkmenistan have reopened their missions in Afghanistan.

Chabahar: Access to Central Asia and East Europe; India, Iran and Uzbekistan hold a discussion on Chabahar port





MAINS DAWP	<p>Q1. What is an Integrity pact? Discuss the role of Integrity pacts in ensuring probity in public procurement. Describe other steps taken in recent years to ensure transparency and accountability in public procurement. (GS 4)</p> <p>Q2. Discuss geopolitical and economic opportunities and challenges in Central Asia for India. (GS 2)</p>
MCQs	<p>Q1. Which of the following are the benefits of the promotion of food processing?</p> <ol style="list-style-type: none"> 1. Ensuring food security 2. Eliminating Food wastage 3. Fulfilling various Sustainable Development Goals 4. Job Creation <p>Select the correct answer from the codes given below</p> <ol style="list-style-type: none"> a. 1, 2 and 3 b. 2, 3 and 4 c. 1, 2 and 4 d. 1, 2, 3 and 4