



A Path To Executive Power

Relevancy

- ✓ G.S. Paper 2
- ✓ Debate over office of profit and the principle behind it
- ✓ Issues related to office of profit in other states and measures to tackle the situation

Recently:

- ❖ On January 21, President Ram Nath Kovind approved the recommendation of the Election Commission (EC) to disqualify 20 Members of the Legislative Assembly (MLAs) of the Aam Aadmi Party (AAP).
- ❖ They were deemed to have been holding offices of profit as they were parliamentary secretaries to ministers in the Delhi government.
- ❖ The party protested the move saying the EC had acted in a unilateral manner as its MLAs had not been given a hearing.

What is Office of profit debate and what is the principle behind it?

- The concept of office of profit was first used in Britain in the 16th century.
- The underlying principle behind this is the doctrine of separation of powers.
- The office of profit rule seeks to ensure that legislators act independently and are not lured by offers from the executive.
- India's Constitution makers adopted this idea under Articles 102(1)(a) and 191(1)(a).
- The articles state that a lawmaker will be disqualified if he or she occupies "any office of profit" under the Central or State governments, other than those offices exempted by law.
- While the term "office of profit" is not defined in the Constitution, the SC has laid out its contours.

Similar issues in other states

- Recently, the Supreme Court struck down the Assam Parliamentary Secretaries (Appointment, Salaries, Allowances and Miscellaneous Provisions) Act, 2004, calling it unconstitutional.
- Thus the issue has a chequered legal past as the trend of appointing MLAs as parliamentary secretaries is done across the political spectrum.
- Many of such issues have been legally challenged and struck down by the judiciary.

Why do State governments create such posts in the first place?

- Such posts are mainly to reward MLAs who do find a place in the cabinet.
- One of the major constraints in cabinet formation is Article 164 (1-A) of the Constitution.
- The article limits the number of Ministers in State cabinets — including the Chief Minister — to 15% of the total number of MLAs of the State. For Delhi it is 10% of the total seats.
- While it can be debated whether the prescribed cap is too harsh, constitutional constraints and office of profit restrictions seek to prevent the creation of multiple executive posts to reward loyal legislators.

What are the other issues with such posts?

- In India's parliamentary system, contesting elections to the legislature is primarily seen as a path to exercise executive power.
- It is often ignored that holding the government to account is not only the Opposition's role but also that of the entire legislature. Rewarding MLAs with executive posts can restrict them from performing their primary role.
- The creation of such posts can also be attributed to the larger institutional malaise facing the legislatures.
- Lawmakers have been enfeebled over the years through measures such as binding party whips and a purely executive-driven legislative agenda.



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- In such an institutional milieu, lawmakers increasingly seek positions with perks to exercise influence.

Unless legislatures are truly strengthened and the disproportionate power of the executive in the legislature curtailed, the demand for creating such posts will continue to persist.



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A Wider Net: On The Expanding Tax Base

Relevancy

- ✓ G.S. Paper 2
- ✓ Recent findings of economic survey
- ✓ Outcomes of expanding the tax base and what government should do

Recently:

- ❖ The Economic Survey 2017-2018 argues that the large gains on the indirect and direct tax fronts indicate that the primary intentions behind the two big-bang economic strides — of formalizing the economy and bringing more income into the tax net — have been met to some extent.
- ❖ The demonetisation of high-value currency notes and the advent of the goods and services tax regime have triggered a surge in the number of those filing taxes in the country.

What have been the outcomes of expanding the tax base?

- From about 59 million individuals who filed income tax returns or whose tax was deducted at source in 2015-16, the number of tax-filers rose by 10.1 million since the note ban.
- Stripped of statistical adjustments to avoid a bias in findings, the Survey assesses that roughly 1.8 million, or 3% of the existing compliers, started paying up.
- Many of them are reporting incomes close to the rupees 2.5-lakh threshold for personal income tax, so this may not swell the exchequer much. But it holds potential for growth as the new tax payer's progress in their vocations.
- Personal income tax collections are expected to rise to a historic high of 2.3% of GDP in 2017-18, compared to 2% between 2013-14 and 2015-16.



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- This may seem glacial progress but could be considered a tipping point in a country where just 4% of adults pay personal income tax, though the government reckons that number should be 23%.

What are the findings of the Survey?

- The Survey finds a 50% increase in unique indirect taxpayers in the first six months of GST, with around 10 million registered taxpayers now compared to an estimated 6.5 million pre-GST.
- The GST regime, despite the initial chinks, could end up boosting India's macro-economic stability by breaking what the Survey terms 'inertia' of the tax-GDP ratio.
- This ratio for the Centre has remained at the same level since the 1980s, though the economy grew at an annual average of about 6.5%.
- The Survey has noted that both of India's underlying macro weaknesses — the fiscal and current account deficits — tend to get exacerbated when oil prices move up.
- A wider tax base could help tackle the fiscal accounts deficit.
- Fixing exporters' GST woes and continuing to ease the transition pains under its new features, such as e-way bills to deter evasion, would be critical to attain the 7%-7.5% growth projected for the coming year.

What does the government needs to do further?

- The government needs a road map to expand the direct tax pie by pruning blanket exemptions for vocations such as farming and using a more proactive Big Data-driven approach to target evaders.
- The government must reward this tax base expansion by offering the 'compliant' some relief in the Budget, even if it means slashing high duties on petroleum products.
- High indirect taxes pinch the poorest the most thus the government must inculcate measures that resolve this issue.



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Economic Survey 2017-2018- Farm Sector Sees 'Feminization'.

Relevancy

- ✓ G.S. Paper 2
- ✓ Recent changes in agriculture sector
- ✓ Contributions made by women and government's initiatives to increase women contribution

Recently:

- ❖ The Economic Survey 2017-18 released on Monday states that there is a rise seen in migration of men from rural to urban areas.
- ❖ There is 'feminization' of agriculture sector, as the number of women in multiple roles such as cultivators, entrepreneurs and laborers is increasing.
- ❖ The Survey also stressed the need for an 'inclusive transformative agricultural policy', aimed at gender-specific interventions.

What are the recent changes in agriculture sector?

- With growing rural to urban migration by men, there is 'feminization' of agriculture sector, with increasing number of women in multiple roles as cultivators, entrepreneurs, and laborers.
- Worldwide, there is empirical evidence that women had a decisive role in ensuring food security and preserving local agro-biodiversity.
- Rural women are responsible for the integrated management and use of diverse natural resources to meet the daily household needs.
- However women farmers do not have enhanced access to resources like land, water, credit, technology and training which warrants critical analysis in the context of India.
- The Survey observed that crucial role of women in agricultural development and allied fields was a fact long taken for granted.

What are the contributions made by women?

- The contribution of women to agriculture and food production for sustainable development of agriculture and rural economy cannot be ignored.
- Notably, as per Census 2011, out of total female main workers, 55% were agricultural laborers and 24% cultivators.
- However, only 12.8% of the operational holdings were owned by women, which reflected the gender disparity in ownership of landholdings in agriculture.
- The Survey added that with women predominant at all levels — production, pre-harvest, post-harvest processing, packaging, marketing — of the agricultural value chain it is imperative to adopt gender specific interventions.

What should be done?

- An 'inclusive transformative agricultural policy' should be there that aims at gender-specific interventions to raise productivity of small farm holdings.
- Integrate women as active agents in rural transformation, and
- Engage men and women in extension services with gender expertise.
- The Union government must implement various schemes to improve the entitlements of women farmers.

What is the government doing?

- To ensure main-streaming of women in the agriculture sector, the government is earmarking at least 30% of the budget allocation for women beneficiaries in all ongoing schemes-programmes and development activities.
- It is also focusing on women self-help groups (SHG) to connect them to micro-credit through capacity building activities and to provide information and ensuring their representation in different decision-making bodies.



GST Leads To Increase In Number Of Indirect Taxpayers

Relevancy:

- ✓ GS Prelims, GS Mains paper III
- ✓ Economy, GST and increase in number of taxpayers, Economic survey

Recently:

- ❖ The Economic Survey 2017-18 has revealed that:
- ❖ There is a 50% increase in number of Indirect Taxpayers
- ❖ Maharashtra, Gujarat, Karnataka, Tamil Nadu & Telangana account for 70% of India's exports
- ❖ India's internal trade in goods and services is 60 percent of GDP.

Some important findings are as under:

- 50% increase in number of indirect taxpayers
- Large increase in voluntary registrations under GST
- Distribution of GST base among states closely linked to size of their economies
- Strong correlation between export performance and states' standard of living
- India's largest firms account for a much smaller share of exports than in other comparable countries
- India's formal sector is substantially greater than currently believed

Details are as under:

- 50% increase in number of indirect taxpayers:
- The profile of new filers is interesting as out of their total turnover, business-to-consumer (B2C) transactions account for only 17 percent of the total.
- The bulk of transactions are business-to-business (B2B) and exports, which account for 30-34 percent apiece.
- There are about 1.7 million registrants who were below the threshold limit (and hence not obliged to register) who nevertheless chose to do so.
- Indeed, out of the total estimated 71 million non-agriculture enterprises, it is estimated that around 13 percent are registered under the GST.
- Distribution of GST base among states closely linked to size of their economies:
- Maharashtra, UP, Tamil Nadu and Gujarat are the States with the greatest number of GST registrants.
- UP and West Bengal have been large increases in the number of tax registrants compared to the old tax regime.
- It also underlines that the distribution of the GST base among the States is closely linked to the size of their economies, allaying fears of major producing States that the shift to the new system would undermine their tax collections.

Strong correlation between export performance and states' standard of living:

- The five States-Maharashtra, Gujarat, Karnataka, Tamil Nadu and Telangana account for 70% of India's exports.



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- New data on the international exports of States suggests a strong correlation between export performance and States' standard of living.
- Last year Survey had estimated that India's Inter-State trade in goods was between 30 and 50 percent of GDP.
- But the GST data suggests that India's internal trade in goods and services (excludes non-GST goods and services) is actually even higher and is about 60 percent of GDP.
- India's largest firms account for a much smaller share of exports than in other comparable countries:
- Export concentration by firms is much lower in India than in the US, Germany, Brazil, or Mexico. The top one percent of firms accounted for 72, 68, 67 and 55 percent of exports in Brazil, Germany, Mexico, and USA respectively but only 38 percent in the case of India.
- Similarly, the top 5 percent accounted for 91, 86, 91 and 74 percent in those countries, compared with 59 percent in India and the top 25 percent of firms accounted for 99, 98, 99 and 93 percent in those countries, as opposed to 82 percent in India.

India's formal sector is substantially greater than currently believed:

- Referring to India's formal sector, especially formal non-farm payroll, the Survey says it is substantially greater than currently believed.
- Formality defined in terms of social security provision yields an estimate of formal sector payroll of about 31 percent of the non-agricultural work force; formality defined in terms of being part of the GST net suggests a formal sector payroll share of 53 percent.



The Balancing Act, In India-ASEAN Ties

Relevancy

- ✓ G.S. Paper 3
- ✓ Outcomes of recent Indo-ASEAN summit in New Delhi
- ✓ Importance of ASEAN for India

Recently:

- ❖ Association of Southeast Asian Nations (ASEAN)-India Commemorative Summit, held in New Delhi last week.
- ❖ The principal gain of the Summit is to provide ample clarity on what their partnership has achieved and where it should move in the future.

What is the Scope for cooperation?

- A good way to begin is to listen to ASEAN voices.



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- The participation of ASEAN leaders in a second summit in Delhi in five years and their historic presence as chief guests at the Republic Day celebrations convey a clear message: India is important to ASEAN and is viewed as a benign power.
- Thus there is huge scope to develop cooperation with it.

What is the outcome of the recent Indo-ASEAN summit?

- Recent developments in the Indo-Pacific region have lent special significance to the summit.
- China's economic progress is welcomed, with every ASEAN nation keen to derive optimal benefit from it.
- However Beijing's assertive diplomacy, strategic postures and coercive action in the South China Sea have combined to sour the environment.
- This mix has impelled ASEAN states to expect and encourage India to enhance its role as a balancer in the region.

What is the importance of ASEAN from India's point of view?

- For India, ASEAN is of vital importance both for strategic and economic considerations.
- India seeks to redefine the contours of its neighborhood.
- Constraints and setbacks in South Asia and opportunities in Southeast Asia have led it to blur the traditional distinction between 'immediate neighborhood' and 'extended neighborhood.'
- Friendly South Asians and welcoming Southeast Asians now constitute our new neighborhood, with an eastward tilt.

On political and security cooperation

- Two themes like Freedom of navigation and over flight "in the region" is of the highest importance.
- Maritime cooperation and its extended practical collaboration among the navies of major ASEAN states and India will be watched closely.
- ASEAN also wants India's support to ASEAN efforts to obtain a legally binding Code of Conduct with China in the South China Sea.

On trade and economic cooperation

- Full utilization of the ASEAN-India Free Trade Area and "the swift conclusion" of a modern, comprehensive and high quality Regional Comprehensive Economic Partnership (RCEP) are the next steps.
- Of course, the RCEP should be "mutually beneficial", but note that the adjective "balanced", preferred by India, is missing from the text.
- India does not have the option to stay out of the RCEP, but it needs ASEAN's support to secure an acceptable bargain. Tough negotiations lie ahead.

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