DAILY NEWS PULSE

AUG 18

Quick Glance

- New GST Regime - GST 2.0
- Environmentalists oppose Sharavathi Project
- India shows a new way to engage Africa

Economy

New GST Regime - GST 2.0

Context

Amidst escalating trade tensions and tariff threats from the U.S., Prime Minister Modi's administration has introduced comprehensive "Next-Gen GST" reforms. The central government is rationalizing GST rates to ease the tax burden on everyday essentials and electronics, aligning with broader goals of boosting consumption, simplifying taxation, and providing relief especially to the poor and middle-income groups.

Key Details

- **Major GST Slab Rationalisation** - Complete removal of the 28% slab; most of the 12% category is proposed to shift to a 5% rate, significantly lowering taxation on a wide range of consumer goods.
- **Two-Slab Framework Proposal** - Government proposes a 'two-tier GST system': 5% (merit slab) and 18% (standard slab), with special rates for a small select category of items. This streamlines the current four-slab structure and reduces complexity.
- **Insurance Premium Relief** - Plans are underway to cut GST on health and term insurance premiums.
- **Consultative Implementation Efforts** - The draft GST reform proposal has been circulated to the Group of Ministers and states. The PM emphasized cooperative federalism, urging swift adoption before Diwali to deliver a "double benefit" to citizens.

Significance

- **Consumer Relief**: Reduces prices for essentials and durables, directly improving affordability for lower- and middle-income households.
- **Stimulus to Demand**: Expected uplift in domestic consumption, which can help offset external shocks from international tariffs.
- **Simplified Tax Regime**: Streamlines GST structure, supports ease of compliance, and reduces administrative burden for businesses and small traders.
- **Market Confidence**: Positive signals to both consumers and markets, improving sentiment and potentially stimulating investment.

Challenges

- **Revenue Losses**: Continued rationalisation may lead to a short-term fiscal gap, estimated at around $20 billion per annum.
- **Federal Consensus**: GST Council decisions require consensus; some states may resist due to revenue concerns.
- **Implementation Complexity**: Transition to new slabs requires updating IT systems, compliance norms, and stakeholder awareness.

Way Forward

- **Consensus Building**: Accelerate discussions in GST Council, ensuring timely state-level buy-in.
- **Fiscal Management**: Use the phasing out of the compensation cess and increased efficiencies to mitigate revenue shortfalls.
- **Public Communication**: Educate consumers and businesses on new rates and compliance changes for smooth transition.
- **Insurance Benefits**: Fast-track GST cuts on health/term insurance to improve social protection coverage.

Syllabus Mapping:

- GS Paper II – Governance - Tax policy reform, federalism, cooperative federalism
- GS Paper III – Economy - Revenue management, indirect taxation, consumption dynamics
- GS Paper III – Fiscal Policy - Fiscal balancing, subsidy rationalisation, easing tax burden

Geography

Environmentalists oppose Sharavathi Project

Context

The proposed Sharavathi Pumped Storage Project (2000 MW) — to be implemented by the Karnataka Power Corporation Limited (KPCL) — has triggered strong environmental opposition across parts of Karnataka.

Key Details

- The project is planned in **the Sharavathi river basin**, a major **west-flowing river** originating in the Western Ghats of Shivamogga district and known for its **spectacular Jog Falls.**
- Historically, the river already hosts the Sharavathi Hydroelectric Project (1035 MW) commissioned in the 1960s, which submerged large tracts of evergreen forest and led to the creation of *the Linganamakki Reservoir.*
- KPCL, citing the growing need to stabilise renewable energy supply in Karnataka, has proposed a ₹10,200-crore scheme to be constructed near existing Sharavathi and Talakalale reservoirs.

Environmental Concerns

- **Location in a Global Biodiversity Hotspot**
  - The Western Ghats are one of the world's 8 "hottest hot-spots" of biodiversity.
  - Home to thousands of endemic plants, amphibians, insects, birds, mammals not found anywhere else.
  - The project falls in/around Sharavathi Valley Wildlife Sanctuary, Kogar-Gerusoppa forest range, part of the eco-sensitive zone (ESZ) .
- **Deforestation & habitat loss**
  - Loss of breeding and nesting habitats for species like Lion-tailed macaque, Malabar giant squirrel, Great Indian hornbill, etc.
- **Fragmentation of forest corridors**
- **Hydrological disturbance**
  - *Western Ghats act as the "water tower" of peninsular India*.
  - Pumped storage changes natural flow of streams, impacting aquatic biodiversity (fish, amphibians).
  - Risk of landslides & erosion increased in high-rainfall fragile hills.
- **Contradiction with conservation recommendations**
  - **Gadgil & Kasturirangan committees on Western Ghats** had warned against large infrastructure projects in sensitive zones.
- Project could violate Eco-Sensitive Zone (ESZ) norms under Wildlife Protection Act.

Key Criticism

"Energy security should not come at the cost of irreplaceable natural heritage." Environmentalists demand exploration of battery-based storage, smart-grids, demand-response systems as lower-impact alternatives.

SYLLABUS

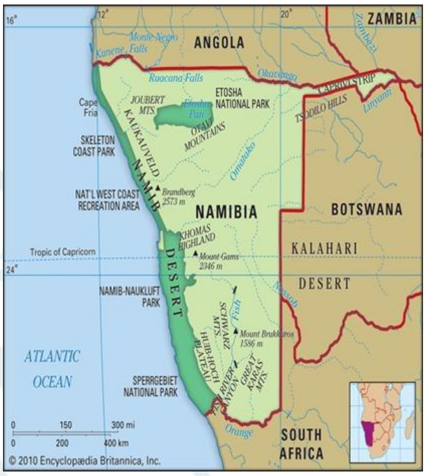
Syllabus Mapping:

- GS Paper I – Geography - Distribution of key natural resources across the world (including water resources) ; Geographical features and their location-changes, flora & fauna.
- GS Paper III – Biodiversity, Environment

International Relations

In Namibia, India shows a new way to engage Africa

Context



India's recent approach towards Africa, showcased through deepening ties with Namibia, represents a shift **from episodic symbolism to sustained, sector-driven engagement.** It reflects India's vision of South–South cooperation, leveraging shared histories, addressing contemporary strategic needs, and building future-ready institutions

Key Details

- **Three-Step Logic Behind India's New Africa Policy**
  - Historical solidarity revisited pragmatically – leveraging shared anti-colonial heritage not as nostalgia but as strategic memory to build trust.
  - Present-day practical cooperation – focusing on sectors like health, digital, mining, IT, education, institutional building.
  - Long-term future orientation – investing in capacity-building, tech infrastructure, youth, and resilient governance structures.
- **Rationale for choosing Namibia:**
  - Uranium-rich and resource-stable → aligns with India's clean energy roadmaps.
  - Politically stable with shared institutional aspirations.
  - Holds an important demographic dividend and technological ambitions (e.g., adoption of India's UPI model).
  - Low-carbon diplomacy: Namibia's natural uranium reserves help India diversify its energy mix and enhance strategic autonomy in energy.
- **Shortcomings & Gaps acknowledged**
  - Limited tangible outcomes (only MoUs) — gap between ambition and delivery.
  - Absence of big-ticket investment in critical minerals despite opportunity.
  - Concern that India's consistency in Africa is often questioned

Practice Corner

1. With reference to the proposed "Next-Gen GST" reforms, consider the following statements:
   1. The government has proposed to reduce the existing four-slab GST structure to a two-slab system.
   2. The highest 28% slab is proposed to be completely removed.
   3. Health and term insurance premiums are proposed to be exempt from GST.

   Which of the statements given above is/are correct?

   (a) 1 and 2 only
   (b) 2 and 3 only
   (c) 1 and 3 only
   (d) 1, 2 and 3

2. The introduction of "Next-Gen GST" reforms is expected to yield which of the following benefits?
   1. Reduction in consumer prices, especially for essentials.
   2. Increased domestic demand to offset external shocks.
   3. Simplified tax compliance for small traders.
   4. Automatic increase in central government revenue in the short term.

   Select the correct answer using the code below:

   (a) 1, 2 and 3 only
   (b) 2 and 4 only
   (c) 1, 3 and 4 only
   (d) 1, 2, 3 and 4

3. The phrase "cooperative *federalism*" used in the context of the GST reforms refers to:
   (a) The Centre unilaterally deciding tax reforms to strengthen federal finances.
   (b) Consensus-building between Centre and States in GST Council for smooth adoption.
   (c) Empowering local bodies to levy GST on essentials.
   (d) Sharing GST revenues equally between Centre and States regardless of collection.

4. The Sharavathi River, recently in news, is best known for:
   (a) Its origin in the Eastern Ghats, forming a delta in Bay of Bengal.
   (b) Hosting Jog Falls, one of India's highest waterfalls, in the Western Ghats.
   (c) Forming the boundary between Karnataka and Goa.
   (d) Originating in Maharashtra and flowing into the Arabian Sea at Ratnagiri.

5. The Gadgil and Kasturirangan Committee reports are often in news in the context of:
(a) Recommendations on GST reforms.
(b) Coastal Regulation Zone policies.
(c) Conservation of Western Ghats.
(d) Rehabilitation of mining-affected communities

6. With reference to environmental concerns linked to the Sharavathi Pumped Storage Project, which of the following are correct?
1. Risk of deforestation and habitat loss for endemic species.
2. Disruption of hydrological flows and aquatic biodiversity.
3. Possibility of landslides and erosion in fragile high-rainfall hills.
4. Contradiction with Gadgil and Kasturirangan Committee recommendations.

Select the correct code:
(a) 1, 2 and 3 only
(b) 2 and 4 only
(c) 1, 3 and 4 only
(d) 1, 2, 3 and 4

7. Namibia holds significance for India's strategic and developmental interests because:
1. It is one of the largest sources of natural uranium.
2. It has adopted India's UPI-based digital payments model.
3. It is among the few African states with a demographic dividend and political stability.

Which of the statements above are correct?
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

8. India's engagement with Namibia in the energy sector is most closely linked with which of the following?
(a) Expanding crude oil imports from West Africa.
(b) Uranium imports for India's clean energy roadmap.
(c) Collaboration in coal-based power generation.
(d) Joint exploration of offshore hydrocarbons in Indian Ocean.