

Current Affairs Notes 02-02-2024

EXERCISE VAYUSHAKTI-2024

The last edition of exercise Vayu Shakti was held on 16 February 2019.

Ex Vayu Shakti will be a riveting demonstration of the offensive and defensive capabilities of the IAF, spanning across day and night. The exercise will also showcase joint operations with the Indian Army.

This year, the exercise will see participation by 121 aircraft, including the indigenous Tejas, Prachand and Dhruv.

Other participating aircraft would include the Rafale, Mirage-2000, Sukhoi-30 MKI, Jaguar, Hawk, C-130J, Chinook, Apache and Mi-17.

Indigenous Surface to Air Weapon systems Akash and Samar will demonstrate their capability to track and shoot down an intruding aircraft.

Exercise Vayu Shakti will be a demonstration of the IAF's capability to deliver weapons with long range, precision capability as well as conventional weapon accurately, on time and with devastating effect, while operating from multiple air bases.

Special operations by the IAF transport and helicopter fleets, involving the Garuds and Indian Army elements will also be on display.

Input Service Distribution (ISD)



Interim Budget 2024: Companies with branches in multiple cities must now register for Input Service Distribution (ISD) to claim input tax credit for



services rendered by the head office to branch offices. This is anticipated to notably reduce disputes.

Input Service Distribution (ISD)

Input Service Distribution (ISD) is a mechanism under the Goods and Services Tax (GST) system in India.

It allows entities with multiple business locations to distribute the input tax credit (ITC) on services received at the head office to other branches or units.

Definition under GST Act

As per **Section 2(61) of the CGST Act, 2017**, an Input Service Distributor (ISD) refers to an office of the supplier of goods or services that receives tax invoices for input services.

It issues a prescribed document to distribute the credit of central tax, State tax, integrated tax, or Union territory tax paid on these services to a supplier with the same Permanent Account Number (PAN).

Registration under GST:

ISD is required to obtain a separate registration under GST, with no threshold limit for registration.

Existing ISD registrations from the Service Tax regime must be re-obtained for GST as they are not migrated automatically.

Relevance of ISD:

Relevant for businesses with multiple branches operating within India.

Each branch must have its GSTIN, and ISD ensures proper distribution of Input Tax Credit (ITC) among various branches.

Need for ISD:

Beneficial for businesses with common expenditure billed centrally.

Simplifies the credit-taking process and strengthens the seamless flow of credit under GST.

Where ISD Doesn't Apply:

ISD mechanism is applicable only for distributing credit on common invoices related to input services, **not for input or capital goods.**



Ratio of Credit Distribution by ISD:

Credit is distributed to the unit directly attributable to the supply.

If services pertain to multiple units, distribution is pro-rata based on turnover in the State/Union Territory.

Returns Filing by ISD:

ISD files monthly returns in GSTR-6 **within thirteen days after the month-end, providing details of ISD invoices.**

Details are made available to recipients in GSTR 2A for credit reconciliation.

ISD is **exempt from filing an annual return** and cannot accept invoices subject to reverse charge without separate registration as a normal taxpayer.

Revised Section on Input Service Distributor (ISD) Registration:

Mandatory Registration:

Any office of the supplier receiving tax invoices for input services, including those liable to tax under specific sections, must register as an Input Service Distributor (ISD) under clause (viii) of section 24.

Distribution Mandate:

The ISD is mandated to distribute the input tax credit for the received invoices to distinct persons referred to in section 25.

Credit Distribution:

The ISD shall distribute the credit of central tax or integrated tax charged on the invoices it received.

This includes the credit of central or integrated tax for services subject to levy under specified sections, paid by a distinct person registered in the same State as the ISD.

Prescribed Manner:

The distribution of credit shall occur in a manner, within a timeframe, and subject to restrictions and conditions as prescribed.

Significance of ISD

The implementation of ISD is expected to **reduce disputes related to credit distribution among different units, promoting a smoother and more standardized process.**

ISD provides businesses with a centralized approach to manage input tax credits, ensuring a more systematic and efficient utilization of tax benefits across various business locations.

GHAR (GO Home and Re-Unite) Portal

GHAR - GO Home and Re-Unite Portal have been developed and launched by the National Commission for Protection of Child Rights (NCPCR).



About GHAR Portal:

It is a portal to digitally monitor and track the restoration and repatriation of children according to the protocols under the Juvenile Justice (Care and Protection of Children) Act, 2015, and Rules thereof.



It has been developed and launched by the National Commission for Protection of Child Rights (NCPCR).

The following are the salient features of the portal:

Digital tracking and monitoring of children who are in the Juvenile Justice system and have to be repatriated to another Country/State/District.

Digital transfer of cases of children to the concerned Juvenile Justice Board/Child Welfare Committee of the State. It will help in the speedy repatriation of children.

Where there is a requirement of a translator/interpreter/expert, request will be made to the concerned State Government.

Child Welfare Committees and District Child Protection Officers can ensure proper restoration and rehabilitation of children by digitally monitoring the progress of the case.

A checklist format will be provided in the forms so that the children who are being hard to repatriate or children who are not getting their entitled compensation or other monetary benefits can be identified.

List of Government implemented schemes will be provided, so that at the time of restoration, the Child Welfare Committees can link the child with the schemes to strengthen the family and ensure that the child remains with his/her family.

Key Facts about NCPCR:

It has been constituted by the Government of India under the Commission for Protection of Child Rights (CPCR) Act, 2005, and is mandated to function for the protection and promotion of child rights.

It has the following functions:

Examine and review existing safeguards for the protection of child rights and recommend measures for their effective implementation.

Report annually and at other intervals to the central government on the effectiveness of these safeguards.

Investigate violations of child rights and recommend legal proceedings in appropriate cases.

Review existing policies, programs, and activities related to child rights and make recommendations for their improvement.

Promote research in the field of child rights.

Raise awareness of child rights and available safeguards through various means, such as publications, media, and seminars.

Inspect institutions where children are detained or reside, including juvenile homes, and recommend remedial action if necessary.

Investigate complaints and take suo motu notice of issues related to the deprivation and violation of child rights and the non-implementation of laws protecting and developing children.

The Commission, while investigating, shall have all the powers of a civil court.

The Commission is further mandated to monitor the proper and effective implementation of:

Protection of Children from Sexual Offences (POCSO) Act, 2012.

Juvenile Justice (Care and Protection of Children) Act, 2015.

Right to Free and Compulsory Education (RTE) Act, 2009.

MQ-9B UAV SALE TO INDIA



Context: The U.S. State Department has formally notified the U.S. Congress about the potential sale of MQ-9B Remotely Piloted Aircraft and related equipment to the Government of India.



Details

The US State Department approved the potential sale of 31 **MQ-9B Sea Guardian drones to India** in a deal valued at approximately \$3.99 billion.

This proposed sale marks a significant development in the growing strategic partnership between the US and India, and has generated considerable interest and discussion.

The sale is part of a broader trend of increasing defense cooperation between the US and India. The two countries have been working together on a number of initiatives, including joint military exercises and the development of new defense technologies. The sale of MQ-9B drones is likely to further strengthen this strategic partnership.

What are MQ-9B Sea Guardian drones?

The MQ-9B Sea Guardian is a **high-altitude, long-endurance (HALE) unmanned aerial vehicle (UAV)** produced by General Atomics.

It is a **variant of the MQ-9B SkyGuardian drone**, specifically designed for maritime patrol and reconnaissance missions.

The Sea Guardian has a wingspan of 66 feet and **can fly for up to 40 hours at an altitude of 40,000 feet.**

It is **equipped with a variety of sensors, including electro-optical/infrared (EO/IR) cameras, radar, and maritime patrol radar**, which allow it to collect intelligence on surface vessels, submarines, and other threats.

What does the proposed sale include?

The proposed sale to India includes 31 MQ-9B Sea Guardian drones.

It also includes ground control stations, spare parts, training, and support services.

Additionally, the package includes 310 Small Diameter Bombs (SDBs) and 170 Hellfire missiles, which would equip the drones for offensive operations.

What are the potential benefits of the sale for India?

The acquisition of MQ-9B Sea Guardian drones would significantly **enhance India's maritime surveillance and reconnaissance capabilities.**

The drones would be able to patrol vast areas of the Indian Ocean, helping to deter and detect threats such as piracy, terrorism, and smuggling.

The drones could also be **used for search and rescue operations and disaster relief efforts.**

The deal would also boost India's defense ties with the United States, a key strategic partner.

What are the potential concerns about the sale?

Some critics argue that the sale **could escalate tensions in the region, particularly with Pakistan and China.**

Others express concerns about the potential for the drones to be used for civilian casualties or for extrajudicial killings.

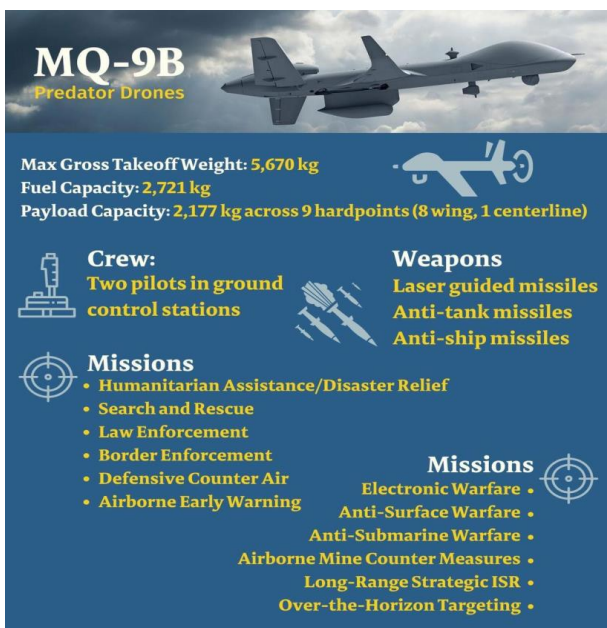
There are also concerns about the high cost of the drones and the potential for maintenance and operational challenges.

What is the current status of the sale?

The US State Department has approved the potential sale, but it still needs to be approved by the US Congress.

Congress has 30 days to review the sale before making a decision.

If Congress approves the sale, India and the United States can then finalize the deal with a Letter of Offer and Acceptance (LoA).



MQ-9B
Predator Drones

Max Gross Takeoff Weight: 5,670 kg
Fuel Capacity: 2,721 kg
Payload Capacity: 2,177 kg across 9 hardpoints (8 wing, 1 centerline)

Crew:
Two pilots in ground control stations

Weapons
Laser guided missiles
Anti-tank missiles
Anti-ship missiles

Missions

- Humanitarian Assistance/Disaster Relief
- Search and Rescue
- Law Enforcement
- Border Enforcement
- Defensive Counter Air
- Airborne Early Warning

Missions

- Electronic Warfare
- Anti-Surface Warfare
- Anti-Submarine Warfare
- Airborne Mine Counter Measures
- Long-Range Strategic ISR
- Over-the-Horizon Targeting



India- U.S. Defense Cooperation

India and the United States have been steadily enhancing their defence cooperation in recent years, driven by shared interests and values in the Indo-Pacific region.

The two countries have **established a comprehensive global strategic partnership** that covers almost all areas of human endeavour, including defence trade, technology, security, and military-to-military ties.

Defence Trade and Technology

The U.S. has **designated India as a Major Defense Partner (MDP)** in 2016, which allows India to receive license-free access to a wide range of military and dual-use technologies regulated by the Department of Commerce.

The **S. has also elevated India to Strategic Trade Authorization tier 1 status** in 2018, which enables India to access sensitive technologies without individual licenses.

The **S. has sold India some of its most advanced defence platforms and systems**, such as the C-17 Globemaster III and C-130J Super Hercules transport aircraft, the P-8I Poseidon maritime patrol aircraft, the AH-64E Apache attack helicopters, the CH-47F Chinook heavy-lift helicopters, the M777 ultra-light howitzers, and the MH-60R Seahawk multi-role helicopters.

The U.S. has also offered India the Sea Guardian unmanned aerial system (UAS), which is a Missile Technology Control Regime Category-1 platform that can enhance India's maritime domain awareness and surveillance capabilities.

Defence Agreements and Arrangements

The **Logistics Exchange Memorandum of Agreement (LEMOA)** in 2016, which allows both countries to access each other's military bases for logistical support such as refueling, replenishment, and maintenance.

The **Communications Compatibility and Security Agreement (COMCASA)** in 2018, which enables both countries to share secure communications and data links for better situational awareness and coordination.

The Industrial Security Agreement (ISA) in 2019, which facilitates greater collaboration between their defence industries by allowing them to exchange classified information for co-production and co-development projects.



The **Basic Exchange and Cooperation Agreement (BECA)** in 2020, which allows both countries to share geospatial information such as maps, charts, imagery, and satellite data for improved accuracy of navigation and targeting.

The Mutual Logistics Support Agreement (MLSA) in 2021, which expands the scope of LEMOA by allowing both countries to provide logistics support for each other's military operations across all domains.

Defense Dialogue

The **2+2 Ministerial Dialogue**, which involves the foreign and defense ministers of both countries meeting annually to review their strategic partnership and discuss regional and global issues.

The **Defence Policy Group (DPG)**, which is co-chaired by the defense secretaries of both countries and oversees the overall defense relationship.

The **Defence Procurement and Production Group (DPPG)**, which is co-chaired by the acquisition chiefs of both countries and focuses on defense trade and technology cooperation.

The **Military Cooperation Group (MCG)**, which is co-chaired by senior military officers of both countries and coordinates military-to-military engagement.

The Executive Steering Groups (ESGs), which are led by service chiefs of both countries and guide service-specific cooperation.

Defense Exercises

Malabar, which is a naval exercise involving India, the U.S., Japan, and Australia as part of the Quadrilateral Security Dialogue (Quad).

Yudh Abhyas, which is an army exercise involving infantry units from both countries.

Cope India, which is an air force exercise involving fighter jets from both countries.

Tiger Triumph, which is a tri-service exercise involving land, sea, and air elements from both countries.

Vajra Prahar, which is a special forces exercise involving commandos from both countries.



Defence Challenges and Prospects

Balancing India's strategic autonomy and the U.S.'s alliance commitments, especially in the context of the rising tensions between the U.S. and China in the Indo-Pacific region.

Streamlining the defence acquisition and procurement processes, especially in terms of reducing delays, costs, and bureaucratic hurdles.

Enhancing defense industrial cooperation, especially in terms of increasing the participation of the private sector, small and medium enterprises, and start-ups in both countries.

Expanding defense technology cooperation, especially in terms of identifying and pursuing cutting-edge and disruptive technologies such as artificial intelligence, quantum computing, hypersonic weapons, and biotechnology.

Deepening the defense partnership, especially in terms of exploring new areas of cooperation such as space, cyber, counter-terrorism, and peacekeeping.

India-US Relations

Strategic Partnership:

- **Shared Interests:** Both nations share concerns about China's rising influence in the Indo-Pacific region, leading to increased collaboration on maritime security, counterterrorism, and defense cooperation.
- **Quad Initiative:** India's participation in the Quad (alongside the US, Japan, and Australia) signifies a shared vision for a free and open Indo-Pacific.
- **Defense Deals:** The US has become a major arms supplier to India, with recent deals involving high-tech military equipment like drones and fighter jets.

Key Areas of Cooperation:

- **Security & Defense:** Joint exercises, information sharing, and defense technology transfers are increasing, with a focus on maritime security and counterterrorism.
- **Trade & Economy:** Bilateral trade surpassed \$128 billion in 2022-23, with India becoming the US's largest trading partner. Both sides are working to address trade barriers and promote investment.
- **Climate Change & Clean Energy:** Collaboration on renewable energy, clean technologies, and sustainable development is growing.
- **Space & Technology:** Joint space missions and technology partnerships are expanding, with a focus on Earth observation, satellite navigation, and space exploration.
- **Investment:** The US is a significant source of foreign direct investment (FDI) in India, with Indian companies also investing heavily in the US, creating jobs in both countries.
- **IPEF:** India's participation in the Indo-Pacific Economic Framework for Prosperity (IPEF) signifies its commitment to deeper economic integration with the US and other partner countries.

Tax Buoyancy

Finance Minister recently presented fiscal consolidation projections that surpass expectations for the current financial year and Budget Estimates (BE) for the next year, despite the conservative tax buoyancy in the estimates.



About Tax Buoyancy

Tax buoyancy explains the relationship between the changes in the government's tax revenue growth and the changes in Gross domestic product (GDP).

There is a strong connection between the government's tax revenue earnings and economic growth.

As the economy achieves faster growth, the tax revenue of the government also goes up. Tax buoyancy explains this relationship.

It refers to the responsiveness of tax revenue growth to changes in GDP.

When a tax is buoyant, its revenue increases without increasing the tax rate.

It depends upon:

The size of the tax base;

The friendliness of the tax administration;

The rationality and simplicity of tax rates;

Tax buoyancy will be highest for direct taxes. Generally, direct taxes are more sensitive to the GDP growth rate.

What is tax elasticity?

A similar looking concept is tax elasticity. It refers to changes in tax revenue in response to changes in the tax rate.

For example, how tax revenue changes if the government reduces corporate income tax from 30 percent to 25 percent indicate tax elasticity.

What is Laffer Curve?

It is an economic theory pioneered by economist Arthur Laffer.

Created in 1974, it visually shows the relationship between tax rates and the amount of tax revenue collected by governments.

It suggests that tax rates above a certain threshold reduce tax revenue since they incentivize people not to work.

It suggests there is an optimum tax rate which maximises total tax revenue.