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THE HINDU ANALYSIS

TOPICS COVERED

- Little has changed in the Income-Tax Bill, 2025 (GS – 3, Page 8 Editorial)
- Remodelling the UAE-India aviation partnership (GS – 2, Page 8 Editorial)
- India hit targeted maternal mortality rate of 100 deaths per lakh live births: Nadda (GS – 2, Page 14)
- IMF: overexposure by NBFCs may imperil financial system (GS – 3, Page 5)

Little has changed in the Income-Tax Bill, 2025

Context & Background

- Introduced in February 2025 to replace the Income-Tax Act, 1961, aiming for simplification and better compliance.
- Claims to remove redundancies, consolidate provisions, and enhance clarity.

Key Features

- New 'Tax Year' replaces 'Previous Year' and 'Assessment Year' for clarity.
- Provisions consolidated into tables and schedules.
- Expanded search & seizure powers, allowing access to emails, social media, and digital data.

Little has changed in the Income-Tax Bill, 2025

In February this year, the Union Finance Minister introduced the Income-Tax Bill, 2025, in Parliament. If enacted, the legislation will replace the Income-Tax Act, 1961, and, according to the government, will simplify the law for both taxpayers and administrators alike.

The current law, of 1961, the government claims, has become unwieldy and unclear not only for the common person but also for professionals as it is with provisos, exceptions, and non-obstante clauses. The newly designed draft purports to clear the fog and foster greater certainty in taxation, with a view to reducing litigation and creating a fairer, more predictable tax environment.

There can be little doubt that these are worthy causes to pursue. But a reading of the Bill shows us that behind the cosmetic and structural alterations that it seeks to make, little else will change. Many of the complexities and ambiguities that plague the current legislation remain unbroken. And, in some areas, the Bill seeks to make into law a set of powers that are troublingly authoritarian, even more so than what the present, already severe, legislation permits.

Jurisdictions across the world have tried to move towards legislative drafting that promotes the use of plain language. The underlying idea is that laws should be more accessible to the broader public, thereby enhancing transparency and making governments more accountable.

Some critics argue that plain language and precision do not always go hand in hand – that the technicality of legalese ensures greater accuracy and specificity; that a quest for clarity can at times come at the cost of exactness. However, global examples have shown us that simplifying legal language is not necessarily detrimental to accuracy. In fact, clearer laws can help eliminate confusion, improve compliance and ultimately reduce litigation.

Complex and knotty text

But the Bill, despite its vaunted objective, scarcely embraces this approach. It continues to rely on dense and convoluted text, doing little to make the law more accessible to the common taxpayer. For instance, we are led to believe that the replacement of the phrase "notwithstanding anything contained to the contrary..." with the words "irrespective of anything to the contrary" will help simplify the law.

The use of the term "notwithstanding" denotes what lawyers describe as a "non-obstante" clause; it has a rich legal history attached to it. In theory, the word "irrespective" ought to now be accorded the same meaning, but it is hard to fathom how this change helps unravel the law to the everyday taxpayer.



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It is worth bearing in mind that fiscal laws are not the easiest to draft in simple terms. But the Bill's failure here emanates at least partly out of the absence of any change in government policy. The state's approach to how it taxes income remains what it has been for years. In the absence of any fundamental adjustment in the law's basic thrust, the draft winds up akin to something of a manual or a digest – a marginally more concise guide to the existing 1961 law.

The Bill does seek to remove a few of the outdated redundancies in the prevailing statute. In places, definitions have been made crisper, and some of the timelines and compliance requirements have been consolidated into tables and schedules. But all of this could well have been achieved through streamlined amendments rather than a complete overhauling of the existing statute.

What is more, for all the efforts that the Bill seeks to make, its provisions continue to perplex. The framers appear to have overlooked the fact that a mere shifting of timelines from clauses and paragraphs to tables and schedules will not eliminate the law's inherently litigious nature, especially when those tables include cross-references to other sections of the Act.

Cosmetic alterations

To make matters worse, despite its intended repeal, the new law will also incorporate by reference some of the existing legislation's clauses. For example, the term "income" is defined under Section 2(49) to include a series of things such as profits and gains, dividend and allowances, as well as everything covered under Section 2(24) of the present law. If a definition needs reference to the old legislation, one might well wonder what we are really gaining from this exercise.

Bringing about textual alterations without altering the statute's basic philosophy presents another problem. Since 1961, India's courts have rigorously interpreted the legislation's provisions, clarifying the law for taxpayers. Now, changes made through the Bill may reopen settled debates, subjecting the same provisions to renewed interpretation. The result might well be more litigation and less certainty.

Consider one of the more heavily contested areas under the Act: the power of the income-tax authorities to reopen completed assessments.

Until April 2021, the Revenue could make reassessments only if it had "reason to believe" that income had escaped the tax net – a phrase that sparked endless court battles. The law was then changed to allow reassessments wherever authorities had "information" suggesting income had escaped assessment. The term "information" was defined to include, among other things, data obtained through a "risk management strategy"

framed by the Central Board of Direct Taxes. However, in a law brimming with definitions, "risk management strategy" remained undefined. Although some of these gaps have been addressed by the courts, delegating critical power to the executive has opened the door to potential abuse. The Bill does little to filter this provision. Instead, it adopts the existing text and rearranges its structure. It is difficult to see how this approach will alleviate litigation.

The point of search and seizure

Perhaps the most worrying aspect of the Bill is its approach to search and seizure. The current law grants to the taxmen enormous police power to search persons and their properties, and seize goods found during a search. Although this authority has been upheld by the courts previously, its validity following the Supreme Court of India's judgment in *Justice K.S. Puttaswamy vs Union of India* (2017), where the fundamental right to privacy was affirmed, is suspect.

Rather than addressing this concern, the Bill extends the power of search into new domains. It does so by allowing officials to inspect "any information stored in an electronic media or computer system". A computer system is defined widely to include all manners of data storage and what is described as a "virtual digital space" – among other things, email servers, social media accounts and digital application platforms. Should a taxpayer deny access to these spaces, the authorities can now override access codes to enter the system.

In sanctioning this the Bill marks a significant departure from the law as it stands, which does not explicitly permit digital intrusions. Until now, officers have still been demanding access to laptops and hard disks, although it could be contended that these directions are in breach of the law. But if the Bill is enacted, officials, in furtherance of a search, can legitimately trawl through emails and messages received and sent on Gmail, X, or Instagram, and every other such platform.

In times where digital communication is so deeply integrated into both professional and personal life, to permit government easy access to intimate and sensitive data is fraught with danger. The Bill offers no judicial oversight over these powers. To the contrary, it enables authorities to keep to themselves the reasons undergirding a search.

When the Select Committee of the Lok Sabha scrutinises the Bill, it may well find that this is an exercise best shelved. Rather than a sweeping effort at repeal and reenactment, we may be better served if Parliament can tidy up some of the misgivings in the present law and rid it of its more draconian commands.





Positives

- Removal of outdated provisions. Structural improvements for easier navigation.

Negatives

- **Language remains complex**, making it **hard for common taxpayers**. Could **increase litigation** by reintroducing settled legal debates. **Privacy concerns** due to **wider digital surveillance powers**.

Impact & Consequences

- **For Taxpayers:** Minimal ease; compliance remains difficult.
- **For Authorities:** Stronger enforcement but raises privacy risks.
- **For Judiciary:** Likely increase in **tax disputes & litigation**.

Way Forward

- Genuine simplification, avoiding mere restructuring.
- Stronger privacy safeguards against digital intrusions.
- Stakeholder consultation to address loopholes.

Conclusion

While a step toward modernization, the Bill **fails to truly simplify tax laws** and raises **serious privacy & litigation concerns**. Instead of a complete overhaul, **targeted amendments** could have sufficed.

SOLVE MCQ

The New Income Tax Bill (2025), introduced to replace the Income-Tax Act, 1961, aims to simplify tax laws. Which of the following are its key features?

1. Introduction of a new 'Tax Year' replacing 'Previous Year' and 'Assessment Year'.
2. Consolidation of provisions into tables and schedules for better clarity.
3. Expanded search & seizure powers, including access to digital data such as emails and social media.
4. Complete removal of all tax exemptions and deductions.

Select the correct answer using the codes below:

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

Answer: (a) 1, 2 and 3 only

Explanation:

- **Statement 1 – Correct.** The Bill introduces a new 'Tax Year' to replace the previous classification system.
- **Statement 2 – Correct.** The Bill consolidates tax provisions into tables and schedules for better navigation.
- **Statement 3 – Correct.** Expanded search & seizure powers now allow access to emails, social media, and digital data.
- **Statement 4 – Incorrect.** The Bill does not completely remove all tax exemptions and deductions.





Remodelling the UAE-India aviation partnership

Context & Background

- India's aviation sector is booming, ranking third globally in domestic passenger traffic.
- UAE is India's largest outbound travel market, with 4.5 million Indian tourists in 2023.

Remodelling the UAE-India aviation partnership

During a recent tour of the Navi Mumbai International Airport in Maharashtra, I was left deeply impressed by the scale of India's aviation ambitions. Navi Mumbai International Airport has the potential to serve as a game-changer in taking India's aviation sector to exciting new heights, providing new avenues for the Indian travelling public to benefit from an increasingly inter-connected world.

As the pace of growth in India's aviation sector – it is already the world's third-largest domestic market in terms of passenger numbers – continues to quicken and the Government of India's initiatives such as the Ude Desh Ka Aam Nagrik (UDAN) airport scheme are rapidly implemented, it is essential that an equally visionary approach to regulation and international partnerships is also considered.

The UAE as a vital travel destination

For decades, the United Arab Emirates (UAE) has proven itself to be a close strategic partner and friend to India. Today, the UAE is India's most significant outbound travel market, with over 4.5 million Indian tourists visiting the UAE in 2023. Every week, Indian carriers fly over 600 times to the UAE, while UAE carriers operate over 500 weekly services to India. On the surface, these numbers appear significant. However, they are far below meeting current, let alone, future consumer demand.

The impact of what is effectively a mismatch between supply and demand has directly contributed to spiralling ticket prices and a lack of choice for the UAE and Indian travelling public alike.

Under current bilateral air service arrangements, the UAE's carriers are limited to



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Beyond revisiting the regulatory frameworks, the UAE can support India's ambition to become a global aviation powerhouse

operating to a total of only 15 Indian cities, thus having no choice but to ignore the consistent demands of key Indian growth centres, including Surat, Visakhapatnam, Indore, Tiruchirappalli and Patna to operate services. Similarly, Indian carriers are unable to increase their level of frequencies to Dubai, despite unprecedented interest from Indians to visit family and engage in business and leisure activities in this vital global hub.

The benefits of a modernised strategy

With estimates suggesting that for every 1% increase in Indian passport holders, a further 10 million Indians will seek to travel overseas, this situation will only grow more acute. Restrictive bilateral regulations will contribute to further increases in the price of airline tickets, limit the ability of Indian citizens to travel abroad, and potentially inhibit the advancement of broader UAE-India investment, trade, and economic partnerships.

Just as the UAE and India have expanded cooperation through trade agreements such as the Comprehensive Economic Partnership Agreement (CEPA), there is an urgent need for a more progressive and open approach on aviation. A modernised aviation strategy will act as an economic multiplier, drive investment, and ensure that our aviation partnership can become a key pillar of regional and international connectivity and growth.

Beyond revisiting the regulatory frameworks that guide our aviation relationship, the UAE is keen to support, through new investments and partnerships, India's ambition to become a global aviation powerhouse.

Whether this support is in the form of

knowledge-sharing and the training of Indian pilots, partnering in India's rapidly emerging aviation maintenance, repair, and overhaul (MRO) industry, promoting India's globally renowned tourism sector, investing in the Indian government's UDAN airport scheme to better connect Tier-2 and Tier-3 Indian cities, or in achieving win-win outcomes for our respective airline carriers, it is imperative that we seek new areas of collaboration in this critically important sector.

Cooperation over competition

Fundamentally, an opportunity exists to establish a combined sky and aviation eco-system that privileges cooperation over competition. Through greater engagement, we can ensure that the respective aviation sectors of both our countries are able to grow and succeed, whilst offering the citizens of the UAE and India the ability to connect, engage, and thrive.

Just as Dubai and Abu Dhabi benefit from their status as global aviation hubs, cities throughout India have the potential to attain similar levels of seamless connectivity. By better connecting and supporting the aviation ambitions of emerging Indian cities, we can together ensure that inclusive and sustainable economic growth are felt not only within India, but also far beyond its borders.

Enhanced cooperation in the aviation sector is just one example of how the UAE-India partnership can evolve to unlock new avenues of mutually beneficial growth and integration. Building upon the significant strides we have achieved over recent years in our bilateral strategic ties, even the sky is not the limit in what we can achieve in our aviation partnership.

Key Issues

- **Capacity Constraints:** Indian airlines operate **600+ weekly flights** to the UAE, while UAE carriers operate **500+**—far below demand.
- **Economic Bottleneck:** Restricted bilateral agreements hinder tourism, business, and economic growth.
- **Unrealized Potential:** Emerging cities like **Surat, Indore, Patna** lack direct connectivity to the UAE.

Impact & Benefits of Reform

- **Boost Trade & Investment:** Liberalized airspace could strengthen economic ties, similar to **CEPA (Comprehensive Economic Partnership Agreement)**.
- **Lower Fares & More Choices:** Increased connectivity reduces costs and benefits travelers.
- **Aviation as a Growth Engine:** More flights mean **job creation, airport expansion, and infrastructure upgrades**.

Challenges

- **Market Saturation:** Unchecked expansion may impact airline profitability.
- **Environmental Concerns:** Higher emissions require **sustainable aviation policies**.





Way Forward

- **Revise Bilateral Agreements:** Expand UAE carrier access to more Indian cities.
- **Joint Investments:** UAE can support India's airport infra, MRO (Maintenance, Repair, and Overhaul), and pilot training.
- **Strategic Collaboration:** Focus on cooperation over competition to develop a seamless aviation ecosystem.

Conclusion

- An open-skies approach can transform India-UAE aviation into a key economic pillar, driving connectivity, tourism, and growth for both nations.

India hit targeted maternal mortality rate of 100 deaths per lakh live births: Nadda

Key Highlights

- India reduced MMR to 97 deaths per 100,000 live births (2018-2020), surpassing the National Health Policy target of 100.
- Achieved an 83% decline in MMR (1990-2020), higher than the global decline.
- Infant Mortality Rate (IMR) dropped 69% (1990-2020), while Under-5 Mortality Rate declined 75%, both exceeding global averages.
- Government initiatives like Ayushman Bharat, ASHA workers, and NHM played a crucial role.

India hit targeted maternal mortality rate of 100 deaths per lakh live births: Nadda

Bindu Shajan Perappadan
NEW DELHI

India has achieved the National Health Policy (NHP) target of a maternal mortality rate (MMR) of 100 deaths per one lakh live births, Union Health Minister J.P. Nadda said on Tuesday.

The nation had also achieved an 83% decline in MMR between 1990 and 2020, which was much higher than the decline in Global MMR, he added.

Mr. Nadda was chairing the ninth meeting of the Mission Steering Group, the highest policy-making and governance body for the health sector under the National Health Mission (NHM).

The Minister said that a 69% decline was observed in Infant Mortality Rate (IMR) in India during this period (1990-2020), while the decline in Global IMR was 55%. Additionally, there has been a 75% decline in the "Under 5 [years] Mortality Rate" while the global rate of decline was 58%.

At the meeting, the Mi-



India's 69% decline in infant mortality rate (1990-2020) is higher than the Global IMR dip of 55%, the Minister says. FILE PHOTO

nister stressed the need to translate the agendas and objectives of different health schemes into action, and the importance of the role of officers, including Chief Medical Officers (CMO), at the ground level to achieve it.

"Enhancing and strengthening the capacities of CMOs is vital as is the need for training and capacity-building exercises, so that their capacities can be utilised in the best way possible; that will pave the way for achieving required results of healthcare schemes at the grassroots level," Mr. Nadda said.

Mr. Nadda also spoke about the role of ASHA workers in the healthcare system, and remarked on the need for their empowerment and welfare through revised incentives for routine activities, and providing enhanced honorariums.

While commending the developments and new technological advances working to strengthen the health infrastructure, Mr. Nadda also said the quality of the latest additions, including the Bharat Health Initiative for Sahyog Hita and Maitri (BHISHM), should be ensured.

Challenges

- **Regional Disparities:** High MMR in states like Bihar, UP, MP, Rajasthan, Odisha, and Assam.
- **Quality of Care:** Ensuring uniform maternal healthcare services nationwide.





Way Forward

- **Strengthen Infrastructure:** More healthcare facilities in underserved areas.
- **Capacity Building:** Training medical professionals and ASHA workers.
- **Community Engagement:** Incentivizing frontline healthcare workers.

Global Comparisons

- **Countries like Sri Lanka & Vietnam have achieved similar MMR reductions through robust healthcare policies.**

SOLVE MCQ

India has significantly reduced its Maternal Mortality Ratio (MMR) and Infant Mortality Rate (IMR) over the years. Which of the following statements are correct regarding India's maternal and child health achievements?

1. India's MMR has declined to 97 deaths per 100,000 live births (2018-2020), surpassing the National Health Policy target.
2. India's reduction in MMR and IMR (1990-2020) has been lower than the global decline.
3. Government initiatives like Ayushman Bharat, ASHA workers, and NHM have contributed significantly to these improvements.
4. The decline in Under-5 Mortality Rate (U5MR) in India (1990-2020) has been lower than the global average.

Select the correct answer using the codes below:

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

Answer: (a) 1 and 3 only

Explanation:

- **Statement 1 – Correct:** India reduced MMR to 97 per 100,000 live births (2018-2020), surpassing the National Health Policy target of 100 per 100,000 live births.
- **Statement 2 – Incorrect:** India achieved an 83% decline in MMR (1990-2020), which is higher than the global decline.
- **Statement 3 – Correct:** Ayushman Bharat, ASHA workers, and NHM have played a vital role in improving maternal and child health.
- **Statement 4 – Incorrect:** India's Under-5 Mortality Rate (U5MR) declined by 75% (1990- 2020), which is higher than the global average.





IMF: overexposure by NBFCs may imperil financial system

Context & Background

- **NBFC Role:** Critical in financing underserved sectors like power & infrastructure.
- **Power Sector Woes:** Structural issues persist despite reforms; high debt burden on state discoms.

IMF: overexposure by NBFCs may imperil financial system

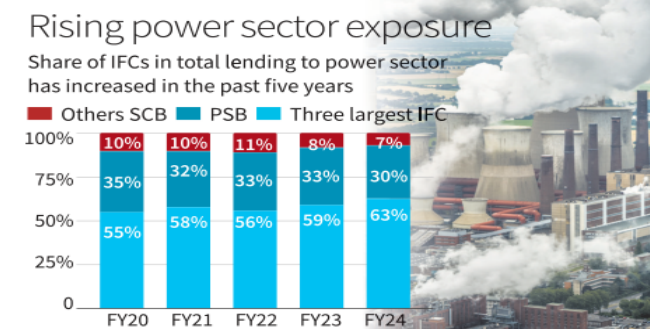
Study finds 63% of power sector loans were from 3 large infra financing firms in FY24; NBFCs such as IREDA at higher risk; IMF flags PSBs' inefficacy to maintain 9% CAR in the event of a stagflation

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MUMBAI

Stress in non-banking finance companies (NBFCs) may pose risk in the financial system due to their overexposure to power and infrastructure sector and interconnectedness with other markets, the International Monetary Fund (IMF) said in a report.

The report titled 'India Financial System Stability Assessment' found that 63% of the power sector loans were from three large infrastructure financing companies (a type of a NBFC) in fiscal 2024.

This had increased from 55% in 2019-20. Moreover, 56% of their lending was fi-



ments and only the rest were by bank borrowings in Q2 of fiscal 2024.

The dependence on bank borrowings for financing their lending nevertheless increased since fiscal 2019. State-owned NBFCs like IREDA are at a higher risk, the IMF said.

NBFC stress, the IMF also studied banks' resilience if a stagflation were to occur – a situation when growth slows and inflation soars.

In the stress test, IMF found that in the event of a stagflation, public sector banks (PSBs) may have difficulties maintaining a cap-

barely 9%. The IMF said that though the likelihood of stagflation had receded in 2024, there were geopolitical risks, and monetary policy mis-calibration of major central banks could result in an increase in interest rates, which could slow economic growth.

"Assuming zero growth to their loan portfolio, PSBs can maintain barely the 9% CAR in the recession scenarios. This means that PSBs should strengthen their capital base, including by retaining their earnings instead of paying dividends to the government as in the past few years, to ensure they can support economic recovery in a potential future

Key IMF Findings

- **Concentrated Risk:** 63% of power sector loans in FY24 came from three large infra-NBFCs (PFC, REC, IREDA).
- **Funding Dependence:** 56% of their lending is from market borrowings, increasing reliance on banks.
- **Systemic Threat:** High interlinkages with banks, bond markets, and mutual funds may amplify stress.
- **PSB Vulnerability:** In a stagflation scenario, PSBs may struggle to maintain the 9% capital adequacy ratio.





Implications

- **Financial Stability Risk:** A crisis in these NBFCs could spill over into the broader financial system.
- **Capital Concerns:** PSBs need stronger capital buffers to withstand economic downturns.

Way Forward

- **Tighter Regulation:** Align NBFC norms with banks, limit overexposure.
- **Stronger Supervision:** Improve risk monitoring and stress testing.
- **Capital Strengthening:** PSBs must retain earnings instead of paying dividends.

