



13 March, 2024

Minimum Alternate Tax

Context: The Mumbai ITAT bench ruled that the assessee could claim MAT credit under the Vivad se Vishwas (VSV) Scheme for the relevant year.

➤ Overview of MAT:

- Minimum Alternate Tax (MAT) is a provision in the Indian Income Tax Act.
- It primarily applies to companies and ensures a minimum level of taxation for those reporting substantial book profits but paying little to no income tax due to exemptions and deductions.
- The objective is to prevent tax avoidance and ensure all companies contribute a minimum amount of tax.

➤ Applicability of MAT:

- MAT is applicable to all registered companies under the Indian Companies Act, 1956 or the Companies Act, 2013.
- However, it does not apply to companies granted exemption under Section 10AA, pertaining to Special Economic Zones (SEZs).
- Individuals and Hindu Undivided Families (HUFs) are not subject to MAT.

➤ MAT Rates:

- **Historical perspective:**
 - **Before April 1, 2011:** 18.5% of book profits.
 - **April 1, 2011, to April 1, 2016:** 18.5% plus surcharge and education cess.
 - **April 1, 2016, onwards:** 18.5% plus surcharge and education cess.
- **Current rate:** 15% of book profit, effective from Assessment Year (AY) 2020-21.
- MAT may be subject to applicable surcharge and cess as per prevailing tax laws.

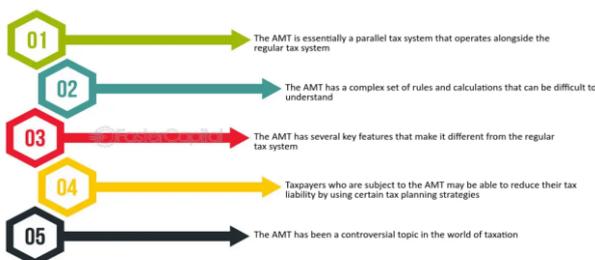
➤ Calculation of MAT Tax Liability:

- Companies calculate tax liability based on the higher of:
 - Normal Tax Liability: Computed based on taxable income at regular tax rates.
 - Minimum Alternate Tax: Computed at the MAT rate (15% since AY 2020-21) on book profit.

➤ Determining Book Profit:

- Book profit is calculated based on net profit from the audited profit and loss statement.
- Adjustments are made for items like depreciation, income tax paid, expenditure linked to exempt incomes, dividends paid, and provisions for liabilities.
- Exemptions and deductions under the Income Tax Act are factored in, along with provisions for future liabilities and dividends distribution tax.

Understanding Alternative Minimum Tax (AMT)



➤ MAT Credit

- **Definition:** MAT Credit refers to the credit that a company can claim for the tax paid under the Minimum Alternate Tax (MAT) provisions.
- **Provision:** MAT Credit is governed by Section 115JAA of the Income-tax Act, 1961.
- **Calculation:** The allowable tax credit is determined by subtracting the income tax payable under normal provisions of the Income-tax Act from the tax paid as per the MAT calculation.
- **Purpose:** MAT Credit allows companies to offset the tax paid under MAT against their regular tax liability under the normal provisions of the Income-tax Act.
- **Benefits:** Claiming MAT Credit helps companies avoid double taxation and ensures that they do not pay taxes twice on the same income.

➤ Double Tax Avoidance Agreement (DTAA)

- **DTAA Definition:** It's a tax treaty between India and other countries to prevent double taxation.
- **Scope:** India has DTAA agreements with over 80 countries globally.
- **Need:** Avoids taxing the same income twice, benefiting individuals and businesses operating internationally.
- **Benefits:** Lower withholding tax rates, tax credits, and exemptions from taxes under certain agreements.
- **Objective:** Minimizing tax evasion and promoting fair taxation practices internationally.
- **Facilitating Transactions:** Simplifies cross-border transactions by clarifying tax liabilities and reducing administrative burdens.

Trends in International Arms Transfers, 2023

Context: India remains the world's leading arms importer, as per the latest report on 'Trends in International Arms Transfer 2023'.

➤ Overall Global Trend

- The global volume of major arms transfers decreased by 3.3% between 2019-2023 compared to 2014-2018, but increased by 3.3% from 2009-2013.
- The top 5 exporters (USA, France, Russia, China, Germany) accounted for 75% of total arms exports.
- The top 5 importers (India, Saudi Arabia, Qatar, Ukraine, Pakistan) received 35% of global arms imports.

➤ Major Exporters

- **United States**
 - The largest arms exporter, with a 42% global share and 17% growth from 2014-2018.
 - Delivered 420 combat aircraft, including 249 advanced F-35s, accounting for 24% of US exports.
 - Main recipients were Saudi Arabia (15%), Japan (9.5%), Qatar (8.2%).
- **France**
 - Overtook Russia as the 2nd largest exporter with 11% global share, up 47%.

Face to Face Centres



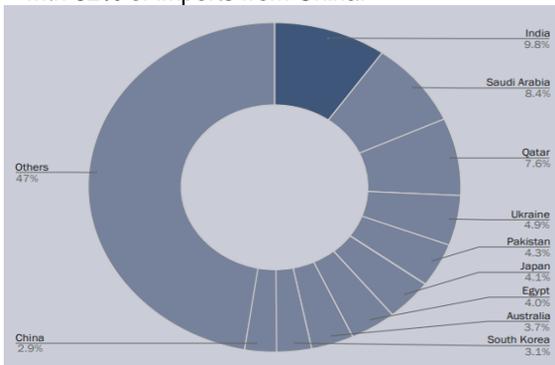


13 March, 2024

- Main recipient was India (29%), but struggled to export major arms to Europe.
- **Russia**
 - Arms exports fell 53% to 11% global share, with volumes dropping sharply from 2020 onwards.
 - Main recipients were India (34%), China (21%) and Egypt (7.5%), but sales fell to all three.
- **China**
 - Arms exports fell 5.3% to 5.8% global share, with 61% going to Pakistan alone.
 - 85% of exports went to Asia and Oceania.

➤ Major Importers

- **India**
 - Largest importer at 9.8% global share, up 4.7%, driven by tensions with Pakistan and China.
 - Russia's share fell from 76% in 2009-2013 to 36% in 2019-2023 as India diversified to France (33%) and USA (13%).
- **Saudi Arabia:** 2nd largest importer at 8.4% global share but imports fell 28%.
- **Qatar:** 3rd largest at 7.6% global share as imports surged 396%.
- **Ukraine:** 4th largest importer at 4.9% global share, up 6,633% as at least 30 states supplied arms after Russia's 2022 invasion.
- **Pakistan:** 5th largest at 4.3% global share, up 43%, with 82% of imports from China.



➤ Emerging Trends

- Growing demand in Europe for long-range missiles and air defense systems after Ukraine war.
- Major importers like India and Qatar diversifying their arms suppliers.
- Buildup of long-range strike capabilities by Japan and South Korea against China/North Korea threats.
- China's arms imports falling as its domestic production grows.

➤ Other Key Trends

- Rising European interest in acquiring long-range missiles, air defenses after experiencing Russian strikes during the Ukraine war.
- Asia-Pacific rivals like Japan and South Korea rapidly building long-range strike capabilities against perceived Chinese/North Korean threats.
- Growth of domestic arms production in countries like China leading to reduced import dependencies.
- More arms exports scrutiny/controls by suppliers like Germany in response to conflicts and human rights concerns.

Graphics Processing Unit

Context: Amid the global race to harness the latest AI advancements, there's an unexpected surge in demand for a particular high-tech component: the graphics processing unit (GPU).

➤ Introduction to GPUs:

- GPUs, or graphics processing units, are specialized computer chips designed to perform rapid mathematical calculations for rendering graphics and images.
- Initially developed for the rendering of 2D and 3D graphics, GPUs have evolved to handle a wide range of tasks beyond traditional gaming applications.
- These chips are integral components in electronic devices, responsible for accelerating graphics workloads and displaying high-resolution content on devices such as PCs, laptops, and smartphones.

➤ Comparing GPUs and CPUs:

- While both GPUs and CPUs are essential components in computing devices, they serve distinct purposes and exhibit different characteristics.
- GPUs are optimized for graphics-related tasks and excel in parallel processing, allowing them to perform complex calculations simultaneously and at high speeds.
- CPUs, on the other hand, are general-purpose processors responsible for interpreting and executing basic instructions that drive a computer's operations.
- GPUs are particularly suited for graphics-intensive applications, such as gaming and video editing, where they can offload rendering tasks from CPUs and significantly improve overall performance.

➤ GPU Applications:

- GPUs play a crucial role in various applications, ranging from gaming and multimedia content creation to scientific research and artificial intelligence.
- In gaming, GPUs are responsible for rendering realistic graphics and enabling immersive gameplay experiences by processing complex 3D environments and effects.
- Video editing and content creation software leverage GPUs to accelerate rendering times and enhance productivity for professional creators.
- The parallel processing capabilities of GPUs make them well-suited for accelerating artificial intelligence and machine learning tasks, including neural network training and inference.
- Additionally, GPUs have found applications in cryptocurrency mining, where their computational power is utilized to perform complex calculations required for mining digital currencies like Bitcoin and Ethereum.

➤ Cloud GPUs:

- Cloud GPUs have emerged as a flexible and scalable solution for organizations that require high-performance computing resources for graphics-intensive workloads.
- Cloud GPUs enable users to leverage powerful graphics processing capabilities for applications such as 3D rendering, machine learning, and scientific

Face to Face Centres



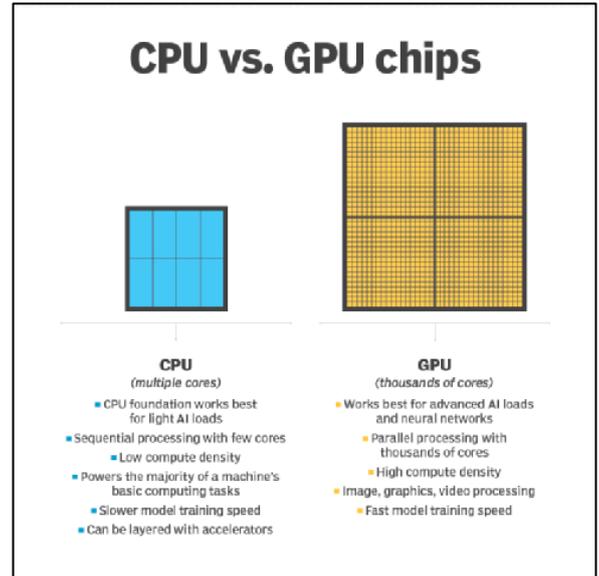


13 March, 2024

simulations, without the upfront costs and infrastructure requirements associated with on-premises GPU deployments.

➤ **GPU vs. CPU:**

- GPUs and CPUs exhibit differences in architecture, functionality, and performance characteristics.
- While CPUs are optimized for sequential processing and executing single-threaded tasks, GPUs are designed for parallel processing and handling multiple tasks simultaneously.
- CPUs typically have higher clock speeds and fewer cores compared to GPUs, making them better suited for general-purpose computing tasks.
- In contrast, GPUs feature numerous cores and specialized processing units, allowing them to excel in graphics rendering, scientific simulations, and other highly parallelizable workloads.
- While CPUs remain essential for executing basic computing tasks and managing system operations, GPUs have become indispensable for accelerating graphics-intensive applications and performing complex mathematical calculations efficiently.



NEWS IN BETWEEN THE LINES

Indian Renewable Energy Development Agency



Indian Renewable Energy Development Agency Ltd. (IREDA) had celebrated its 38th Foundation Day on March 11, 2024.

About Indian Renewable Energy Development Agency:

- IREDA (Indian Renewable Energy Development Agency) is a **Mini Ratna (Category-I)** non-banking financial institution established in **1987** under the administrative control of the Ministry of New and Renewable Energy (MNRE).
- It **operates as a Public Limited Government Company** and is recognized as a "Public Financial Institution" **under section 4 'A' of the Companies Act, 1956.**
- Its core function is to **promote, develop and extend financial assistance** for projects related to new and renewable sources of energy as well as energy efficiency and conservation.
- It is also registered as an **Non-Banking Financial Company (NBFC)** with the Reserve Bank of India (RBI).
- It **generates revenue through interest and principal repayments** from financed projects, fundraising from the market, and borrowing as required.
- IREDA achieved an 'Excellent' rating under the **MoU 2022-23**, launched a retail division for **Rooftop Solar and PM-KUSUM** scheme, and emphasized innovation in financial products and consortium financing.

Electoral Bonds



Recently, the State Bank of India (SBI) has submitted details of electoral bonds purchased and encashed since April 12, 2019, in compliance with Supreme Court directives.

About Electoral Bonds:

- Electoral bonds are a way for individuals and companies to donate money to political parties in India.
- They are **similar to promissory notes or bearer bonds.**
- The bonds were introduced in the **Finance Bill 2017 and notified in 2018.**
- These bonds are **issued by the Reserve Bank of India (RBI)** on behalf of the Government of India.
- They can be purchased by any citizen or corporate entity from select branches of the **State Bank of India (SBI)** during specific periods announced by the government.
- Electoral bonds are available in various denominations **ranging from ₹1,000 to ₹1 crore.**
- The bonds are **valid for 15 days** from the date of issuance.
- Recently, the Supreme Court has declared the **electoral bonds scheme unconstitutional**, citing violations of the right to information and freedom of speech and expression under **Article 19(1)(a)** of the Constitution.

Citizenship (Amendment) Act

Ministry of Home Affairs (MHA) recently notified the Citizenship Amendment Rules, 2024, pertaining to the implementation of CAA.

About CAA:

- The Citizenship (Amendment) Act, 2019 (CAA) amends the **1955 Citizenship Act.**
- It was passed on December 11, 2019 and received presidential assent the following day.
- Its **aim is to provide citizenship to undocumented migrants** belonging to Hindu, Sikh, Buddhist, Jain, Parsi and Christian communities from Afghanistan, Bangladesh and Pakistan who entered India before December 31, 2014, due to religious persecution.

Face to Face Centres



13 March, 2024



- It does not include Muslims among the eligible communities for citizenship, leading to concerns about discrimination based on religion.
- It **reduces the residence requirement** for naturalization of these migrants from twelve years to just six years.
- Tribal areas of **Assam, Meghalaya, Mizoram and Tripura** (including specific districts) are exempted under the Sixth Schedule of the Constitution from the provisions of the CAA.
- The Act includes a provision for the cancellation of **Overseas Citizen of India (OCI)** registration if the OCI cardholder violates any provision of the Citizenship Act or any other applicable law.

Vajra Sentinel System



Recently, the Ministry of Defence signed a ₹200 crore contract with Big Bang Boom Solutions Private Limited (BBBS) for anti-drone systems (Vajra Sentinel System) for the Indian Army and Indian Air Force (IAF), marking the largest contract under the iDEX initiative.

About the Vajra Sentinel System:

- The Vajra Sentinel System, a **state-of-the-art anti-drone** system, is developed by **Big Bang Boom Solutions Private Limited (BBBS)**.
- It is specifically engineered to **counter the growing threat of unmanned aerial vehicles (UAVs)**, to detect, track and neutralize drones at extraordinary ranges.
- It utilizes **passive Radio Frequency (RF) sensor technology** to eliminate false alarms and incorporates Advanced Electronically Scanned Array (AESA) radar and kamikaze drones, which can be upgraded on demand by the user.
- Its **core sensor, powered by Artificial Intelligence (AI)** and computer vision algorithms, enables precise identification, classification, and location identification of drones.
- Its sophisticated decision-making matrix enables autonomous decision-making for countermeasures, including signal jamming, enhancing its effectiveness in neutralizing drone threats.

Place in News

Haiti

Recently, the Haiti's Prime Minister Ariel Henry has agreed to resign following weeks of mounting pressure and increasing violence in the impoverished country.

Haiti (Capital: Port-au-Prince)

Location: Haiti, officially known as the Republic of Haiti is a country on the island of Hispaniola in the Caribbean Sea.

Boundaries: Haiti is bordered by the **Dominican Republic** to the east and is surrounded by the **Caribbean Sea to the south and west**.

Physical Features:

- Important rivers in Haiti include the **Artibonite River**, which is the longest river in the country, and the Grand'Anse River.
- Pic la Selle**, also known as Morne La Selle is the highest peak in Haiti.
- Haiti includes several smaller islands off its coast, such as **Île de la Gonâve** and **Île de la Tortue**.
- The country is home to several mountain ranges, including the **Massif du Nord** in the northern part of the country and the **Chaîne de la Selle** in the southern part.
- Haiti possesses limited mineral resources including **bauxite, copper, gold, marble, limestone** and sand and gravel.



POINTS TO PONDER

- Atal Innovation Mission (AIM) recently collaborated with which company to establish Frontier Technology Labs (FTLs) in schools? – **Meta**
- Who won the first prize at the 'National Youth Parliament Festival 2024'? – **Yatin Bhaskar Duggal**
- Recently, Ministry of Jal Shakti signed an agreement with which institute for the establishment of an International Centre of Excellence for Dams? – **IISc Bangalore**
- What is the theme of 'International Women's Day (IWD) 2024'? – **Invest in Women: Accelerate Progress**
- Recently, which state government collaborated with World Economic Forum to establish AI centre? – **Karnataka**

Face to Face Centres

