Prelim Bits 10-07-2022 & 11-07-2022 | UPSC Daily Current Affairs

Influencer Tax

- The Influencer Tax is a new tax on social media influencers.
- Introduced by the Central Board of Direct Taxes (CBDT), this tax took effect from **July 1, 2022**.
- Under the new rule, social media influencers will have to pay **10% tax deducted at source** (TDS) on freebies or any other form of payment made in kind, if the value of the **product is above ₹20,000**.
- This could include free air tickets, mobile phones, hotel stays, luxury products, and other free gifts or services, as per Section 194R, a recent addition to the Income-tax Act, 1961.
- However, they will be exempted from the tax if they return the product to the respective brands.
- The influencer will have to pay 10% of the value of the benefit by way of advance tax and present the provider with evidence of payment in the form of a challan and a declaration before receiving the benefit.
- **Impacts** - This tax may affect smaller creators, prompt renegotiation of some deals, and make brands more selective in whom they work with.
- For micro- and nano-influencers, this is a big deal. Many creators get their remuneration in the form of products.
- For influencers, this means they'll be paying tax for (brand) collaborations where they received no money.
- But, the tax could bring small creators, who often don't see their work online as a job, within the tax net.

The size of the influencer marketing industry in India was estimated at ₹900 crore, according to GroupM INCA's influencer marketing report 2021.

Reference

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O'Valley

There were 3 human deaths in O'Valley in Gudalur over the last 2 months caused by 3 different elephants.

- O’Valley is a shortened name for **James Ouchterlony**, the man behind tea plantations in the region.
- O' Valley is a place in **Nilgiris** District of Tamil Nadu in India.
- It is the Union place of Tamilnadu, Kerala and Karnataka Boundary.
- It is located between Mudumalai National Park and the New Amarambalam Reserved forest.
- Tea is the main crop cultivated, other than this Coffee, Cardamam, Clove, Pepper, Ginger, and Plantain are the major cash crops cultivated here.
- The Santhana Malai (sandalwood hill) is the main attraction of O’Valley.
- It got its name from sandalwood trees as this region, years ago, was replete with sandalwood trees.

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Forex Reserves & Rupee’s Exchange Rate

Recently, there is a fall in the rupee’s exchange rate as well as the fall in forex reserves. Let us see about the relationship between these two.

> The level of forex reserves and the rupee’s exchange rate are policy choices and they are not driven by the ideological stance of any particular political party.

- **Exchange rate** - Exchange rate is the price of one currency in terms of another currency.
- Exchange rates can be either fixed or floating.
    1. Fixed exchange rates are decided by central banks of a country.
    2. Floating exchange rates are decided by the mechanism of market demand and supply.
- **Rupee’s exchange rate** - At the beginning, for every rupee demanded in the market, there is a demand for a US dollar.
- The exchange rate between the two currencies would be 1.
- But if over time more dollars are demanded than the rupee, then the dollar would appreciate against the rupee.
- If this trend continues, the rupee will keep becoming weaker and weaker and its exchange rate will keep falling.
- **Impacts** - Now as this is happening, those Indians who import stuff from the US will be getting annoyed because the rupee buys less and less of the American products (which is priced in US dollars).
- But those Indians who export stuff to the US would enjoy this “depreciation” in the rupee’s value, as the rupee’s depreciation makes India’s products cheaper and more affordable to US customers.
- **Relationship between Forex Reserves & Exchange Rate** - The rupee’s exchange rate will fluctuate based on the relative demand for the rupee among foreigners and the demand for dollars among Indians.
- In case such relative demand fluctuates wildly, then, predictably, the rupee’s exchange rate too will fluctuate wildly.
- Sharp and repeated fluctuations will, however, destroy firms.

- For India, which is trying to build its economy by increasingly creating a niche for itself in the global market, the exchange rate mustn't appreciate to such an extent that it hurts India's exporters.
- When the RBI buys the dollars, and they become India's forex reserve.
- This exchange reduces the presence of dollars and increases the presence of the rupee in the forex market, thus holding back the rupee from becoming stronger (or appreciating) against the dollar.
- One key reason why RBI intervenes in the forex market is to **smoothen the volatility of the exchange rate**.
- Wild fluctuations - on either side - are ruinous and erode credibility in a country's currency.

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Global Food Inflation

- The United Nations Food and Agriculture Organization's (FAO) food price index hit an all-time high in March 2022, the month immediately following the Russian invasion of Ukraine.
- [Food Price Index is a weighted average of world prices of a basket of food commodities over a base period value, taken at 100 for 2014-15.]
- Since then, the index has eased a tad, by 3.4%, in June 2022.
- The present prolonged bout of **global food inflation from around end-2020 began with edible oils**.
    1. The initial trigger was the 2020-21 drought in Ukraine (the world's biggest sunflower oil producer) and Covid-induced migrant labour shortages in Malaysia's oil palm plantations.
    2. The war was the final straw.
- These supply disruptions were aggravated by Indonesia's restrictions on exports of palm oil in response to domestic price increases and drought in South America badly affecting the region's 2021-22 soyabean crop.
- Those supply shocks seem to be easing somewhat.
    1. Soyabean production in Brazil, Argentina, and Paraguay is set to recover this year.
    2. Indonesia was forced to lift its ban on palm oil shipments in late-May after a piling up of stocks.
- In India, the landed price (cost plus freight) has retreated for Crude palm oil (CPO); Refined, Bleached and Deodorised (RBD) palmolein; crude degummed soyabean oil and crude sunflower oil.
- Much of this price collapse have taken place in the near past, with the fall more in palm than for so-called soft oils.

  Soft Oils are generally oils that are liquid at room temperature such as olive oil, soyabean oil, sunflower oil, castor oil, sweet almond, rice bran, etc. It does not include palm oil.

- Excess supplies from the world's largest producer are now exerting downward pressure on prices.

- Whether other food commodities will follow vegetable oils may be only a matter of time.
- **Palm Oil -** Being a 'hard' oil that is semi-solid (as opposed to liquid) at room temperature, the palm oil isn't used much in home kitchens for direct cooking or frying.
- Most of it goes to make hydrogenated fats (vanaspati, margarine and bakery shortening) or as key ingredient in bread, biscuits, cookies, cakes, noodles, mithai, namkeen, frozen dessert, soap, and cosmetics.
- Given the steeper fall in international prices of palm oil and less time to bring fresh cargoes, it's natural to see the palm oil becoming cheaper first before the other oils.
- The benefits of the slide mainly in palm oil prices will thus accrue more to the food, restaurant, or skincare industries than to households.
- They would want prices of 'soft' (soyabean and sunflower) and indigenous (mustard and groundnut) oils to fall more.

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Udyami Bharat Programme

The Prime Minister participated in the 'Udyami Bharat' programme at Vigyan Bhawan in New Delhi.

- Udyami Bharat Scheme is reflective of the continuous commitment of the government, right from day one, to work towards empowerment of MSMEs.
- During this event, Prime Minister will launch the following,
    1. Raising and Accelerating MSME Performance (RAMP) Scheme,
    2. Capacity Building of First-Time MSME Exporters (CBFTE) Scheme, and
    3. New features of the Prime Minister's Employment Generation Programme (PMEGP).
- Prime Minister will also issue Digital Equity Certificates to 75 MSMEs in the Self Reliant India (SRI) Fund.

Raising and Accelerating MSME Performance

- This scheme will be launched with an aim to scale up the implementation capacity and coverage of MSMEs in the States, with impact enhancement of existing MSME schemes.
- It will foster innovation, encourage ideation, incubate new business and entrepreneurship by
    1. Developing quality standards,
    2. Improving practices and processes,
    3. Enhancing market access,
    4. Deploying technological tools and Industry 0 to make MSMEs competitive and self-reliant.

Capacity Building of First-Time MSME Exporters

- The 'Capacity Building of First-Time MSME Exporters' (CBFTE) scheme will aim to encourage MSMEs to offer products and services of international standards for the global market.
- This will enhance the participation of Indian MSMEs in the global value chain and help them realise their export potential.

Prime Minister's Employment Generation Programme

- Prime Minister will also launch new features of the 'Prime Minister's Employment Generation Programme' (PMEGP).
- These include increase in the maximum project cost to Rs 50 lakhs (from Rs 25 lakhs) for manufacturing sector and Rs 20 lakhs (from Rs 10 lakhs) in the service sector.
- It will include applicants from Aspirational districts & Transgenders in the Special Category applicants for availing higher subsidies.
- Also, handholding support is being provided to applicants/entrepreneurs through engagement of banking, technical & marketing experts.

Self-Reliant India Fund

- The Self-Reliant India (SRI) Fund is an MSME fund.
- The SRI Fund scheme would be able to channelize diverse variety of funds into underserved MSMEs and address the growth needs of viable and high growth MSMEs.
- **Structure of SRI Fund** - The SRI Fund is a SEBI-registered Category II Alternative Investment Fund (AIF).
- This fund will be operated by the government via 'fund of funds' strategy.
- This will be operated through 'mother fund' and a few 'daughter funds'.
- The scheme is being implemented by a special purpose vehicle called NSIC Venture Capital Fund Limited (NVCFL).
    1. NVCFL is a 100% subsidiary of National Small Industries Corporation Limited (NSIC).
    2. It is a Mini-Ratna Corporation of Government of India under Ministry of Micro, Small and Medium Enterprises (MoMSME).
- **Objectives**: SRI Fund will be oriented towards providing funding support to the Daughter Funds for onward provision to MSMEs as growth capital, in the form of equity or quasi-equity, for,
    1. Enhancing equity/equity like financing to MSMEs and listing of MSMEs on Stock's Exchanges;
    2. Supporting faster growth of MSME Businesses and thereby ignite the economy and create employment opportunities;
    3. Supporting enterprises which have the potential to graduate beyond the MSME bracket and become National / International Champions;
    4. Supporting MSMEs, which help making India self-reliant by producing relevant technologies, goods and services.
- **Tenure** - Considering the nature of MSME and difficulties expected in exiting, a longer fund life of 15 years may be kept.
- Commitment Period - upto 6 years from the date of last closing.
- The FoF would be a revolving fund as earnings of the fund from investments made in AIFs would be re-invested.

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