PIB, THE HINDU Newspaper and Editorial Current Affairs

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PIB Current Affairs

Companies (Second Amendment) Ordinance 2019

Why in news?

The Union Cabinet chaired by Prime Minister has approved the Promulgation of the Companies (Second Amendment) Ordinance 2019 and for replacement of the said Ordinance in Parliament by a replacement Bill.

About Companies (Second Amendment) Ordinance 2019:

- The Companies (Amendment) Ordinance, 2019 was promulgated on January 12, 2019. It repeals and replaces the Companies (Amendment) Ordinance, 2018 promulgated on November 2, 2018.
- The 2019 Ordinance amends several provisions in the Companies Act, 2013 relating to penalties, among others. Note that the Companies (Amendment) Bill, 2018 (to replace the 2018 Ordinance) was passed by Lok Sabha on January 4, 2019, and is currently pending in Rajya Sabha.

Re-categorisation of certain Offences: The 2013 Act contains 81 compoundable offences punishable with fine or fine or imprisonment, or both. These offences are heard by courts. The Ordinance re-categorizes 16 of these offences as civil defaults, where adjudicating officers (appointed by the central government) may now levy penalties instead. These offences include:

(i) issuance of shares at a discount, and

(ii) failure to file annual return.

Issue of shares at a discount:

- The Act prohibits a company from issuing shares at a discount, except in certain cases. On failure to comply, the company is liable to pay a fine between one lakh rupees and five lakh rupees every officer in default may be punished with imprisonment up to six months or fine between one lakh rupees and five lakh rupees. The Ordinance changes this to remove imprisonment for officers as a punishment.
- Further, the company and every officer in default will be liable to pay a penalty equal to the amount raised by the issue of shares at a discount or five lakh rupees, whichever is lower. The company will also be liable to refund the money received with interest at 12% per annum from the date of issue of the shares.

Commencement of business: The Ordinance states that a company may not commence business, unless it

I. files a declaration within 180 days of incorporation, confirming that every subscriber to the Memorandum of the company has paid the value of shares agreed to be taken by him, and
II. files a verification of its registered office address with the Registrar of Companies within 30 days of incorporation. If a company fails to comply with these provisions and is found not to be carrying out any business, the name of the Company may be removed from the Register of Companies.

Registration of charges: The Act requires companies to register charges (such as mortgages) on their property within 30 days of creation of charge. The Registrar may permit the registration within 300 days of creation. If the registration is not completed within 300 days, the company is required to seek extension of time from the central government.

The Ordinance changes this to permit registration of charges:

(i) within 300 days if the charge is created before the Ordinance, or

(ii) within 60 days if the charge is created after the Ordinance. If the charge under the first category is not registered within 300 days, it must be completed within six months from the date of the Ordinance.

- If the charge under the second category is not registered within 60 days, the Registrar may grant another 60 days for registration.

- Change in approving authority: Under the Act, change in period of financial year for a company associated with a foreign company, has to be approved by the National Company Law Tribunal. Similarly, any alteration in the incorporation document of a public company which has the effect of converting it to a private company, has to be approved by the Tribunal. Under the Ordinance, these powers have been transferred to central government.
- Declaration of beneficial ownership: If a person holds beneficial interest of at least 25% shares in a company or exercises significant influence or control over the company, he is required to make a declaration of his interest.
- Under the Act, failure to declare this interest is punishable with a fine between one lakh rupees and ten lakh rupees, along with a continuing fine for every day of default. The Ordinance provides that such person may either be fined, or imprisoned for up to one year, or both.

Compounding: Under the Act, a regional director can compound (settle) offences with a penalty of up to five lakh rupees. The Ordinance increases this ceiling to Rs 25 lakh.

The amendments have been brought in to address the need to *impose civil liability for technical & procedural defaults of a minor nature & to plug gaps in the corporate governance & enforcement framework* covering a wide range of issues such as

a. Re-categorization of 16 minor offences as purely civil defaults which will de-clog special courts.
b. Transfer of certain routine functions from NCLT to the central governmentsuch as dealing with applications for change of financial year and conversion from public to private companies.
c. Making non-maintenance of registered office and non-reporting of commencement of business grounds for striking of from register of companies.
d. Stringent provisions with reduced timelines for creation and modification of charges
e. Breach of ceiling on directorships being made a ground for disqualification.

Impact:

- The changes are expected to lead to greater compliance by corporates, de-clogging of the special courts, de-clogging of the NCLT and effective enforcement.

- At present around 60 percent of the 40,000 odd cases pending in courts pertain to sections dealing with procedural lapses that are proposed to be shifted to in-house adjudication mechanism thereby incentivizing compliance by corporates.
- As a result of the amendments brought in, in future, the compounding cases load on NCLT will also come down significantly.
- The existing cases will be withdrawn from special courts by bringing out an amnesty scheme as there are inherent benefits in prescribing civil liabilities for procedural lapses instead of undertaking a criminal trial.
- Analysis of data available demonstrates that most of the cases initiated/ pending relate to procedural lapses such as non-filing of financial statements and non-filing of annual returns etc.
- It was felt that if such violations are re-categorized and allowed to be adjudicated in an in-house mechanism through payment of monetary penalties, the burden on special courts would be drastically reduced and more effective and speedy progress of the more serious cases would be possible.
- This would also allow ROCs to more effectively pursue action against serious offences, it is also proposed to amend the Rules to ensure that adjudicating officers (Registrar of companies) dispose-of adjudicating proceedings within stipulated time limits which would have to be rigorously followed.

National Policy on Electronics 2019

Why in news?

The Union Cabinet today gave its approval to the National Policy on Electronics 2019 (NPE 2019), proposed by the Ministry of Electronics and Information Technology (MeitY).

Objective:

The Policy envisions positioning India as a global hub for Electronics System Design and Manufacturing - (ESDM) by encouraging and driving capabilities in the country for developing core components, including chipsets, and creating an enabling environment for the industry to compete globally.

Salient Features of NPE 2019

- Create eco-system for globally competitive ESDM sector: Promoting domestic manufacturing and export in the entire value-chain of ESDM.
- Provide incentives and support for manufacturing of core electronic components.
- Provide special package of incentives for mega projects which are extremely high-tech and entail huge investments, such as semiconductor facilities display fabrication, etc.
- Formulate suitable schemes and incentive mechanisms to encourage new units and expansion of existing units.
- Promote Industry-led R&D and innovation in all sub-sectors of electronics, including grass root level innovations and early stage Start-ups in emerging technology areas such as 5G, loT/ Sensors, Artificial Intelligence (Al), Machine
- Learning, Virtual Reality (VR), Drones, Robotics, Additive Manufacturing, Photonics, Nano-based devices, etc.
- Provide incentives and support for significantly enhancingavailability of skilled manpower, including re-skilling.
- Special thrust on Fabless Chip Design Industry, Medical Electronic Devices Industry, Automotive Electronics
- Industry and Power Electronics for Mobility and Strategic Electronics Industry.
- Create Sovereign Patent Fund (SPF) to promote the developmentand acquisition of IPs in ESDM sector.
- Promote trusted electronics value chain initiatives to improve national cyber security profile.

Background

- The implementation of the Schemes/ Programmes under the aegis of the National Policy on Electronics 2012 (NPE 2012) has successfully consolidated the foundations for a competitive Indian ESDM value chain.
- NPE 2019 proposes to build on that foundation to propel the growth of ESDM industry in the country. The National Policy of Electronics 2019 (NPE 2019) replaces the National Policy of Electronics 2012 (NPE 2012).

Implementation strategy: The Policy will lead to the formulation of several schemes, initiatives, projects and measures for the development of ESDM sector in the country as per the roadmap envisaged therein.

Targets:

- Promote domestic manufacturing and export in the entire value-chain of ESDM for economic development to achieve a turnover of USD 400 billion (approximately INR 26,00,000 crore) by 2025.
- This will include targeted production of 1.0 billion (100 crore) mobile handsets by 2025, valued at USD 190 billion (approximately INR 13,00,000 crore), including 600 million (60 crore) mobile handsets valued at USD 110 billion (approximately INR 7,00,000 crore) for export.

Major Impact

- The NPE 2019 when implemented will lead to formulation of several schemes, initiatives, projects, etc., in consultation with the concerned Ministries/ Departments, for the development of ESDM sector in the country.
- It will enable flow of investment and technology, leading to higher value addition in the domestically manufactured electronic products, increased electronics hardware manufacturing in the country and their export, while generating substantial employment opportunities.

Muslim Women (Protection of Rights on Marriage), Second Ordinance, 2019

Why in news?

The Union Cabinet, chaired by the Prime Minister Narendra Modi, has given its approval to Muslim Women (Protection of Rights on Marriage), Second Ordinance, 2019 famously called Triple talaq ordinance.

About Ordinance:

- The Ordinance makes all declaration of talaq, including in written or electronic form, to be void (i.e. not enforceable in law) and illegal. It defines talaq as talaq-e-biddat or any other similar form of talaq pronounced by a Muslim man resulting in instant and irrevocable divorce. Talaq-e-biddat refers to the practice under Muslim personal laws where pronouncement of the word 'talaq' thrice in one sitting by a Muslim man to his wife results in an instant and irrevocable divorce.

- **Offence and penalty**: The Ordinance makes declaration of talaq a cognizable offence, attracting up to three years imprisonment with a fine. (A cognizable offence is one for which a police officer may arrest an accused person without warrant.) The offence will be cognizable only if information relating to the offence is given by:
  - the married woman (against whom talaq has been declared), or
  - any person related to her by blood or marriage.
- The Ordinance provides that the Magistrate may grant bail to the accused. The bail may be granted only after hearing the woman (against whom talaq has been pronounced), and if the Magistrate is satisfied that there are reasonable grounds for granting bail.
- The offence may be ***compounded*** by the Magistrate upon the request of the woman (against whom talaq has been declared). Compounding refers to the procedure where the two sides agree to stop legal proceedings, and settle the dispute. The terms and conditions of the compounding of the offence will be determined by the Magistrate.
- **Allowance**: A Muslim woman against whom talaq has been declared, is entitled to seek subsistence allowance from her husband for herself and for her dependent children. The amount of the allowance will be determined by the Magistrate.
- **Custody**: A Muslim woman against whom such talaq has been declared, is entitled to seek custody of her minor children. The manner of custody will be determined by the Magistrate.

Benefits:

The proposed Ordinance will protect the rights of married Muslim women and prevent divorce by the practice of instantaneous and irrevocable 'talaq-e-biddat' by their husbands. It will discourage the practice of triple talaq i.e. talaq-e-biddat. Promulgation of the proposed Ordinance will provide the rights of subsistence allowance, custody of minor children to victims of triple talaq i.e. talaq-e-biddat.

Triple Talaq:

Triple Talaq, also known as talaq-e-biddat, instant divorce and talaq-e-mughallazah (irrevocable divorce) is a form of Islamic divorce which has been used by Muslims in India, especially adherents of Hanafi Sunni Islamic schools of jurisprudence.

It allows any Muslim man to legally divorce his wife by stating the word talaq (the Arabic word for "divorce") three times in oral, written, or more recently, electronic form.

National Programme for Mid-Day Meal in Schools

Why in news?

The Cabinet Committee on Economic Affairs chaired by the Prime Minister has approved the revision of norms under Mid Day Meal Scheme with an outlay of Rs.12,054 Crore for 2019-20 in addition to the subsidy of about Rs. 8,000 crore borne by Department of Food & Public Distribution.

Mid Day Meal:

- Mid-Day Meal Scheme (MDMS), is a Centrally-Sponsored Scheme which covers all school children studying in Classes I-VIII of Government, Government-Aided Schools. The scheme covers more than 12 crore children studying in 11.4 lakh schools across the country.
- Government of India incurs more than Rs 17,600 crore in the scheme including the subsidy of about Rs.7,600 crore on food grains.
- The average per meal cost borne by Central Government is Rs 6.64 and Rs. 9.59 for students of primary and upper primary classes, respectively.

The following revised norms and inclusion of new components would improve the efficiency and effectiveness of the scheme:

- Annual increase in Cooking cost linked to Inflation Index. This year Cooking cost is enhanced to Rs. 4.35 and Rs. 6.51 per child per school day, thus Cooking cost is enhanced by Rs 361 crore. This will offset the impact of inflation on the food items under Mid Day Meal Scheme.
- Revision of the transportation rate from Rs 75 per quintal, for other than NE & Himalayan States to PDS rate (subject to maximum of Rs.150 per quintal).
- Revision of Management. Monitoring and Evaluation (MME) rate from 2% to 3% of the total admissible recurring Central Assistance. This would enable the States and UTs for better supervision and monitoring of the scheme.

- The assistance for kitchen devices has been enhanced from flat rate of Rs 5,000 per school to Rs 10,000 - Rs 25,000 based on enrolment. This would enable the schools for procuring / replacing adequate kitchen devices.
- A new component of Rs 10,000 per kitchen for repair of more than 10 year old kitchen has been introduced. This will help in their maintenance and upkeep.
- Rs 50 crore have been allocated for fortification of food items in a systematic manner. This will address the problems of anaemia and other micro nutrient deficiencies. Kitchen gardens in schools will also be encouraged.
- Delegation of power of implementing the scheme with minor modifications from the existing guidelines (i.e Central / State Govt.) to District Level Committee Chaired by the District Magistrate. This will facilitate better delivery of the scheme suitable to local needs.
- The States and UTs have been given flexibility to utilize, with the prior approval of MHRD, 5% of their Annual Work Plan & Budget for new interventions. This will help the States and UTs in undertaking innovative activities.
- Concept of community participation in the form of Tithi Bhojan will be encouraged under which people from the community celebrate important days such as child birth, marriage, birthdays etc. by contributing to the Mid Day Meal Scheme.
- Tithi Bhojan is not a substitute to Mid Day Meal but it supplements or compliments Mid Day Meal.
- Cooking competitions at Block, District and State levels will be organised to promote innovative menus.
- Use of Pulses from buffer stock -The States and UTs may procure pulses as per their local taste for the Mid-Day Meal from the Central buffer stock created by the Government of India.
- Monitoring of attendance - The Ministry of HRD has worked with States and UTs to implement a technology based (SMS, IVRS & Mobile App) Automated Monitoring System by which information on attendance at the Mid Day Meal is collected every day from schools. At present, the level of daily uploading of data has reached 56% of all schools.
- Usage of Jails, Temples, Gurudwaras etc, for Mid Day Meal - All States and UTs are being advised to involve community and other agencies such as Jails, Temples, Gurudwaras etc. in the Mid Day Meal Scheme.

KISAN URJA SURKSHA UTTHAN MAHABYAN(KUSUM)

Why in news?

The Cabinet Committee on Economic Affairs, chaired by Hon'ble Prime Minister has approved launch of Kisan Urja Suraksha evam Utthaan Mahabhiyan with the objective of providing financial and water security to farmers.

About KISAN URJA SURKSHA UTTHAN MAHABYAN(KUSUM):

- Central government has announced Kisan Urja Suraksha evam Utthaan Mahabhiyan – Kusum Scheme for farmers. Subsequently, govt. will provide subsidy on setting up pf solar power plants on their barren land. Accordingly, Kusum Scheme will solarize agricultural pump sets to double the income of farmers by 2022.
- Farmers can set up solar power projects on their barren land and use the generated energy. Moreover, farmers can also sell the excess energy to DISCOMS through grid setups to generate additional income.
- ***Ministry of New and Renewable Energy*** will start implementing this scheme from the next fiscal year to promote solar farming among farmers.
- The main ***aim*** of this scheme is to provide the technology The solar pumps will not be able to irrigate the farmers. Due to the presence of the energy power grid, the agricultural labos will be able to sell the excess power directly to the government. It will provide additional income as well. So, this scheme will bring double benefits.

Budget for Scheme

- KUSUM YOJANA has been announced by the Central Government for promoting solar power generation and solar farming which will benefit the farmers.
- The Finance Minister & The Power Department has announced that it will require around Rs. 48000 crores has been given for the scheme in the Union budget 2018-19 for a period of ten years. The allocation of funds will be done in four separate segments.

SUBSIDY FOR FARMERS

- The Government of India mentions that this KUSUM Scheme 2018 will help in all existing Diesel and Electric Pumps. And this is possible with Solar Agricultural Pumps And the Central Government of India is going to provide 60% of total cost as a subsidy for all eligible farmers in the country.

- And apart from this, banks are also going to give 30% extra of the total expenses. And this is through bank loans for the farmers So, now the farmers only should spend the upfront cost. And that is about total of 10% to set up these Solar Projects.

Impact on Environment:

- The Scheme will have substantial environmental impact in terms of savings of CO_2 emissions. All three components of the Scheme combined together are likely to result in saving of about 27 million tonnes of CO_2 emission per annum.
- Further, Component-B of the Scheme on standalone solar pumps may result in saving of 1.2 billion liters of diesel per annum and associated savings in the foreign exchange due to reduction of import of crude oil.
- The scheme has direct employment potential. Besides increasing self-employment the proposal is likely to generate employment opportunity equivalent to 6.31 lakh job years for skilled and unskilled workers.

SWAYATT

Why in news?

Recently Union Minister of Commerce & Industry and Civil Aviation launched SWAYATT in New Delhi.

About SWAYATT:

- SWAYATT is an initiative to promote Start-ups, Women and Youth Advantage Through eTransactions on Government e Marketplace (GeM).
- This will bring together the key stakeholders within the Indian entrepreneurial ecosystem to Government e-Marketplace the national procurement portal.
- SWAYATT would further seek to promote inclusiveness by catapulting various categories of sellers and service providers, take proactive steps to facilitate the training and registrations of such specific category of

manufacturers and sellers, develop women entrepreneurship and encourage participation of MSME sector and Start-ups in public procurement.

THE HINDU

First mammal to climate change extinction:

Why in news?

Australia officially declared a **Great Barrier Reef rodent extinct** making it the first mammal believed to have been killed off by human-induced climate change.

About the mammal:

- The **rat-like Bramble Cay melomys** whose only known habitat was a small **sandy island in far northern Australia** has not been spotted in a decade.
- The **Melomys rubicola**, considered the Great Barrier Reef's only endemic mammal species, was first discovered on the cay in 1845 by Europeans who shot the "large rats" for sport.
- The researchers completed a wide-ranging survey in 2014 in a bid to track down the species, but found no trace.

Causes for extinction:

- Researchers from Queensland determined a key factor in its disappearance was "almost certainly" **repeated ocean inundation of the cay** a low-lying island on a coral reef over the last decade, which had resulted in dramatic **habitat loss.**
- Australia's environment ministry said it had officially transferred the animal to the "extinct" list.
- Available data on **sea-level rise and weather events** in the **Torres Strait region** "point to human-induced **climate change** being the root cause of the loss of the Bramble Cay melomys.

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New Universe map:

Why in news?

A new map of the night sky published charts hundreds of thousands of previously unknown galaxies discovered using a telescope that can detect light sources optical instruments cannot see.

About the survey:

- The international team behind the unprecedented space survey said their discovery literally shed new light on some of the Universe's deepest secrets, including the physics of black holes and how clusters of galaxies evolve.
- More than 200 astronomers from 18 countries were involved in the study, which used **radio astronomy** to look at a segment of sky over the northern hemisphere, and found 3,00,000 previously unseen light sources thought to be distant galaxies.
- The map created by the **LOFAR observations**, part of which was published in the journal Astronomy & Astrophysics, contains data equivalent to the capacity of ten million DVDs yet charts just two percent of the sky.
- **Radio astronomy allows scientists to detect radiation produced when massive celestial objects interact**.

Ancient radiation:

- The team used the **Low Frequency Array** (LOFAR) telescope in the **Netherlands** to pick up traces or "jets" of ancient radiation produced when galaxies merge. These jets, previously undetected, can extend over millions of light years.
- With radio observations we can detect radiation from the tenuous medium that exists between galaxies.

Study of Black holes:

- The discovery of the new light sources may also help scientists better understand the behaviour of one of space's most enigmatic phenomena.
- **Black holes which have a gravitational pull so strong that no**

matter can escape them emit radiation when they engulf other high-mass objects such as stars and gas clouds.

- New observation technique would allow astronomers to compare black holes over time to see how they form and develop.
- When looked at an active black hole, the jets (of radiation) disappear after millions of years, and won't seen them at a higher frequency (of light) but at a **lower frequency they continue to emit** these jets for hundreds of millions of years, so we can see far older electrons.
- The **Hubble telescope** has produced images that lead scientists to believe there are more than 100 billion galaxies in the Universe, although many are too old and distant to be observed using traditional detection techniques.
- The LOFAR telescope is made up of a **network of radio antenna across seven countries**, forming the equivalent of a 1,300-km diameter satellite dish.
- The team plans to **create images of the northern sky**, which they say will reveal as many as 15 million as-yet undetected radio sources.

Andamans, Lakshadweep identified for seaplane operations:

Why in news?

Four islands in the Andamans and three in Lakshadweep have been identified for seaplane operations, while private sector participation has been invited for tourism-based projects.

About the initiative:

- The 5th meeting of the **Island Development Agency, chaired by Home Minister**, also reviewed the progress made towards the **programme 'Holistic development of islands**.
- Swaraj Dweep, Shaheed Dweep, Hutbay and Long in Andaman and Nicobar Islands and Kavaratti, Agatti and Minicoy in Lakshadweep have been identified for seaplane operations.

Projects in Andaman:

- Key infrastructure projects such as operationalisation of the **Diglipur airport for civilian aircraft** and the construction of a new airport on Minicoy Island have been accorded high priority by the government.
- Coastal Regulation Zone clearance (CRZ) has been accorded for '**Middle**

Strait Bridge' on Andaman Trunk Road.
- Bids for private sector participation in three tourism-based projects have already been invited by the Andaman & Nicobar Administration.
- They include eco-tourism projects on S**mith Island and Long Island** and a tent city project on **Aves Island**. Bids will be invited shortly for one more project **on Neil Island**.

Projects in Lakshadweep:

- Three projects in Lakshadweep have been identified for issue of bids. These include tourism projects in the islands of **Kadmat, Minicoy and Suheli Cheriyakara.**
- Environmental Clearance (EC), CRZ clearance and all other clearances required for these projects are being obtained upfront, on priority, to attract more number of reputed bidders, the statement said.

Other measures:

- The Ministry of Commerce has issued a notification extending **tax incentives** for investments made in manufacturing and service sector in islands of Andaman and Nicobar and Lakshadweep.
- In order to sustainably utilise the potential of **Tuna fish**, 10 deep-sea modern fishing vessels are being procured by the Lakshadweep administration from Cochin Shipyard Limited.
- The Home Minister expressed satisfaction at the progress made since the last meeting held on June 30, 2018, when directions were given to focus on creation of recreational facilities along with tourism infrastructure; implementation of renewable energy projects; incentives for Micro, Small and Medium Enterprises and the development of a film city.

<u>New angel tax rules:</u>

Why in news?

The Centre has notified new rules pertaining to angel tax which, will exempt registered start-ups of a specified size from the tax and any scrutiny to do with its applicability.

What is angel tax?

- **Angel tax is applicable to unlisted companies that have raised capital through sale of shares at a value above their fair market value**.
- This excess capital is treated as income and taxed accordingly. This tax predominantly affects start-ups and the angel investments they attract.
- According to notification, **investments of up to ₹25 crore in an eligible company will be exempt from the angel tax**.
- In addition, investments made by a listed company of a net-worth of at least ₹100 crore or a turnover of at least ₹250 crore would also be exempt. Investments made by non-residents will also be exempt.
- The notification said that an **eligible start-up would be one that is registered with the government, has been incorporated for less than 10 years, and has a turnover that has not exceeded ₹100 crore** over that period.

Impact:

- This clarification would help in avoiding potentially significant tax challenges faced by start-ups and allow them to focus on their core activities.
- There was a request from the industry to include **Category II Alternate Investment Funds** as well in the exclusion list, which has unfortunately not been considered favourably.
- In order to register with the government as a start-up, the company will also have to make an online application to the **Department for Promotion of Industry and Internal Trade (DPIIT).**
- This application will have to be accompanied by a copy of the Certificate of Incorporation or Registration, a write-up about the nature of the business highlighting how it is working towards "innovation, development or improvement of products or processes or services, or its scalability in terms of employment generation or wealth creation.
- Welcoming the move, the start-up community said some issues such as start-ups having already been sent tax notices, and the applicability of Section 68 of the I-T Act still remained and that they would take it up with the tax department.

Fast track disposal:

- We will also make a submission to CBDT soon and request them to drive fast track disposal for start-ups having cases under appeal with exemption to be considered and any possible consideration for orders under Section 68 where PAN of investors have been furnished to be included in CBDT's instructions to assessing officers start up industry observed.

- The start-up will also have to attest to the fact that it has not invested in any land that is not being used in its ordinary course of business, any vehicle over the value of ₹10 lakh, any jewellery, among other things.
- Many of the concerns raised by the start-ups have been addressed in the recent notification. However, the notification imposes certain restrictions on investments by the start-ups. Some of these restrictions can lead to hardships for the start-ups and may even disqualify some genuine start-ups from this exemption.
- Once the signed declaration and accompanying documents are submitted to the DPIIT, the body will decide on the eligibility of the start-up and then communicate a list of eligible start-ups to the Central Board of Direct Taxes.

National Electronics Policy:

Why in news?

The Union Cabinet has approved the National Electronics Policy 2019 aimed at achieving a **turnover of $400 billion** (about ₹26 lakh crore) for the electronics system design and manufacturing (**ESDM) sector by 2025**, while generating employment opportunities for one crore people.

About the policy:

- The policy will enable flow of investment and technology, leading to higher value addition in the domestically manufactured electronic products and increased manufacturing of electronics hardware for local use as well as exports.
- The policy has introduced "**easier to implement" incentive schemes**, including an interest subvention scheme and credit default guarantee, to replace some of the existing ones under the **National Electronics Policy 2012.**
- It proposes to provide **interest subsidy** of 4% on loans up to ₹1,000 crore on plant and machinery and in case of larger loans, the subsidy would be limited to ₹1,000 crore.

Default guarantee:

· The government proposes to create a fund to provide default guarantee of up to 75% to banks for plant and machine loans of up to ₹100 crore.

· This will eliminate the need for small and new investors to provide third-party collateral and the scheme will be on the pattern of credit guarantee being provided by SIDBI for the SME sector.

· However, for both these schemes, consultations are on with the Department of Expenditure, the official added. They will be launched once the policy is notified.

Electronics Manufacturing Cluster Scheme:

- To help create an ecosystem, the policy has pitched for **2.0 version of the Electronics Manufacturing Cluster Scheme**, under which infrastructure support will be provided for a group of industries that are part of the product supply chain rather than individual industries.
- It has also proposed a **sovereign patent fund** to acquire intellectual property for chips and chip components.

SIDBI plans bond issue to raise ₹300 crore:

Why in news?

SIDBI: Small Industries Development Bank of India (SIDBI) set up on 2nd April 1990 under an **Act of Indian Parliament**, acts as the Principal Financial Institution for Promotion, Financing and Development of the Micro, Small and Medium Enterprise **(MSME)** sector as well as for co-ordination of functions of institutions engaged in similar activities

Government-owned Small Industries Development Bank of India (SIDBI) will raise ₹300 crore through bonds over the next few months from a clutch of investors, including Tata group companies such as Tata Chemicals, Voltas, Titan and Trent.

About the plan:

- Wealth managers such as Centrum group, ASK Wealth Advisors, Ambit Capital and Aditya Birla Finance have reached out to high networth individuals and impact investors to raise funds. Private equity fund KKR has also evinced interest to subscribe the bonds.
- The **World Bank group, which is facilitating the fund-raising**, said the money would be extended to micro finance institutions, which, in turn, would be disbursed to women entrepreneurs.
- The **bonds will be unsecured and unlisted** with a **fixed coupon rate of 3% and with a tenure of five years**.
- The actual lending rate for the borrower would not be more than 13%. These bonds would enable woman entrepreneurs in sectors such as agriculture, food processing, services and manufacturing to borrow ₹1lakh -₹1.5 lakh.

Cabinet approves ordinance to curb Ponzi schemes:

Why in news?

The Union Cabinet approved promulgating an ordinance with regard to the **Banning of Unregulated Deposit Schemes Bill** to protect gullible investors from Ponzi schemes.

About

- A Ponzi scheme is a form of fraud which lures investors and pays profits to earlier investors by using funds obtained from more recent investors.
- The victims are led to believe that the profits are coming from product sales or other means, and they remain unaware that other investors are the source of profits.
- A Ponzi scheme is able to maintain the illusion of a sustainable business as long as there continue to be new investors willing to contribute new funds, and as long as most of the investors do not demand full repayment and are willing to believe in the non-existent assets that they are purported to own.

How to identify such schemes?

1. High investment returns with little or no risk.
2. Overly consistent returns: Investment values tend to go up and down over time, especially those offering potentially high returns. Be suspicious of an investment that continues to generate regular positive

returns regardless of overall market conditions.

3. Unregistered investments: Registration is important because it provides investors with access to key information about the company's management, products, services, and finances.
4. Unlicensed sellers: Most Ponzi schemes involve unlicensed individuals or unregistered firms.
5. Secretive or complex strategies. Avoid investments that you do not understand or for which you cannot get complete information.
6. Issues with paperwork. Do not accept excuses regarding why you cannot review information in writing about an investment. Also, account statement errors and inconsistencies may be signs that funds are not being invested as promised.
7. Difficulty receiving payments. Be suspicious if you do not receive a payment or have difficulty cashing out your investment. Keep in mind that Ponzi scheme promoters routinely encourage participants to "roll over" investments and sometimes promise even higher returns on the amount rolled over.

India and PONZI schemes statistics

- A total of 63 companies (2017-18) which were involved in "chit fund/MLM (Multi-Level Marketing)/ ponzi activities" have been assigned to the SFIO for detailed probes.
- In 2016-17, the number of such companies that came under the SFIO lens was just 27 - much lower than 47 seen in 2015- 16.
- The number could go up since there are three months to go before the financial year comes to a close. In 2016-17, the number of such companies that came under the SFIO lens was just 27 - much lower than 47 seen in 2015- 16.

SFIO

- The Serious Fraud Investigation Office (SFIO) is a statutory corporate fraud investigating agency in India.
- Initially, it was set up by a resolution adopted by the Government of India and carried out investigations within the existing legal framework under Companies Act, 1956.
- Later Companies Act, 2013, accorded the statutory status to the Serious Fraud Investigation Office (SFIO).
- It is under the jurisdiction of the Ministry of Corporate Affairs, Government of India. The SFIO is involved in major fraud probes and is

the co-ordinating agency with the Income Tax Department and the Central Bureau of Investigation.