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**Topic :** Why India Needs to Clean Its Air **Topic :** Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)

**Relevance :** GS Paper 2 International Relations

**Source :** The Hindu

**Context :**

The **Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)** is a regional multilateral organization established to foster economic and technical cooperation among countries dependent on the Bay of Bengal. Formed in **1997**, the group has gained strategic importance in recent years, particularly as a preferred alternative to the **SAARC**, which remains paralyzed due to regional tensions.

### Member Countries and Evolution

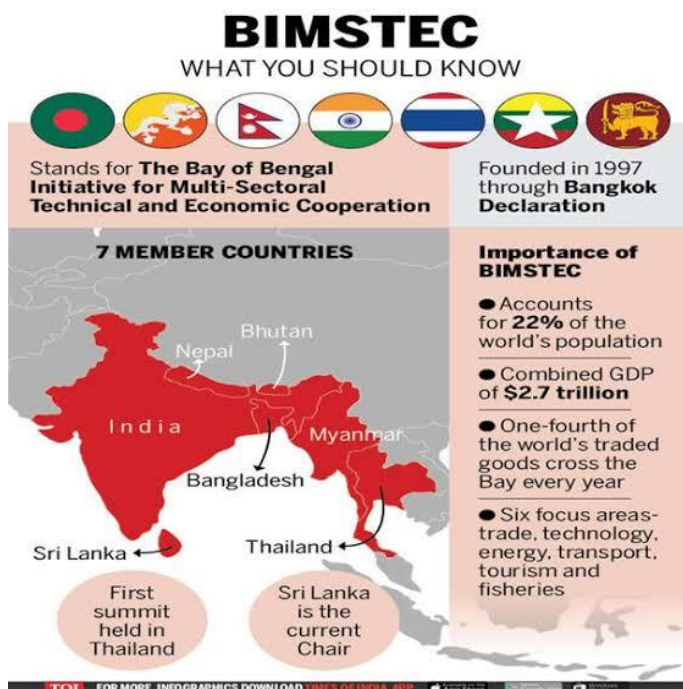
Initially created as **BIST-EC** in 1997 with four members — Bangladesh, India, Sri Lanka, and Thailand — the organization expanded with Myanmar joining in 1997, becoming **BIMST-EC**. In 2004, Nepal and Bhutan also joined, completing the current seven-member configuration.

- **South Asian members:** India, Bangladesh, Sri Lanka, Nepal, Bhutan
- **Southeast Asian members:** Myanmar, Thailand

### Demographic and Economic Significance

The BIMSTEC region represents a substantial demographic and economic bloc:

- It is home to **1.8 billion people**, nearly **22% of the global population**.



- The combined GDP of the member countries exceeds **US\$3.6 trillion**.

This sheer size provides a **huge market base**, **diverse human resources**, and untapped potential for **trade, connectivity, and integration**.

### Adoption of the Charter: A Milestone Step

At the **Colombo Summit in 2022**, BIMSTEC adopted its first-ever **Charter**, providing a **legal identity and institutional framework** to the grouping. The Charter outlines:

- Principles of **sovereign equality**, **territorial integrity**, and **non-interference**.
- A structured **decision-making process**.
- Institutional mechanisms such as the **BIMSTEC Secretariat** (located in **Dhaka**) and **sectoral leads**.

This Charter is considered a **turning point**, providing much-needed clarity and structure for future cooperation.

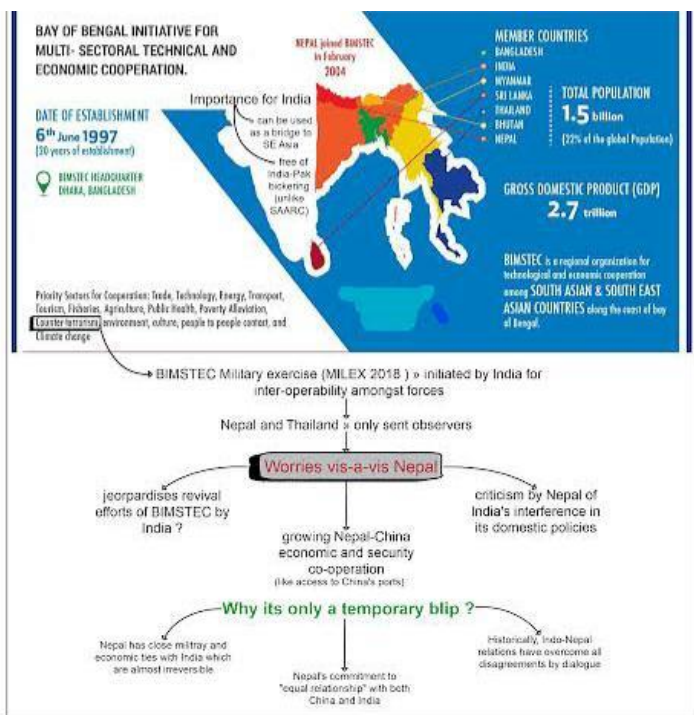
### Sectoral Cooperation: Thematic Division of Responsibilities

Initially focusing on six sectors — Trade, Technology, Energy, Transport, Tourism, and Fisheries — BIMSTEC gradually expanded its scope to include areas such as **poverty alleviation, climate change, agriculture, and security**.

In **2021**, to improve efficiency, the organization **restructured** itself into **seven core sectors**, each led by a member state:

- India**: Security, Counter-terrorism, Disaster Management, and Energy
- Thailand**: Connectivity
- Bangladesh**: Trade & Investment
- Myanmar**: Agriculture & Food Security
- Sri Lanka**: Science & Technology
- Nepal**: People-to-People Contact
- Bhutan**: Environment and Climate Change

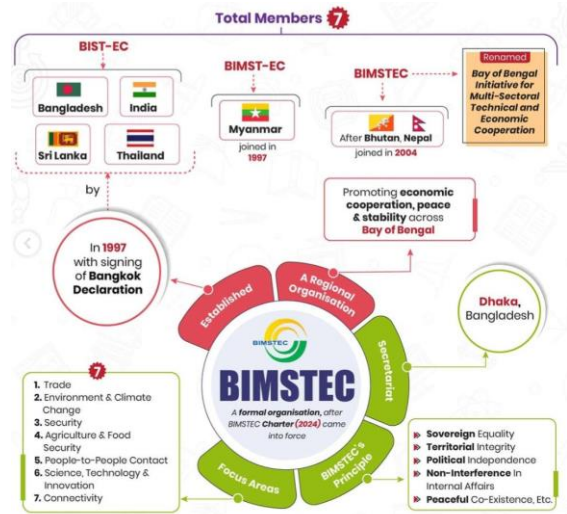
This **functional division of labor** encourages focused progress and accountability in implementation.



**India's Role and Strategic Interest in BIMSTEC**

India plays a **pivotal role** in BIMSTEC and sees the grouping as aligned with several of its strategic doctrines and policies:

- **Neighbourhood First Policy:** Prioritizes regional cooperation and development assistance to immediate neighbours.
- **Act East Policy:** BIMSTEC provides a natural extension toward ASEAN and East Asia.
- **Indo-Pacific Strategy:** Strengthens India's maritime footprint and promotes a **rules-based regional order**.
- **MAHASAGAR Doctrine:** Emphasizes **maritime diplomacy**, with BIMSTEC at the center of regional ocean cooperation.



India's active engagement is also evident through its leadership in **four out of seven BIMSTEC sectors**.

**Guiding Principles of India's Regional Diplomacy**

India's Ministry of External Affairs highlights four core principles guiding its engagement in regional forums, particularly BIMSTEC:

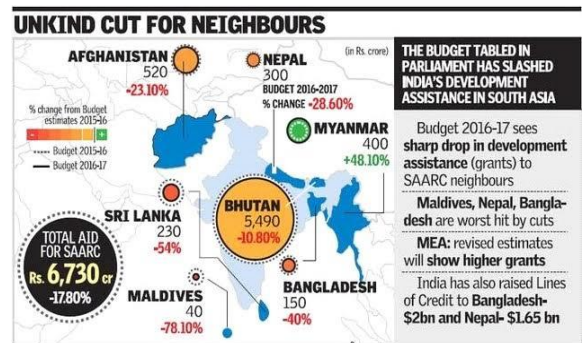
- **Samman (Respect):** Mutual recognition of sovereignty and equality.
- **Samvad (Dialogue):** Regular political consultation and cultural exchange.
- **Shanti (Peace):** Promotion of regional stability and conflict resolution.
- **Samridhhi (Prosperity):** Inclusive growth and shared economic benefits.

These principles help differentiate India's **non-hegemonic and cooperative approach** from other regional powers.

**Why BIMSTEC over SAARC?**

India has increasingly shifted focus from **SAARC** to **BIMSTEC** due to persistent challenges within SAARC:

- **India-Pakistan rivalry** has paralyzed SAARC's agenda.



**BID TO REVIVE SAARC?**

Nepal has indicated that it is keen to revive the regional forum

The South Asian Association for Regional Cooperation or **SAARC is dormant since India**, citing terror networks operating from Pak soil, has distance itself

The last SAARC Summit was held in 2014 in Kathmandu. It was attended by PM Modi

Nepal is holding chairmanship of SAARC since 2014

The 2016 SAARC summit in Islamabad was called off after India pulled out following the terror attack in Uri; Bangladesh, Bhutan and Afghanistan also declined to participate

SAARC summits are usually held biennially; the host nation assumes the chair

Afghanistan became the eight member in 2007

The first summit was held on Dec 8, 1985 in Dhaka with seven member countries: India, the Maldives, Bhutan, Pakistan, Nepal, Bangladesh and Sri Lanka

**BOUNDARY 'DISPUTE'**  
Following the bifurcation of the erstwhile state of Jammu and Kashmir, India in November released fresh map. Nepal claimed that Limpyadhura, Lipulek and Kalapani areas, shown under India's territory, lie within the Nepalese territory

**DEMARCATIION**  
Nepal's current boundary was demarcated by the Sugauli Treaty of 1816 and the consecutive complementary treaties of December 1816, 1860 and 1875



- Pakistan has repeatedly blocked regional cooperation initiatives.
- The **2016 SAARC Summit was cancelled** following the **Uri attack**, marking India's growing disenchantment with the group.

In contrast, **BIMSTEC excludes Pakistan**, allowing for **more consensus-based cooperation** and smooth functioning.

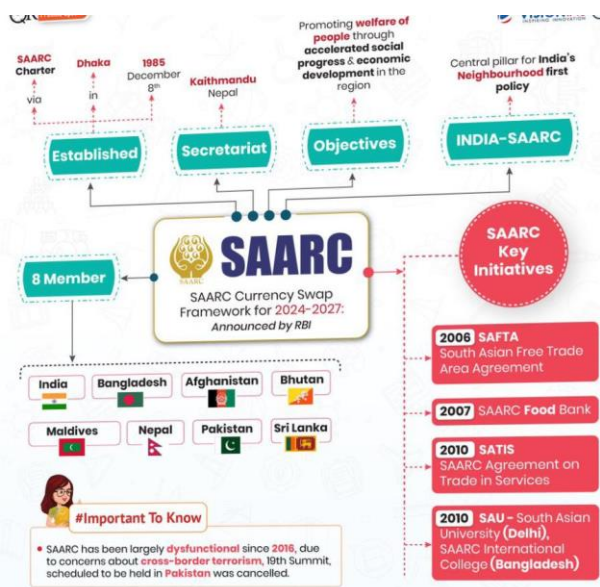
PARAMETER	BIMSTEC	SAARC
VIBRANCY AND DYNAMISM	<ul style="list-style-type: none"> <li>• BIMSTEC meetings have been held only four times in last twenty years.</li> <li>• BIMSTEC meetings are rather considered to be retreats for the leaders of the member nations and there are hardly any talks on policy.</li> <li>• As of now, BIMSTEC finds vibrancy since India is using it to promote its Act East Policy that aligns with Look West Policy of Thailand.</li> <li>• It is argued that India also uses BIMSTEC platform to substitute SAARC. However, the success of BIMSTEC does not render SAARC pointless; it only adds a new chapter in regional cooperation in South Asia.</li> </ul>	<ul style="list-style-type: none"> <li>• SAARC on the other side is a more active group. Over the last 32 years, ignoring the annual SAARC summits have been postponed 11 times for political reasons, SAARC has been assiduously nurtured through a multitude of meetings and initiatives, including 18 summits.</li> <li>• This has seen it evolve a whole set of conventions, organs and mechanisms and a network of more than a dozen regional centers and a secretariat in Kathmandu.</li> <li>• Since the SAARC summit has only been postponed, not cancelled, the possibility of revival remains.</li> </ul>

### Recent Summits and Progress

- **2016 (Goa):** India hosted the **BRICS-BIMSTEC Outreach Summit**, marking a diplomatic shift post-SAARC.
- **2022 (Colombo Summit):** Virtual summit where the BIMSTEC Charter was adopted.
- **2025 (Thailand Summit):** First in-person summit since 2018.
  - Theme: **“Prosperous, Resilient, and Open BIMSTEC (PRO BIMSTEC)”**
  - Emphasis on **resilient supply chains, economic cooperation, and climate action.**

GOALS	<ul style="list-style-type: none"> <li>• BIMSTEC role is more restricted to economy and regional integration only.</li> </ul>	<ul style="list-style-type: none"> <li>• SAARC has broader goals compared to BIMSTEC.</li> <li>• SAARC aims to promote the people's welfare, accelerate economic growth, social progress and culture development; and strengthen collective self-reliance.</li> <li>• Other objectives include strengthening cooperation with other developing countries, and cooperating with international and regional organizations with similar aims and purposes.</li> </ul>
INTRA-TRADE	<ul style="list-style-type: none"> <li>• Trade among the BIMSTEC member countries reached six percent in just a decade</li> </ul>	<ul style="list-style-type: none"> <li>• In SAARC, it has remained around five percent since its inception.</li> </ul>
CAPACITY OF THE SECRETARIAT	<ul style="list-style-type: none"> <li>• The BIMSTEC secretariat faces a severe resource crunch in terms of money and manpower, which has adversely affected its performance.</li> </ul>	<ul style="list-style-type: none"> <li>• SAARC secretariat has more resources. This can <u>used</u> when SAARC meetings are held.</li> </ul>
COVERAGE	<ul style="list-style-type: none"> <li>• BIMSTEC is interregional and connects both South Asia and ASEAN.</li> <li>• BIMSTEC provides SAARC countries a unique opportunity to connect with ASEAN.</li> </ul>	<ul style="list-style-type: none"> <li>• SAARC is a purely regional organization.</li> <li>• Thus, it is also possible that both the regional organizations can thrive together and even prove complementary on geographically overlapping regions.</li> </ul>

These summits signal a **renewed political will** to operationalize BIMSTEC effectively.



### Challenges and Roadblocks

Despite its potential, BIMSTEC faces several challenges:

- **Lack of political will and leadership** among member states.
- **Inadequate funding and institutional capacity** (e.g., BIMSTEC Secretariat is under-resourced).
- **Infrastructure and connectivity gaps** delaying regional projects.
- **Varied political systems and economic priorities** hamper uniform policy execution.
- **Influence of external powers like China**, especially in Myanmar, Sri Lanka, and Nepal, complicates India-led initiatives.

These limitations must be addressed through **institutional strengthening, financial support, and collective vision.**

**Realizing the Vision of BIMSTEC**

To unlock its full potential, BIMSTEC must:

- **Implement the Charter in letter and spirit.**
- **Operationalize pending agreements**, including the BIMSTEC Free Trade Agreement (FTA).
- **Accelerate connectivity projects** such as:
  - India-Myanmar-Thailand Trilateral Highway
  - Kaladan Multi-Modal Transit Transport Project
- **Deepen maritime cooperation** in disaster response, naval patrolling, and sea lane security.
- **Strengthen the Secretariat** with resources, autonomy, and manpower.
- **Promote people-to-people exchanges** to build grassroots-level integration.

India must continue to act as the **anchor of BIMSTEC**, leveraging its strengths to push for a **cohesive, secure, and prosperous Bay of Bengal region**.

**Prelims Practice Question**

**Q.** With reference to the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), consider the following statements:

1. All BIMSTEC member countries are also members of the South Asian Association for Regional Cooperation (SAARC).
2. The BIMSTEC Secretariat is located in Dhaka, Bangladesh.
3. India leads the BIMSTEC sector on security and energy cooperation.
4. The BIMSTEC Charter was adopted at the Goa Summit in 2016.

Which of the above statements are correct?

- A. 2 and 3 only
- B. 1, 2 and 4 only
- C. 1 and 4 only
- D. 2, 3 and 4 only

**Answer: A. 2 and 3 only**

**Explanation:**

- **Statement 1: Incorrect**  
Not all BIMSTEC countries are in SAARC. For example, **Thailand and Myanmar are not SAARC members**, and **Pakistan is not in BIMSTEC**.
- **Statement 2: Correct**  
The **BIMSTEC Secretariat is located in Dhaka**, Bangladesh.
- **Statement 3: Correct**  
**India leads the BIMSTEC sectors on Security, Counter-terrorism, Disaster Management, and Energy.**
- **Statement 4: Incorrect**  
The **BIMSTEC Charter was adopted at the Colombo Summit in 2022**, not at the Goa Summit in 2016.

**Mains Model Question**

**Q.** BIMSTEC has emerged as a promising alternative to SAARC in fostering regional cooperation in South and Southeast Asia. Critically examine the relevance of BIMSTEC in India's regional diplomacy and its role in addressing contemporary regional challenges.

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) has gained increasing relevance in India's regional diplomacy as a bridge between South and Southeast Asia. Established in 1997 as BIST-EC, it evolved into BIMSTEC with the inclusion of Myanmar, Nepal, and Bhutan. With the SAARC mechanism being virtually defunct due to India-Pakistan tensions, BIMSTEC offers a more viable platform for regional cooperation, especially since it excludes Pakistan and includes key ASEAN members.

BIMSTEC's relevance lies in its alignment with India's Neighbourhood First and Act East policies. It connects the littoral states of the Bay of Bengal and encompasses 1.8 billion people with a combined GDP of over \$3.6 trillion. The 2022 Colombo Summit, which adopted the BIMSTEC Charter, institutionalized the grouping, enhancing its credibility and enabling a more structured approach to cooperation. India plays a pivotal role by leading key sectors such as security, counter-terrorism, disaster management, and energy. This allows India to project itself as a regional leader and stabilizer.

However, challenges remain. BIMSTEC's progress has been slow due to lack of political will, infrastructural deficits, and internal crises within member states like Myanmar and Sri Lanka. Additionally, while India has pushed BIMSTEC diplomatically, it has yet to match that effort with adequate economic and developmental investment. The grouping still lacks a robust institutional mechanism, and intra-regional trade remains minimal.

Nevertheless, BIMSTEC's recent reinvigoration, including the first physical summit after 2018, reflects a renewed commitment among member states. As regional geopolitics evolve with the Indo-Pacific narrative, BIMSTEC offers a strategic avenue for India to balance China's influence, enhance maritime connectivity, and foster sustainable development in the Bay of Bengal region. Thus, while not a perfect substitute, BIMSTEC remains a crucial component of India's regional outreach and diplomacy.

**Topic :** New Income Tax Regime

**Relevance :** GS Paper 3 Economy

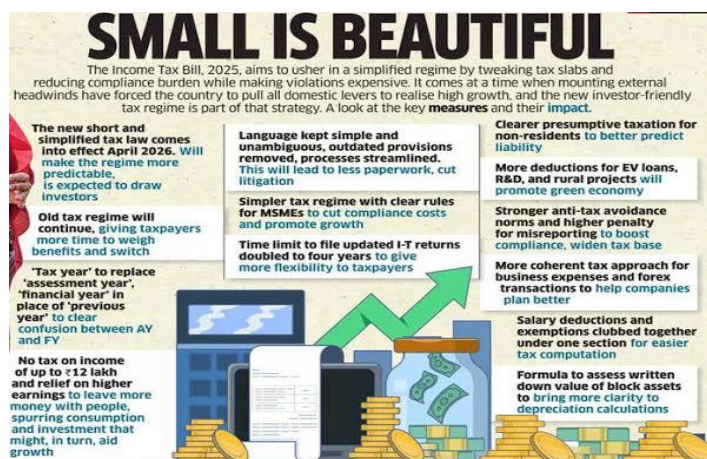
**Source :** Indian Express

**Context :**

The Indian government introduced the **New Income Tax Regime (NTR)** as part of its effort to simplify taxation and provide relief to middle-income taxpayers. Announced in **Budget 2020** and modified in subsequent years, including a major revision in **Budget 2025**, the NTR is now set to become the default regime from **April 1, 2025**, replacing many of the complexities associated with the previous tax structure.

**Why in News?**

- From **April 1, 2025**, significant changes came into effect under the new tax regime.
- The **tax exemption limit** has been increased to **Rs 12 lakh**, benefiting almost **1 crore taxpayers** by reducing their tax burden.
- The revised regime is part of a broader move towards a **more simplified and taxpayer-friendly system**, in line with the proposed **Income Tax Bill, 2025**.





## Key Features of the New Income Tax Regime

### 1. Higher Tax Exemption Limit

- The exemption threshold has been raised from **Rs 7 lakh to Rs 12 lakh**.
- A salaried individual with a **gross income of Rs 12.75 lakh** can now reduce their taxable income to **Rs 12 lakh** through the **standard deduction of Rs 75,000**—making them **fully exempt** under the new regime.

### 2. Simplified Slab Rates

- The revised slabs offer lower tax rates without the need for numerous deductions and exemptions.
- Tax rates are progressive, starting from 5% for incomes over Rs 4 lakh and moving up to 15% beyond Rs 12 lakh.
- For instance, a taxpayer earning Rs 12.1 lakh will pay tax amounting to Rs 61,500.

### 3. Standard Deduction Still Applicable

- Despite being a simpler regime, a **standard deduction of Rs 75,000** is retained for salaried individuals, offering additional tax relief.

### 4. Higher TDS Threshold for Rent

- The **TDS threshold on rental income** has been raised from **Rs 2.4 lakh to Rs 6 lakh**.
- This benefits **small landlords and senior citizens** by reducing their compliance burden.

## Basic Concepts of Taxation

### 1. What is Tax?

- A **tax** is a **compulsory financial charge** imposed by the government on individuals or entities to fund public expenditure.
- It is **non-reciprocal**, meaning the taxpayer does not receive a direct benefit in return.

**Which ITR form should you file?**

As the income tax filing deadline (July 31) for individuals and small businesses is fast approaching, it's important to know which ITR form to fill out. For instance, if you are even a loss-making F&O trader, you need to file ITR-3 since it is categorized as business income. Here's a list of seven fictional characters and which ITR form they should be filing.

Compiled by Sashind Nimgthoukhongiam  
sashindn@livemint.com

<b>AARAV</b> , software engineer Income: <b>₹7 lakh</b> salary Investment: Held <b>₹1 lakh</b> in MFs Status: Resident Indian <b>File ITR-1</b>	<b>SAANVI</b> , physics teacher Income: <b>₹10 lakh</b> salary Capital gains: <b>₹2 lakh</b> from selling shares Status: Resident Indian <b>File ITR-2</b>	<b>RAJESH</b> , loss making F&O trader Income: Nil F&O: <b>₹(-2 lakh)</b> Status: Resident Indian <b>File ITR-3</b>
<b>PRIYA</b> , homemaker Rental income: <b>₹20,000</b> No. of house: 1 Status: Resident Indian <b>No need to file</b>	<b>ADITYA</b> , lawyer Income: <b>₹24 lakh</b> earning Opt for presumptive tax: No Status: Resident Indian <b>File ITR-3</b>	<b>NEELAM</b> , freelance content creator Income: <b>₹10 lakh</b> from day job Extra income: <b>₹7 lakh</b> (as content creator) Status: Resident Indian <b>File ITR-3</b>
<b>KAVYA</b> , non-resident Rental income: <b>₹1 lakh</b> Status: NRI <b>No need to file*</b>		

\*However, even if not required, filing ITR every year will be useful if Kavya decides to sell her property in India. Tax officers will look at past ITRs to approve lower TDS.

**File ITR-1 if...**

- ▶ YOU are a salaried individual (total income upto **₹50 lakh**)
- ▶ HAVE just 1 house property

**File ITR-2 if you also fall under any of the following**

- ▶ NRI (not ordinary) getting a salary/pension?
- ▶ IS a director in a company
- ▶ INCURRED capital gains
- ▶ HAVE unlisted equity shares
- ▶ TOTAL income exceeds **₹50 lakh**
- ▶ HAVE income, assets or signing authority outside India
- ▶ INCOME from other sources (chargeable at special rates)\*

**Have business or profession, then file ITR-3**

- ▶ EARNING from business or professional service
- ▶ RECEIVED payment as partner from partnership firm
- ▶ TRADE in F&O (considered business income)

**Use ITR-4**

- ▶ IF you want to opt for presumptive taxation only\*

\*If a professional wants presumptive plus anything else, then file ITR-3

Note: This is for illustrative purposes only and should not be relied upon for tax planning. It is simplified and does not include all aspects.

Source: Taxmann

**What if you file wrong ITR form?**

If the ITR form is incorrect, it is considered defective

- ▶ CAN Submit a revised ITR form
- ▶ LAST date to file revised form is 31 December

**Last date of filing: 31 July**

**What if you don't file ITR?**

Penalty, interest and prosecution can apply

- ▶ LATE filing fees of **₹5,000\***
- ▶ 1% interest (monthly) if there is any tax liability
- ▶ RISK of much higher tax liability when filing the updated return (to be filed within two years of AY-end)

\*₹1,000 if income less than ₹5 lakh

These examples are hypothetical and for illustrative purposes only. Please consult a CA for tax planning. Graphic: Pranay Bhardwaj/Mint



## 2. Broad Categories of Taxes

- **Income and expenditure taxes:** These include **personal income tax, corporate tax, and capital gains tax.**
- **Commodities taxes:** These apply to goods and services such as **GST.**
- **Property-related taxes:** These include **stamp duty, house tax, and wealth tax.**

## 3. Types of Taxes

- **Direct Taxes:**
  - Collected directly from individuals and organizations.
  - Examples: **Income tax, corporate tax, and securities transaction tax.**
  - Administered by the **Central Board of Direct Taxes (CBDT).**
- **Indirect Taxes:**
  - Collected indirectly through goods and services.
  - Examples: **GST, customs duty, and excise duty.**
  - The burden is passed to the final consumer.

## 4. Deductions vs Exemptions

- **Deductions:**
  - Reduce **taxable income** by accounting for specific expenses.
  - Examples: investments under **Section 80C**, professional expenses, depreciation, etc.
  - Applied **after income is computed.**
- **Exemptions:**
  - Reduce **gross total income** by excluding specific earnings.
  - Examples: **HRA, agricultural income**, interest on specific bonds, etc.
  - Applied **before income is considered for taxation.**

## The New Income Tax Bill, 2025

### 1. Need for a New Law

- The **Income Tax Act, 1961** has undergone multiple amendments, leading to complexity and legal ambiguities.

## NEW TAX REGIME

EXISTING TAX SLABS		PROPOSED TAX SLABS (Budget FY26)	
Total Annual Income	Rate of Tax	Total Annual Income	Rate of Tax
Up to ₹3 lakh	Nil	Up to ₹4 lakh	Nil
₹3 to 7 lakh	5%	₹4-8 lakh	5%
₹7 to 10 lakh	10%	₹8-12 lakh	10%
₹10 to 12 lakh	15%	₹12-16 lakh	15%
₹12 to 15 lakh	20%	₹16-20 lakh	20%
Above ₹15 lakh	30%	₹20-24 lakh	25%
		Above ₹24 lakh	30%

\*Total Annual Income after excluding standard deduction of Rs 75,000

**UNION BUDGET 2024-25**

वित्त मंत्रालय  
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**Simplification of IT Act, Tax Reassessment, Capital Gains Taxation**

- Income-tax Act, 1961 to be made concise and easy to read
- Opening of Reassessment beyond three years from end of assessment year only if escaped income is ₹ 50 lakh or more, up to a maximum period of five years from end of assessment year
- Time limit for search cases to be reduced from 10 years to 6 years before year of search
- Short-term gains on certain financial assets to be taxed at 20%, Long-term gains on all financial and non-financial assets to be taxed at 12.5%
- Listed financial assets held for more than a year to be classified as long-term
- Vivad Se Vishwas Scheme, 2024 for resolution of certain income tax disputes pending in appeal

## NEW (SIMPLIFIED) vs OLD WHICH IS BETTER?

The choice between the two income tax regimes will depend on taxable incomes and deductions claimed. If your deduction amount is higher than the 'equaliser', old regime is generally more beneficial; if lower, then new regime. For those in the lowest and highest brackets, new regime works better.



### IF YOUR INCOME IS RS 7 LAKH... DEDUCTION LEVEL

Lower deductions	Equaliser *	Higher deductions
Rs 1,00,000	Rs 2,00,000 <sup>^</sup>	Rs 2,50,000
Beneficial regime: Simplified (tax savings of Rs 33,800)	Beneficial regime: No difference	Beneficial regime: No difference

Note: \*Tax outgo under the new and old regimes will be zero for taxable incomes of up to Rs 7 lakh and Rs 5 lakh respectively due to the tax rebate under section 87A for incomes up to these limits

### IF YOUR INCOME IS RS 11 LAKH... DEDUCTION LEVEL

Lower deductions	Equaliser*	Higher deductions
Rs 1,00,000	Rs 3,93,750	Rs 4,00,000
Beneficial regime: Simplified (tax savings of Rs 50,700)	Beneficial regime: No difference	Beneficial regime: Old (tax savings of Rs 1,300)

### IF YOUR INCOME IS RS 16 LAKH... DEDUCTION LEVEL

Lower deductions	Equaliser*	Higher deductions
Rs 3,50,000	Rs 4,83,333	Rs 5,00,000
Beneficial regime: Simplified (tax savings of Rs 41,600)	Beneficial regime: No difference	Beneficial regime: Old (tax savings of Rs 5,200)

### IF YOUR INCOME IS RS 60 LAKH... DEDUCTION LEVEL

Lower deductions	Equaliser*	Higher deductions
Rs 3,50,000	Rs 4,83,333	Rs 5,00,000
Beneficial regime: Simplified (tax savings of Rs 45,760)	Beneficial regime: No difference	Beneficial regime: Old (tax savings of Rs 5,720)

### IF YOUR INCOME IS RS 1.5 CRORE... DEDUCTION LEVEL

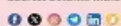
Lower deductions	Equaliser*	Higher deductions
Rs 3,50,000	Rs 4,83,333	Rs 5,00,000
Beneficial regime: Simplified (tax savings of Rs 47,840)	Beneficial regime: No difference	Beneficial regime: Old (tax savings of Rs 5,980)

### IF YOUR INCOME IS RS 6 CRORE... DEDUCTION LEVEL

Lower deductions	Equaliser *	Higher deductions
Rs 3,50,000	Not applicable	Rs 8,00,000
Beneficial regime: Simplified (tax savings of Rs 22,61,896)	NA	Beneficial regime: Simplified (tax savings of Rs 20,69,548)

Notes  
 1. The above taxes are calculated for resident individuals (less than 60 years of age)  
 2. These incomes do not include any income taxable under special rates  
 3. \*Equaliser is the deduction level at which the tax outgo under the old regime will be at par with that under the simplified regime; if your deductions are lower than this level, the simplified tax regime will be attractive; if your deductions are higher, then the old tax regime will be beneficial  
 4. Standard deduction of Rs 50,000 under the old tax regime and Rs 25,000 under the simplified tax regime have been factored into the calculations  
 5. For incomes below Rs 7 lakh, the new tax regime will always be beneficial due to the tax rebate  
 6. Simplified tax regime is also attractive for those earning over Rs 5 crore due to lower surcharge rate

Source: Deloitte India



moneycontrol

- The 2025 Bill aims to make the law **simpler, clearer, and less litigation-prone.**

## 2. Key Changes Proposed

- Replaces “**previous year**” and “**assessment year**” with the simplified term “**tax year**”.
- Strengthens the **CBDT’s authority** for smoother tax administration, digital compliance, and enforcement.
- Introduces a modern definition of “**virtual digital space**”, empowering tax authorities to scrutinize online financial activities such as **social media, trading platforms, and cloud servers.**
- The bill promotes a “**trust-first, scrutinise-later**” approach to tax administration.

## 3. Legislative Status

- The bill was **introduced in Lok Sabha** on February 13, 2025.
- It is under examination by the **Parliamentary Standing Committee on Finance.**
- Expected to be implemented from **April 1, 2026.**

## Difference Between Old and New Tax Regime

### 1. Flexibility vs Simplicity

- The **old regime** offered flexibility through numerous **deductions and exemptions**, allowing strategic tax planning.
- The **new regime** provides simplicity with **lower rates and no complex exemptions.**

### 2. Deductions and Exemptions

- The **old regime** allowed deductions under Sections **80C to 80U**, HRA, LTA, etc.
- The **new regime** removes most of these benefits to maintain a straightforward system, except for **standard deduction and EPF contributions.**

### 3. Taxpayer’s Choice

- Until now, taxpayers could choose between the old and new

regimes annually.

- From **FY 2025-26**, the **new regime becomes the default**, although opting out will still be allowed with conditions.

#### 4. Tax Burden Distribution

- The **old regime** benefits individuals with **high investments and housing loans**.
- The **new regime** is favorable for those with **lower investments, younger taxpayers**, or those seeking a **simplified tax filing process**.

The New Income Tax Regime reflects India's effort to modernize and rationalize personal income taxation. By focusing on lower rates, digital compliance, and legal clarity, it aims to reduce the burden on honest taxpayers while curbing evasion. However, the success of this regime will depend on how effectively it balances simplicity with inclusivity and whether taxpayers can transition smoothly without undue confusion. As the New Income Tax Bill, 2025 approaches implementation, India moves one step closer to a transparent and efficient tax system.

#### Prelims Practice Question:

Q. With reference to the New Income Tax Regime and the Income Tax Bill, 2025, consider the following statements:

1. Under the new tax regime effective from April 1, 2025, individuals with annual income up to ₹12 lakh are exempt from paying income tax if standard deduction is applied.
2. The Income Tax Bill, 2025 replaces the terms "previous year" and "assessment year" with a single term "tax year".
3. Under the new regime, taxpayers can no longer claim any deductions or exemptions, including standard deduction and EPF contributions.
4. The new Income Tax Bill empowers the Central Board of Direct Taxes (CBDT) to frame tax administration rules and implement digital compliance systems without frequent legislative changes.

Which of the statements given above is/are correct?

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

**Answer:**

- (a) 1, 2 and 4 only

**Explanation:**

- **Statement 1 is correct** – With the standard deduction of ₹75,000, individuals earning ₹12.75 lakh effectively fall within the exempted slab.



- **Statement 2 is correct** – The new Bill replaces both “previous year” and “assessment year” with “tax year”.
- **Statement 3 is incorrect** – The new regime disallows most deductions and exemptions, but **standard deduction and EPF contributions** are still permitted.
- **Statement 4 is correct** – The Bill gives CBDT powers to frame administrative and digital compliance rules without waiting for legislative amendments.

### Mains Model Question:

Q. Discuss the key features of the New Income Tax Regime introduced in 2025 and critically examine how the New Income Tax Bill aims to simplify India's tax structure while addressing long-standing challenges in tax administration.

The New Income Tax Regime, implemented from April 1, 2025, marks a significant shift in India's approach to personal taxation. Its primary objective is to reduce the tax burden for a large section of the middle class while promoting a simplified and exemption-free tax structure. One of the most notable changes is the increase in the exemption limit from ₹7 lakh to ₹12 lakh. With the standard deduction of ₹75,000 still applicable, individuals earning up to ₹12.75 lakh annually can effectively avoid paying any income tax. The new regime also introduces revised tax slabs with moderate rates, thereby aiming to broaden the tax base and enhance voluntary compliance. Additionally, the TDS threshold for rental income has been raised from ₹2.4 lakh to ₹6 lakh, easing compliance for small landlords.

**UNION BUDGET 2025**  
(Effective For Income – April 1, 2025 to March 31, 2026)  
(Effective On The ITR Filing Deadline Of July 2026)



**Old vs. New Tax Regime**

OLD REGIME		VS	NEW REGIME	
₹2.5 Lakh	Basic Exemption Limit		₹4 Lakh	
₹5 Lakh	Income Tax Rebate Limit		₹12 Lakh	
₹50,000	Standard Deduction (Only for Salaried)		₹75,000	
Upto ₹2.5 Lakh ₹2.5 – 5 Lakh ₹5 – 10 Lakh Above ₹10 Lakh	Income Tax Slab Rate		Upto ₹4 Lakh ₹4 – 8 Lakh ₹8 – 12 Lakh ₹12 – 16 Lakh ₹16 – 20 Lakh ₹20 – 24 Lakh Above ₹24 Lakh	NIL 5% 10% 15% 20% 25% 30%

To complement this reform, the Income Tax Bill, 2025 seeks to replace the outdated Income Tax Act of 1961. The older Act, having undergone numerous amendments over decades, had become complex and litigation-prone. The new Bill replaces the terms "previous year" and "assessment year" with a uniform "tax year," removing confusion in tax filing timelines. It empowers the Central Board of Direct Taxes (CBDT) to frame tax administration rules and implement digital compliance mechanisms without legislative delays. The Bill also expands the scope of searches and surveys by including virtual digital spaces, thus strengthening enforcement in the digital age. Emphasising a "trust first, scrutinise later" approach, the Bill aims to foster transparency and reduce adversarial tax proceedings. While the new regime sacrifices many traditional exemptions, it compensates by offering simplicity, clarity, and certainty. If implemented effectively, the combined impact of the new regime and the Income Tax Bill could modernise India's tax administration and promote a more efficient and citizen-friendly system.

### Topic : Gold Monetisation Scheme (GMS)

Relevance : GS Paper 3 Economy

Source : Indian Express

### Context :


The **Gold Monetisation Scheme (GMS)** was launched in **November 2015** by the Government of India as a strategic move to unlock the value of idle gold lying with Indian households, trusts, and institutions. The primary objective of this scheme was to **mobilise unused gold** held in physical form, bring it into the **formal financial system**, and ultimately **reduce India's reliance on gold imports**, which are a significant contributor to the **current account deficit**.

Under this scheme, individuals and institutions could **deposit their gold** (in the form of bars, coins, and jewellery, excluding stones and other metals) with designated banks. These deposits would earn **interest** and be repayable either in gold or equivalent rupee value, depending on the terms of deposit. The minimum deposit under the scheme was 10 grams of gold, with no upper limit.

Aimed at mobilising idle gold held by households and institutions, provide a fillip to the gems and jewellery sector and reduce reliance on import of gold over time to meet the domestic demand

### Proposed Gold Monetisation Scheme

- A person or entity can earn **interest in either cash or gold units**, by depositing the precious metal with the banks
- Interest payable **after 30/60 days** of opening of the account
- Threshold limit for deposit-**30 gms**
- Interest earned on it exempted from income tax and capital gains tax
- A person or institution holding surplus gold can get it valued from BIS-approved hallmarking centres
- Minimum period for Gold Savings Account -**One year**



India imports as much as 800-1000 tonnes of gold each year  
Though stocks of gold in India are estimated to be over 20,000 tonnes, mostly this gold is neither traded, nor monetised

PTI GRAPHICS

## Components of the Scheme

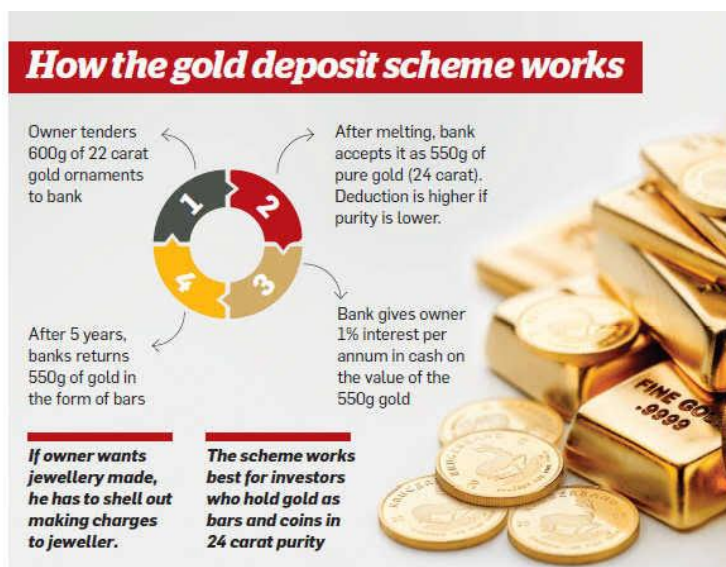
The GMS had three major components based on tenure:

1. **Short-Term Bank Deposit (STBD):**
  - Tenure: 1 to 3 years
  - Managed by banks, and interest paid by them
  - Interest rates were market-driven and decided by banks
2. **Medium-Term Government Deposit (MTGD):**
  - Tenure: 5 to 7 years
  - Interest rate fixed by the government (2.25%)
  - Interest paid by the Central Government
3. **Long-Term Government Deposit (LTGD):**
  - Tenure: 12 to 15 years
  - Interest rate fixed at 2.5%
  - Also borne by the Central Government

The gold collected under MTGD and LTGD was utilised by the government for various purposes, including managing fiscal operations and meeting the demand of jewellery and coin manufacturing via auctions or through supply to other entities.

## Why Was GMS Discontinued?

The **Ministry of Finance**, citing **evolving market conditions** and a **suboptimal performance** of the scheme, announced the **closure of the medium- and long-term components** of GMS from **March 26, 2025**. However, **short-term deposits** will continue to be available at the discretion of individual banks based on their **commercial viability**.



Despite its noble intentions, GMS mobilised only around **31,164 kg of gold** over nearly a decade. Participation remained limited, with just **5,693 depositors**, mainly due to issues like low awareness, procedural complexity, sentimental attachment to jewellery, and relatively low returns.

## Impact on Depositors and Government Clarifications

The government has clarified that existing deposits will remain **valid until maturity**, and **premature withdrawal** terms will continue as

per existing guidelines. The **Reserve Bank of India (RBI)** has updated its website to reflect the discontinuation and has stated that the **existing deposits won't be impacted** and will continue to earn interest as agreed.



**Gold Monetisation**

> Gold in any form can be deposited with banks for 1-15 years and will earn interest. Redemption will be at prevailing value at tenure end. Banks can sell the gold deposited with them to jewellers to boost domestic supply, cut reliance on imports

**Sovereign Gold Bonds**

> People can invest in bonds issued in denominations of 5, 10, 50 and 100 gram for a term of 5-7 years; there will be a cap of 500gm in a year

**CORPORATE CHEER**

> Government will soon bring out a list of tax exemptions to be phased out as part of the exercise to reduce corporate tax rate to 25% in four years

> Measures to protect domestic steel sector from dumping by overseas manufacturers

**SPECTRUM TRADING ALLOWED**

> Spectrum trading guidelines allow telecom operators to sell radiowaves to other service providers; will help address problem of spectrum shortage and provide loss-making operators an exit option. As of now, only govt can auction spectrum

**How Did the Scheme Benefit the Government?**

- 1. Reduced Gold Imports:** By converting idle gold into usable financial resources, the GMS aimed to reduce India's dependency on gold imports, thus easing the pressure on the **current account deficit** and **foreign exchange reserves**.
- 2. Fiscal Utility:** The mobilised gold helped the government meet the **demand for gold** in the jewellery and investment sectors without resorting to fresh imports.
- 3. Deepening of Financial Markets:** The scheme attempted to integrate gold assets into mainstream banking, contributing to the formalisation of India's **informal gold economy**.

**How Could GMS Benefit Individuals and Households?**

- 1. Earning Returns:** Households holding gold for years in lockers could earn **regular interest** on their gold assets without selling or parting with them permanently.
- 2. Security and Insurance:** Depositing gold with banks ensured **safe storage** with no associated risks of theft or damage, unlike storing it at home.
- 3. Tax Advantages:** Interest earned was exempt from **capital gains tax, wealth tax, and income tax**, making it a **tax-efficient investment**.
- 4. Option to Receive Back Gold or Equivalent Value:** Depositors had the flexibility to receive **equivalent value in cash** or gold, based on their choice and need at the time of maturity.

**on Idle Assets:**

## HAVE GOLD? YOU'LL EARN

The government unveiled the outlines of a scheme that will enable gold owners to earn interest off it

**THE GUIDELINES**

- ₹ A minimum of 30gms of gold (worth ₹84,000 approx) can be deposited at banks or institutionalised dealers in return for an interest
- ₹ The deposit will need to be made for a minimum of a one year and the interest (not yet decided), will be exempt from income tax and capital gains tax
- ₹ Returns can be cash or as gold, although it is unlikely that the gold will be returned in the form (ornaments) it was deposited
- ₹ Both principal and interest will be 'valued' in gold". For example, if a customer deposits 100 gms of gold and gets 1% interest, then, on maturity he has a credit of 101 gms

**THE INCENTIVE**

The banks and dealers can use the gold to maintain the mandatory reserves with the Reserve Bank of India

**THE AIM**

To mobilise the idle gold held by households and institutions to spur the jewellery sector and reduce reliance on gold imports over time



20,000 tonnes

the stock of gold in India that is neither traded nor monetised

DESIGNED BY HITESH MATHUR

## Broader Economic Implications

The closure of GMS, following the discontinuation of **Sovereign Gold Bonds**, signals a **recalibration of India's gold management strategy**, especially in light of rising gold prices, which touched over ₹90,000 per 10 grams by March 2025. While these schemes were designed to **financialise gold** and reduce physical demand, their closure may shift focus towards alternative measures such as **reducing import duties** or **promoting gold recycling** within the country.

MAIN FEATURES OF THE SOVEREIGN GOLD BOND			
<p><b>ISSUANCE</b> To be issued by Reserve Bank of India on behalf of the Government</p>	<p><b>TAXATION</b> Interest on the bonds shall be taxable as per the provision of Income Tax Act, 1961 (43 of 1961). Physical gold rules apply to capital gains tax too</p>	<p><b>KYC RULES APPLY</b></p> 	<p><b>SALES CHANNEL</b> Bonds will be sold through banks and designated Post Offices, as may be notified, either directly or through agents</p>
<p><b>ELIGIBILITY</b> The bonds will be restricted for sale to resident Indian entities including individuals, HUFs, trusts, universities, charitable institutions</p>	<p><b>DENOMINATION</b> The bonds will be denominated in multiples of grams of gold with a basic unit of 1 gram</p>		<p><b>MAXIMUM LIMIT</b> Not more than 500 grams per person per fiscal year (April-March). A self-declaration to this effect will be obtained</p>
<p><b>TENOR</b> The tenor of the bond will be for a period of 8 years with exit option from 5th year to be exercised on the interest payment dates</p>	<p><b>MINIMUM SIZE</b> Minimum permissible investment will be 2 units (i.e. 2 grams of gold)</p>		

Despite low participation, the GMS remains an important policy attempt to tap into India's vast private gold holdings, estimated to be over **25,000 tonnes**, and transform them into productive economic assets. Its limited success underscores the challenges in changing public mindset and behaviour, especially in a society where gold carries **cultural, emotional, and economic significance**.

While the Gold Monetisation Scheme was an innovative attempt at economic formalisation and asset productivity, its practical limitations and lukewarm public response led to its discontinuation. However, the concept still holds potential if reintroduced with simplified processes, better incentives, and improved awareness.

### Prelims Practice Question:

**Q.** With reference to the **Gold Monetisation Scheme (GMS)**, consider the following statements:

1. The scheme allowed individuals to deposit gold and earn interest on it.
2. The interest rate for all types of gold deposits under the scheme was fixed by the Reserve Bank of India.
3. The gold deposited under the scheme could be used by the government for reducing gold imports.
4. The minimum deposit under the scheme was 100 grams of raw gold.

Which of the above statements is/are **correct**?

- A. 1 and 3 only
- B. 2 and 4 only
- C. 1, 2 and 3 only
- D. 1, 3 and 4 only

**Correct Answer: A. 1 and 3 only**

**Explanation:**

- **Statement 1 – Correct:** GMS allowed individuals and institutions to deposit idle gold and earn interest on it.
- **Statement 2 – Incorrect:** Interest rates for short-term deposits were decided by banks, while those for medium- and long-term deposits were fixed by the Government of India in consultation with the RBI.
- **Statement 3 – Correct:** The scheme aimed to channel idle gold into the formal economy, helping reduce reliance on gold imports.
- **Statement 4 – Incorrect:** The minimum deposit allowed under GMS was **10 grams**, not 100 grams.

**Mains Model Question:**

Q. Discuss the objectives and functioning of the Gold Monetisation Scheme (GMS). Why was the scheme discontinued? In what ways could such a scheme benefit both the government and the public?

The Gold Monetisation Scheme (GMS), launched in 2015, was an initiative aimed at mobilising the vast amounts of idle gold lying with Indian households, religious trusts, and institutions. The primary objectives of the scheme were to reduce the reliance on gold imports, bring idle gold into the formal banking system, lower the current account deficit, and provide interest income to depositors. It offered depositors the opportunity to earn returns on their gold holdings, while allowing the government to utilise this gold to meet domestic demand and reduce the need to import the precious metal.

**ALL YOU NEED TO KNOW ABOUT THE GOLD SCHEMES**

India is the world's largest buyer of gold with estimated holdings of 20,000 tonnes, worth over Rs 55 lakh crore. The three schemes launched by PM Narendra Modi on Thursday, and described as "sone pe suhaga", are meant to recycle a part of the huge pile of unused gold and reduce import of coins and bars. A part of the gold collected through the monetisation scheme will be lent or sold to MMTC and RBI for minting of coins and auction. **HERE'S HOW THE SCHEME WILL WORK FOR YOU**

**1 GOLD MONETISATION SCHEME**

Tenure*	Interest rate (%)
1-3 years	Banks to decide
5-7 years	2.25
12-15 years	2.50

**PREMATURE WITHDRAWAL:** Allowed after minimum lock-in period with penalty

**INVESTMENT LIMIT:** Min 30 gram of jewellery, bars, coins. No maximum limit

**WHERE TO BUY**

- Go to BIS-certified Collection and Purity Testing Centres
- Comply with KYC (know-your-customer) norms and regulations
- Bank will issue deposit certificate equivalent to 995 fineness of gold

**WHAT HAPPENS TO THE GOLD DEPOSIT SCHEME, 1999?** You can continue till maturity or withdraw prematurely

**2 SOVEREIGN GOLD BONDS**

**TENURE:** Eight years

**PREMATURE EXIT:** Allowed from fifth year

**INTEREST RATE:** 2.75% a year, payable semi-annually on the initial value of investment for the bonds issued in 2015-16

**INVESTMENT LIMIT:** Minimum of 2 units (equal to 2 gram) and max of 500 gram in a financial year.

**WHERE TO BUY:** Banks and designated post offices

**ISSUE DATE:** Nov 26, 2015

**HOW IT WORKS**

- Price linked to previous week's (Monday-Friday) simple average of closing price of gold of 999 purity

published by the India Bullion and Jewellers Association Ltd. Redemption price to be based on same formula

- Comply with KYC norms – Voter ID, Aadhaar Card, PAN, TAN, Passport
- Payment through electronic transfer, cash payment, by cheque or demand draft
- Investors to get stock/holding certificate. Bonds can also be kept in demat form
- They can be used as collateral for loans

**DISTRIBUTOR'S COMMISSION:** 1% of investment amount

**TAX:** Income and capital gains tax payable

**3 INDIA GOLD COIN**

**WEIGHT:** Available in 5, 10 and 20 grams

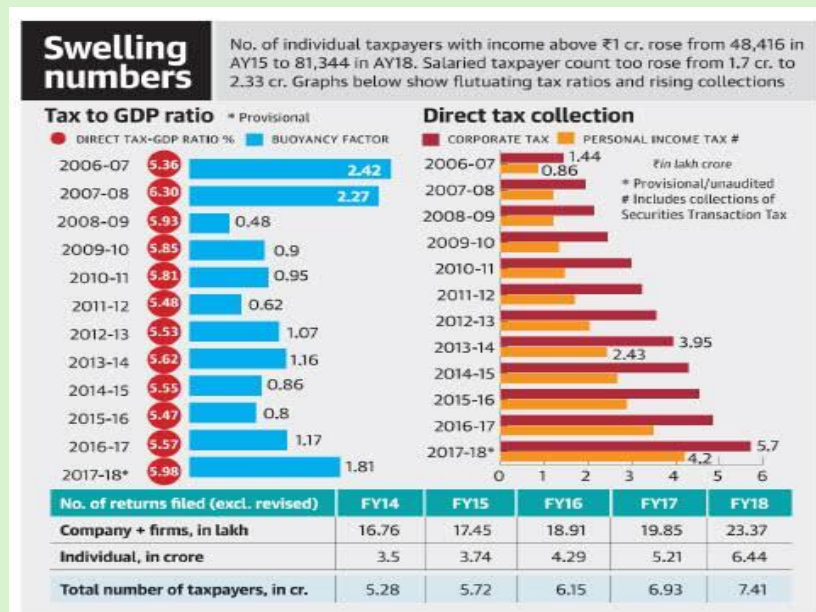
**PURITY:** 24 karat, 999 fineness

**WHERE TO BUY:** Initially available at designated and recognised MMTC outlets. Will be sold through banks and post offices later



The scheme operated through three components: short-term bank deposits (1–3 years), and medium- and long-term government deposits (5–7 and 12–15 years respectively). While banks bore the cost of interest for short-term deposits, the interest for medium- and long-term deposits was fixed by the government and paid from the central exchequer. Despite its innovative approach, the scheme failed to garner significant participation. As of late 2024, around 31,000 kg of gold was mobilised, which was modest given the estimated thousands of tonnes of idle gold in the country. The scheme saw participation from just over 5,600 depositors.

Due to limited success, evolving market conditions, and the high cost of sustaining interest payments, the government decided in March 2025 to discontinue the medium- and long-term components of the scheme. However, short-term deposits will continue at the discretion of banks.



The scheme had the potential to benefit the public by providing safe storage and income generation for gold holdings, while offering the government a means to reduce gold imports and manage the external account. However, low awareness, concerns over purity and returns, and cultural sentiments around gold ownership hindered its full potential. A restructured and incentivised version of GMS could be revisited in the future to serve its original goals more effectively.

**Topic : Bioeconomy****Relevance :** GS Paper 3 Science and Technology**Source :** The Hindu**Context :**

**Bioeconomy** refers to the production, utilization, and conservation of biological resources — such as plants, animals, microorganisms, and biological processes — to produce sustainable and eco-friendly products, services, and solutions. It encompasses sectors such as agriculture, healthcare, pharmaceuticals, industrial manufacturing, energy, and information technology, where bio-based innovations are used to enhance productivity and reduce environmental impact.

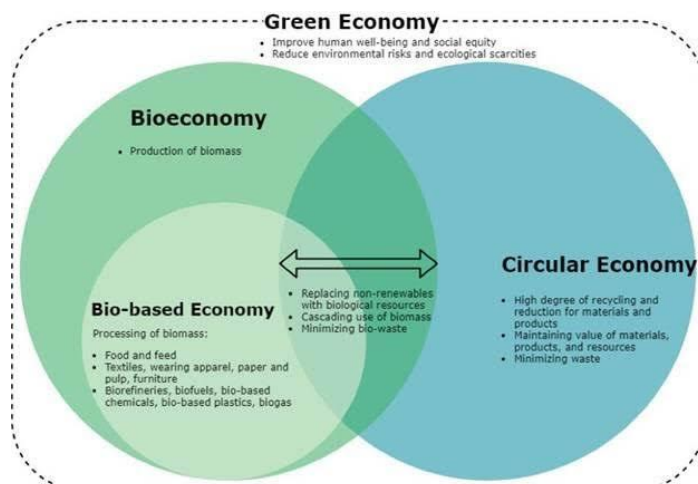
In the Indian context, the **bioeconomy has grown remarkably**, reaching a value of **\$165 billion in 2024**, which is over **4.2% of the nation's GDP**, according to the India BioEconomy Report released by the Department of Biotechnology. The sector has nearly doubled in size since 2020 and is projected to reach **\$300 billion by 2030** and **\$1 trillion by 2047**, signaling a transformative shift in India's development trajectory. This growth reflects increasing investment, innovation, and expansion of bio-based industries across the country.

India's **significance in the global bioeconomy** lies in its vast biodiversity, skilled workforce, expanding biotech startups, and the growing use of biofuels, bioplastics, biopharmaceuticals, and biotech-led agriculture. Bioresources are renewable, cost-effective, and locally available, offering sustainable alternatives to petroleum-based and chemical-intensive production systems. Ethanol blending, biofertilizers, enzyme manufacturing, and climate-resilient crops are examples of such innovations.

### 1. National Biotechnology Development Strategy (NBDS)

Launched by the **Department of Biotechnology (DBT)**, the NBDS serves as a long-term strategic framework to guide India's biotechnology growth. Its key goals include:

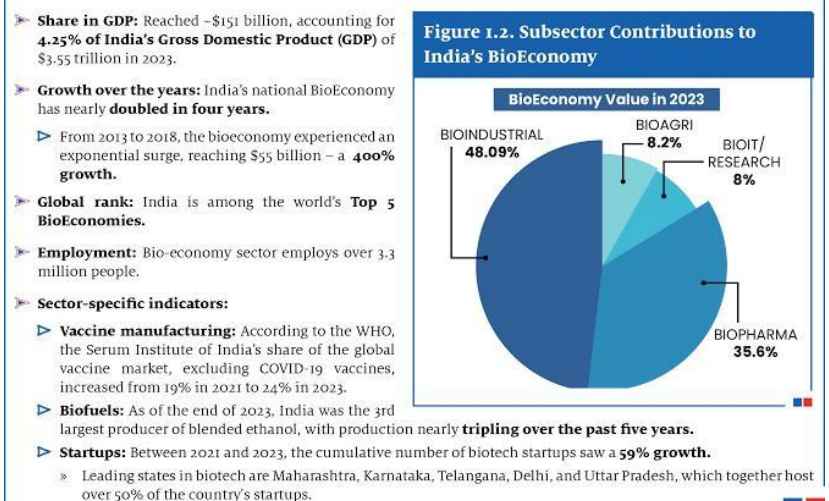
- Nurturing innovation and research through academia-industry partnerships.



- Building a robust biotech infrastructure including bio-clusters, incubators, and parks.
- Promoting biotechnology for societal development (agriculture, health, environment).
- Enhancing India's global competitiveness in biotech products and services.

The **NBDS 2021-25** aims to make India a \$150 billion bioeconomy by focusing on biomanufacturing, bio-IT interface, and bio-based solutions in climate resilience and health.

#### Box 1.1. Status of India's Bioeconomy (As per India BioEconomy Report 2024)



## 2. Biotechnology Industry Research Assistance Council (BIRAC)

Established in 2012, **BIRAC** is a not-for-profit public sector enterprise under DBT. It supports biotech innovation and entrepreneurship, especially among startups and SMEs.

Key initiatives include:

- **Biotech Ignition Grant (BIG)** – Provides early-stage funding to startups.
- **SPARSH** – Promotes biotech solutions for societal challenges.
- **BioNEST** – Sets up incubators and accelerators across academic institutions.
- **PACE & SBIRI** – Support collaborative industry-academia R&D.

#### Box 2.1: How Bioeconomy can assist in combating climate change?

The circular bioeconomy presents a sustainable solution for climate mitigation and adaptation-

- **Carbon sequestration:** Bio-based materials derived from biomass like wood, agricultural residues etc. can **capture and store atmospheric carbon, reducing greenhouse gas (GHG) levels**.
  - For example, using engineered wood products like CLT (cross-laminated timber) in large-scale construction projects can create a **carbon sink and reduce reliance on carbon-intensive materials** like concrete and steel.
- **Renewable energy:** Bioeconomy is key to achieving India's E2o target (blending 20% ethanol with petrol (E2o) by 2025) which will cut GHG emissions.
  - Biofuels and biomass are **renewable, carbon-neutral energy sources**, as they are derived from plants and waste that can be replenished.
- **Climate resilient agriculture:** Bioeconomy promotes **innovations like climate-resilient crops**, soil amendment, and aid food systems adaptation to changing climate condition, ensuring food security.
  - For example, **biochar derived from agricultural waste** can be used as a soil amendment to improve fertility and sequester carbon in agricultural lands.

BIRAC has supported **over 5,000 startups** and enabled the creation of a strong innovation ecosystem.

## 3. BioE3 Policy (2024)

This flagship policy — **Biotechnology for Economy, Environment, and Employment** — was launched to boost India's standing in the global bioeconomy. It emphasizes:

- Establishing India as a **global biomanufacturing hub**.
- Expanding **bio-based industries:** bioplastics, biofuels, biopharmaceuticals, and synthetic biology.
- Creating **employment** through skill development and startup growth.
- Incentivizing **climate-resilient agriculture** and marine biotech.



It also proposes a **network of research institutes and industries** to translate innovations into commercial outcomes.

#### 4. Ethanol Blending Programme (EBP)

Run by the Ministry of Petroleum and Natural Gas, this program promotes **biofuel production from agricultural residues and crops** like sugarcane, maize, and rice.

Objectives include:

- Reducing dependence on imported fossil fuels.
- Lowering carbon emissions.
- Supporting farmers with alternate income sources.

The government advanced the **20% ethanol blending target to 2025**, making this a key green transition strategy.

#### 5. Vaccine Development and Bio-Pharma Push

India's biotech sector played a pivotal role during the **COVID-19 pandemic** by developing indigenous vaccines (like Covaxin), and manufacturing at scale for global supply.

Government incentives include:

- **Production Linked Incentive (PLI) scheme** for biopharma.
- Fast-track approvals and financial support for vaccine R&D.
- Promotion of **biologics, biosimilars, and gene therapies**.

#### 6. Biotech Parks and Bio-Clusters

India has set up **biotech parks and clusters** in states like Telangana, Karnataka, Tamil Nadu, and Uttarakhand.

- These serve as **R&D and manufacturing hubs** for startups and companies.
- Provide **shared infrastructure**, laboratory space, mentorship, and funding access.

Over **60 BioNEST incubators** have been established to support early-stage innovation.

European Union	<ul style="list-style-type: none"> <li>▶ European Bioeconomy Strategy (first released in 2012 and updated in 2017 and 2018) aims to promote <b>sustainable growth, enhance resource efficiency, drive innovation, support bio-based industries</b>, and ensure a balanced policy framework.</li> <li>▶ <b>European Green Deal (EGD)</b>, launched in 2019, targets a <b>resource-efficient economy with net-zero greenhouse gas emissions by 2050</b>, integrating initiatives across Research and Innovation, Regional Development, Climate Change, and Circular Economy.</li> </ul>
United States	<ul style="list-style-type: none"> <li>▶ USA has been a major player in BioEconomy policy with release of "National BioEconomy Blueprint" (2012), covering biotechnology and biomedicine.</li> <li>▶ <b>2022 National Biotechnology and Biomanufacturing Initiative</b> highlight ongoing efforts to enhance innovation and growth in the US Bioeconomy.</li> </ul>
Japan	<ul style="list-style-type: none"> <li>▶ Japan's commitment to biomass utilization began with "<b>Biomass Japan Strategy</b>" (2002), revised in 2006 to include bioenergy and biomass towns.</li> <li>▶ <b>National Biomass Utilization Promotion Plan (2010)</b> set targets for biofuels, and Japan's first dedicated <b>BioEconomy strategy</b> (2019, updated 2020) builds on its strong bio-industry and research capabilities.</li> </ul>

## 7. National Biopharma Mission

Launched in 2017 in collaboration with the World Bank, this mission aims to:

- Accelerate development of **vaccines, biosimilars, and medical devices**.
- Establish a **clinical trial ecosystem** and biopharma facilities.
- Improve access to affordable biologics.

## 8. Agricultural Biotechnology Initiatives

- Government supports **Bt Cotton** and **GM Mustard** trials.
- Promotion of **biofertilizers, biopesticides, and microbial-based soil enhancers**.
- Focus on **gene editing and molecular breeding** for climate resilience.

However, regulatory reluctance on wider adoption of **genetically modified (GM) crops** remains a policy challenge.

## 9. Bioinformatics and Research Support

- Government funds **bioinformatics centres**, databases, and biotech software development.
- Promotion of **clinical trials, computational biology, and AI integration** in biotech R&D.

## 10. Proposal for National Bioeconomy Mission

As suggested in the 2024 report, India may soon launch a **National Mission** to:

- Coordinate various biotech programs under a single umbrella.
- Offer **single-window regulatory clearance** for biotech innovations.
- Drive regionally inclusive and balanced bioeconomic growth.

Despite this progress, challenges like regional imbalance, limited regulatory clarity on GM crops, and insufficient scale-up incentives remain. The eastern and northeastern states contribute less than 6% to the bioeconomy, while five states dominate the sector.

To address these gaps, the report suggests the creation of a **National Bioeconomy Mission** and a **single-window regulatory system** to streamline approvals and enhance innovation.



In essence, India's bioeconomy is poised to play a crucial role in its journey towards sustainable development, green industrialisation, and high-quality employment generation in the coming decades.

**Prelims Practice Question:**

**Q.** With reference to India's Bioeconomy, consider the following statements:

1. The BioE3 policy aims to make India a global hub for bio-manufacturing and research in biotechnology.
2. The Biotechnology Industry Research Assistance Council (BIRAC) functions under NITI Aayog to promote biotech innovation.
3. The National Biopharma Mission is a collaborative initiative between India and the World Bank.
4. The Ethanol Blending Programme targets 20% ethanol blending with petrol by 2030.

Which of the statements given above is/are correct?

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 4 only
- D. 1, 3 and 4 only

**Answer: B. 1 and 3 only**

**Explanation:**

- **Statement 1 is correct.** The BioE3 policy launched in 2024 aims to establish India as a global hub for bio-manufacturing and biotech R&D.
- **Statement 2 is incorrect.** BIRAC is a not-for-profit company set up by the Department of Biotechnology (Ministry of Science & Technology), not under NITI Aayog.
- **Statement 3 is correct.** The National Biopharma Mission is a collaborative initiative between the Government of India and the World Bank.
- **Statement 4 is incorrect.** The Ethanol Blending Programme has set the target of 20% ethanol blending by **2025**, not 2030.



**Mains Model Question:**

Q. India's bioeconomy has witnessed substantial growth in recent years. Discuss the significance of bioeconomy in India's developmental journey and examine the major initiatives undertaken to harness its full potential.

India's bioeconomy, valued at over \$165 billion in 2024 and contributing 4.2% to the national GDP, is emerging as a key pillar of sustainable development. It encompasses the industrial use of biological resources and natural processes in sectors such as healthcare, agriculture, energy, and manufacturing. With its vast biodiversity, skilled scientific manpower, and growing innovation ecosystem, India is well-positioned to lead the bioeconomic transition globally.

The significance of bioeconomy in India lies in its ability to generate inclusive growth, promote sustainability, and reduce dependence on fossil-based resources. It supports clean energy alternatives like biofuels and ethanol, enhances agricultural productivity through biotech applications, enables development of affordable biopharmaceuticals and vaccines, and fosters innovation in biodegradable materials. Furthermore, it opens avenues for employment generation, rural development, and environmental conservation. The rapid expansion of bioeconomy-related enterprises, doubling in number from 2021 to 2024, reflects its rising importance in India's economic landscape.



To harness this potential, India has undertaken several major initiatives. The BioE3 policy launched in 2024 seeks to establish India as a global hub for bio-manufacturing and research by promoting biotech start-ups, academia-industry linkages, and regulatory simplification. The National Biopharma Mission, a collaboration with the World Bank, aims to accelerate biopharmaceutical innovation and infrastructure development. BIRAC has been pivotal in nurturing biotech start-ups and SMEs through funding, mentoring, and incubation support. The Ethanol Blending Programme advances clean energy goals by targeting 20% ethanol blending by 2025. Schemes like the Biotech-KISAN and Biotech-PRIDE focus on promoting agricultural biotechnology and bioinformatics.

Despite progress, challenges such as regulatory delays, regional disparities, and limited public awareness remain. Addressing these through a National Bioeconomy Mission and policy reforms will be crucial to ensure equitable, innovation-led, and sustainable growth of India's bioeconomy in the coming decades.

### Topic : Katchatheevu Island

Relevance : GS Paper 1 Geography

Source : The Hindu

### Context :

- **Katchatheevu Island** is a 285-acre uninhabited landmass located in the **Palk Strait** between **India and Sri Lanka**.
- It lies **northeast of Rameswaram (India)** and **southwest of Jaffna (Sri Lanka)**.
- Though geographically small, it holds significant **geopolitical, cultural, and economic importance** for both nations, especially concerning **Tamil Nadu fishermen**.



### Historical Background

- Controlled historically by the **Jaffna Kingdom** in the medieval period.
- In the **17th century**, passed under control of **Ramnad Zamindari** in present-day Tamil Nadu.
- During British rule, it was leased to the **Dutch East India Company (1767)** and later to the **British East India Company**.
- A **1922 report** supports India's claim, asserting the island belonged to the **Raja of Ramnad**.
- Post-independence, the island remained under Indian administrative influence until the 1974 agreement.

### Indo-Sri Lankan Maritime Agreements

#### a) 1974 Agreement

- Signed between **Indira Gandhi and Sirimavo Bandaranaike**.
- India **recognized Sri Lanka's sovereignty** over Katchatheevu.
- Indian fishermen and pilgrims were allowed to **access the island** without visas **"as hitherto."**

- **Fishing rights**, however, were **not explicitly defined**, causing confusion and disputes.

## POLITICAL HISTORY

- IN THE EARLY MEDIEVAL PERIOD, KATCHATHEEVU WAS CONTROLLED BY THE JAFFNA KINGDOM OF SRI LANKA.
- IN THE 17<sup>th</sup> CENTURY, CONTROL PASSED TO THE RAMNAD ZAMINDARI BUILT OUT OF RAMANATHAPURAM.
- IT BECAME PART OF THE MADRAS PRESIDENCY DURING THE BRITISH RAJ.

1921

INDIA AND SRI LANKA, BOTH BRITISH COLONIES BACK THEN, CLAIMED THE ISLAND TO DETERMINE FISHING BOUNDARIES.

A BRITISH DELEGATION FROM INDIA CHALLENGED SRI LANKA'S CLAIM, CITING OWNERSHIP OF THE ISLAND BY THE RAMNAD KINGDOM.

1974

INDIRA GANDHI TO SETTLE THE MARITIME BORDER BETWEEN INDIA AND SRI LANKA, SIGNED THE **INDIA-SRI LANKAN MARITIME BOUNDARY AGREEMENT** RECOGNISING KATCHATHEEVU AS SRI LANKAN TERRITORY.

HOWEVER, SRI LANKA RESTRICTED INDIAN FISHERMEN'S RIGHT TO ACCESS KATCHATHEEVU TO ONLY "REST, DRYING NETS AND FOR VISIT TO THE CATHOLIC SHRINE WITHOUT VISA"

1976

ANOTHER AGREEMENT WAS SIGNED DURING THE PERIOD OF **EMERGENCY IN INDIA**, BARRING EITHER COUNTRY FROM FISHING IN THE OTHER'S EXCLUSIVE ECONOMIC ZONE (EEZ).

1983

BETWEEN 1983 AND 2009, THE BORDER DISPUTE INTENSIFIED AS CIVIL WAR BROKE OUT IN SRI LANKA.

AFTER 2009, AS THE WAR ENDED WITH LTTE, COLOMBO RAMPED UP MARITIME SECURITY, PUTTING INDIAN FISHERMEN IN JEOPARDY IN SRI LANKAN WATERS.

### b) 1976 Agreement

- Prohibited both countries from fishing in each other's **Exclusive Economic Zones (EEZ)**.
- Since Katchatheevu lies near the **EEZ boundary**, it added further **ambiguity** regarding fishing access.

### Fishermen's Issue

- Tamil Nadu fishermen traditionally fish near Katchatheevu.
- The lack of legal clarity has led to **frequent arrests by the Sri Lankan Navy**.
- As per official data, about **two Indian fishermen are arrested daily**.
- The **Tamil Nadu Assembly** recently passed a resolution demanding the **retrieval of Katchatheevu** to protect fishing rights.

## Geostrategic and Cultural Significance

- **Strategic location** in the Palk Bay gives it importance for **surveillance, marine security, and maritime routes**.
- Home to **St. Anthony's Church**, which hosts an annual **Catholic pilgrimage** attended by both Indian and Sri Lankan devotees.
- Reflects **shared cultural and religious traditions** across the two nations.

## Link to Indo-Sri Lanka Tamil Issue

- The **Katchatheevu issue** intersects with the **larger Tamil ethnic question** in Sri Lanka.
- India advocates for the full implementation of the **13th Amendment to Sri Lanka's Constitution**, a product of the **1987 Indo-Sri Lanka Accord**.

## Why are Katchatheevu pacts being questioned?

What triggered the controversy? Who owns the island? How was the issue settled? What were India's gains? Will revisiting bilateral pacts solve the fishermen's issue? What has been the response in India, especially in Tamil Nadu? What about Sri Lanka?

Meera Srinivasan

**I**n March 31, Prime Minister Narendra Modi posted on social media a platform "N" that he blamed the Congress for "calmly" giving away Katchatheevu island to Sri Lanka. He cited a media report on documents received in response to a Right to Information Act application from R. Antunadi, the Bharatiya Janata Party's (BJP) Tamil Nadu president. Soon after, External Affairs Minister S. Jaishankar held a media conference, in which he sought to elaborate on Mr. Modi's allegation. Calling for a "solution", he said the bilateral agreements signed by India and Sri Lanka in 1974 and 1976, when the Congress and the Dravida Munnetra Kazhagam (DMK) were in power respectively at the Centre and in Tamil Nadu, displayed indifference about Katchatheevu island, and compromised Indian fishermen's rights in the Palk Strait separating India and Sri Lanka.

**Where is Katchatheevu?** Katchatheevu is an uninhabited island spanning some 285 acres in the Palk Strait that separates Tamil Nadu and northern Sri Lanka. More precisely, it is located 14.5 km south of Dhanu Island and about 16 km to the northeast of Rameswaram. It is barren, has no drinking water or infrastructure, except a sole Catholic structure dedicated to St. Anthony.

**What was the dispute?** The dispute was over who owns Katchatheevu. Negotiations began in 1921, between the British colonial government of Madras and Ceylon, with both sides claiming territorial ownership.



Controversy again: A view of Katchatheevu. (S. K. Aravind)

When India agreed that Katchatheevu would be in Sri Lanka territory, New Delhi obtained sovereign rights over Wadge Bank and its rich marine resources.

The matter was settled some five decades later, after the Governments of India and Sri Lanka, under Prime Ministers Indira Gandhi and Sirimavo Bandaranaike, signed two bilateral agreements in 1974 and 1976. The governments agreed that Katchatheevu falls within Sri Lanka's territory, and on a maritime boundary in the Gulf of Mannar and Bay of Bengal to define the two countries' exclusive economic zones. With the exclusive economic zones, India and Sri Lanka agreed to exercise sovereign rights over the living and non-living resources of their respective zone. The understanding was that fishing vessels and fishermen of India and Sri Lanka shall not fish in each other's waters, territorial sea and the exclusive zone.

However, despite the historic dispute over its territorial definition, fishermen from Tamil Nadu visit Katchatheevu every March, along with their Tamil-speaking counterparts of northern Sri Lanka, for the annual St. Anthony's festival. The Indian fishermen do not require a passport to visit the island in Sri Lanka's territorial waters for this purpose, because the 1974 agreement expressly permitted them to access the island for rest, drying of nets, and the festival, while prohibiting any fishing activity.

**What did India get?** Commentary and analysis from the time, including in *The Hindu*, shows New Delhi was seen as gaining some diplomatic mileage with its neighbour, which was tilting towards China then. A few years after the liberation of Bangladesh, and alongside the difficult question of citizenship for Indian-origin Tamils who were rendered stateless in Sri Lanka, New Delhi deemed strong and close ties with Sri Lanka important. Further, New Delhi got sovereign rights over Wadge Bank, located near Kanyakumari, and its rich marine resources. Earlier this year, the Union Ministry of Petroleum and Natural Gas, Directorate of Hydro-Carbon put out Notice Inviting Offers (NIO) for the exploration and development of oil and gas blocks in India, under the Hydrocarbon Exploration and Licensing Policy (HELP). The move drew flak from residents of Kanyakumari and environmentalists who raised concerns over such activity impacting the marine ecosystem around Wadge Bank.

**Are fishermen arrests related to the island?** No, they are not. Indian fishermen from Tamil Nadu have been facing arrests by the Sri Lankan Navy for many years now, for fishing illegally in Sri Lanka's territorial waters. Invariably, the arrests are made well past Katchatheevu, very close to Sri Lanka's northern shores. Northern

Sri Lankan fishermen, also Tamil speaking, have been agitating since the end of the island nation's civil war in 2009, to assert their fishing rights. The Indian fishing boats are a major impediment to their post-war recovery.

In particular, they resist the use of the bottom trawling fishing method used by their Indian counterparts, where trawl nets go down to the seabed, and scoop up all marine organisms, including small fishes and eggs. Eager to boost its marine exports, India began enforcing its mechanised trawler fishing decades ago, when the Norwegian government invested millions of dollars into modernising India's fishing fleet from the 1950s and up to the early 1970s. Owing to the practice, marine resources along Tamil Nadu's coast have depleted, pushing Indian fishermen towards the Sri Lankan coast, rich in marine biodiversity, especially shrimps. Northern Sri Lankan fishermen are opposing the use of the fishing method that Indian fishermen stubbornly hold on to, despite the two governments in 2016 agreeing to expedite the "transition towards ending the practice of bottom trawling at the earliest". The fishermen's conflict is a contest between Tamil-speaking fishermen in India and Sri Lanka, with those from Tamil Nadu habitually fishing illegally in Sri Lankan waters, using bottom trawlers that are banned in Sri Lanka. Although many politicians in India often conflate the two issues, Katchatheevu is not the site of this struggle, and its "retrieval" cannot be a solution to it.

**What has been the response?** Opposition parties led by the Congress have slammed the remarks, citing the government's own position in 2015 that the previous agreements did not "involve either acquiring or ceding of territory belonging to India". Tamil Nadu Chief Minister M.K. Stalin asked if PM Modi raised the issue of the retrieval of the Katchatheevu island with Sri Lanka once during his 10-year rule. Senior diplomats, who have led Indian missions in Sri Lanka, said questioning past agreements could damage India's credibility and impair relations with our neighbour. Former National Security Adviser Shiv Shankar Menon told *The Hindu* that reopening the 50-year-old agreement could prove to be a "self-goal".

In what some see as a muted response from the Sri Lankan government, the country's Foreign Minister Ali Sabry has said there is no need to resume talks on a matter resolved 50 years ago. Sri Lanka's Fisheries Minister Douglas Devanuwasa has accused India of acting in self-interest "to ensure Sri Lankan fishermen do not have access" around Katchatheevu. Fishermen on both sides have voiced concern over the remarks, while reminding the two governments that much needs to be done to resolve the actual fisheries conflict that is threatening both the region's marine ecosystem and livelihoods of fisher folk who depend on it.



- The amendment promises **devolution of powers, language rights, and provincial autonomy for Tamil-majority regions.**
- Implementation remains incomplete, affecting **bilateral trust and regional stability.**

### Current Relevance


- The island resurfaces frequently in political and diplomatic discussions.
- With **Prime Minister Modi visiting Sri Lanka**, there's renewed attention on the **Katchatheevu and fishermen issues.**
- The matter is also a **domestic political concern** in Tamil Nadu, influencing foreign policy narratives.

### Future Prospects :

- **Katchatheevu Island**, though small in size, represents **complex historical claims, strategic interests, livelihood concerns, and cultural bonds.**
- Any long-term resolution requires **diplomatic engagement, a clear bilateral fishing agreement, and cooperation in maritime governance.**
- Addressing the **Tamil ethnic issue** and regional development with sensitivity remains key to securing peace and prosperity in the region.

**'BALANCING CLAIM VS BILATERAL TIES'**

- > In 1961, Pandit Nehru said he **would not hesitate in giving up claims** to Katchatheevu
- > This despite attorney gen M C Setalvad opining in 1960 that despite contradicting claims, **India's case was stronger** than Lanka's
- > Rights over island, including fishery and other resources, **enjoyed 'continuously and uninterruptedly' from 1875 to 1948 by Raja of Ramnad**
- > Following **opn pressure in 1968**, Indira govt said India's claim had to be balanced with need for good bilateral ties



- > In 1974, govt's **decision to relinquish India's claim** conveyed to CM Karunanidhi
- > Foreign secy said Sri Lanka had records to push its claim while State of Madras **failed to show Raja of Ramnad had original title**

### Prelims Practice Question:

With reference to **Katchatheevu Island**, consider the following statements:

1. It is located in the Bay of Bengal between the coasts of India and Bangladesh.
2. It was ceded to Sri Lanka through the Indo-Sri Lankan Maritime Agreement of 1974.
3. Indian fishermen still retain unrestricted fishing rights around the island under the 1976 agreement.
4. The island hosts an annual Catholic pilgrimage attended by devotees from both India and Sri Lanka.

Which of the above statements is/are **correct**?

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

**Answer:**

**(b) 2 and 4 only**

**Explanation:**

- **Statement 1 – Incorrect:** Katchatheevu lies in the **Palk Strait**, not the Bay of Bengal, and certainly not between India and Bangladesh.
- **Statement 2 – Correct:** It was **ceded to Sri Lanka in 1974** via the Indo-Sri Lankan Maritime Agreement.
- **Statement 3 – Incorrect:** The **1976 agreement** restricted fishing in each other's EEZ; **Indian fishermen do not have unrestricted rights** around Katchatheevu.
- **Statement 4 – Correct:** The island hosts an **annual Catholic festival at St. Anthony's Church**, attended by pilgrims from both countries.

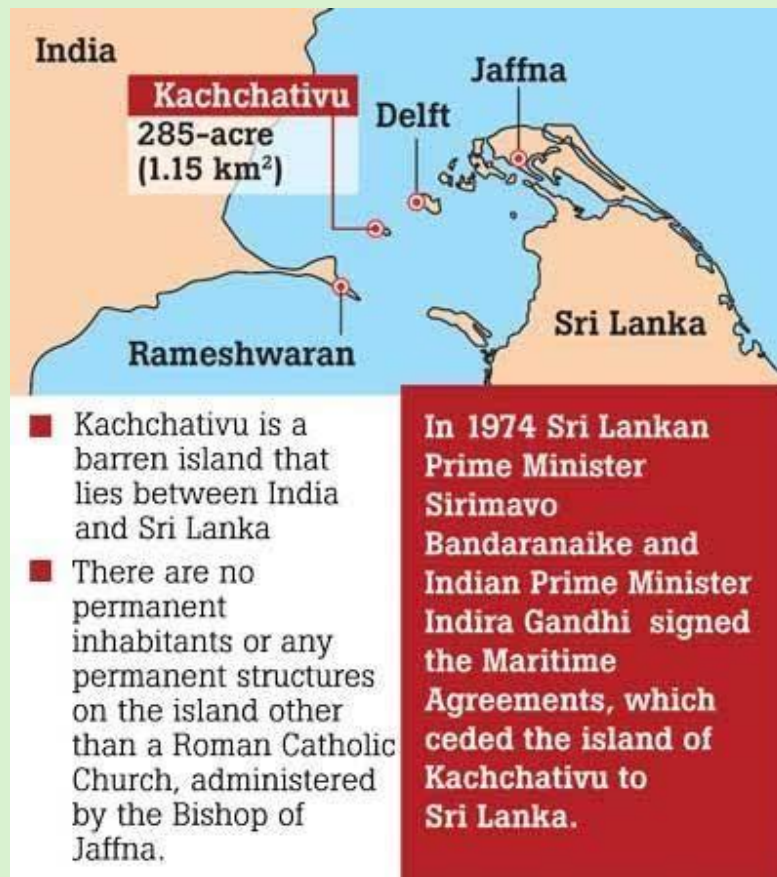
**Mains Model Question**

**Q. Discuss the historical, legal and geopolitical dimensions of the Katchatheevu Island issue between India and Sri Lanka. How does it impact bilateral relations and the livelihood of Indian fishermen? (Answer in 300 words)**

The Katchatheevu Island dispute is a multifaceted issue rooted in colonial legacy, legal ambiguities, and evolving geopolitical dynamics. Katchatheevu, a small uninhabited island in the Palk Strait, was historically under the control of the Jaffna Kingdom and later the Ramnad Zamindari under British India. Its status remained contentious post-independence until the 1974 Indo-Sri Lankan Maritime Boundary Agreement, wherein India ceded the island to Sri Lanka, recognizing its sovereignty. However, the agreement ambiguously allowed Indian fishermen and pilgrims access to the island “as hitherto,” without formalizing fishing rights, which became a point of contention.

The 1976 agreement further complicated matters by demarcating the Exclusive Economic Zones (EEZs) of both nations, effectively barring fishing by Indian nationals in Sri Lankan waters. Over time, as marine resources diminished in Indian waters, Indian fishermen, particularly from Tamil Nadu, continued to fish near or around Katchatheevu, leading to frequent arrests by the Sri Lankan Navy. This has created diplomatic friction and humanitarian concerns, with Tamil Nadu politicians urging the Centre to revisit the 1974 agreement and retrieve the island.

From a legal standpoint, the agreement has been criticized for not being ratified by Parliament and allegedly disregarding the interests of Indian fishermen. Geopolitically, Sri Lanka views the enforcement of its maritime boundaries as essential to its sovereignty, especially in the context of its internal security and ethnic sensitivities in the Northern Province. India, while seeking a balance between diplomacy and domestic political pressure, continues to engage with Sri Lanka for a permanent solution.



The Katchatheevu issue, thus, transcends a mere territorial dispute. It reflects broader themes of federal-state relations, historical claims, humanitarian rights, and regional diplomacy. An equitable solution would require sustained dialogue, innovative bilateral frameworks for joint fishing rights, and sustainable marine resource management.