



VAJIRAM & RAVI
Institute for IAS Examination

The Analyst

CURRENT AFFAIRS Handout

17th October 2025



17th October, 2025

CONTEXT: GST introduction has altered the resource position of the States, in addition to centralising the authority to levy tax.

Indian Constitution - 'Quasi-Federal'

- Centre/Union - Primacy
- Financial Sphere
- States - 'Real Implementers'
- ASYMMETRY
- Structural Authority v. Functional Responsibility

Centre as a 'Dominant' Construct

- **Dominant Tax Handles:** The 7th Schedule - constitutional & financial dominance; Union List - **most buoyant revenue sources** - high-yield taxes
- **Acute Dependency on Centre** - Loss of Fiscal Autonomy

- **Fiscal Transfers:** Finance Commission - devolution and grants; Centre - implementation and timing.
- **Dominance in GST Council:** Centre - 1/3rd voting power
- **Cesses and Surcharges:** Articles 269 & 270; proceeds - exclusively to the Centre
- **Borrowing Powers:** Union - extensive - CFI
- **Emergency Provisions:** Financial Emergency - Centre - direct states

Chegg

GST COUNCIL COMPOSITION

VOTING STRENGTH

Centre
1/3 VOTE IN COUNCIL

States
2/3 WEIGHT IN COUNCIL

**DECISIONS NEED
75% VOTE SUPPORT**

GST COUNCIL

Chairperson
Union finance minister

Other Member From Centre
Minister of state for finance

Vice-chairperson
One of the state finance ministers

Members
State finance ministers

Table 1 : The criteria for horizontal devolution among States over the last five FCs

Criteria	11th FC 2000-05	12th FC 2005-10	13th FC 2010-15	14th FC 2015-20	15th FC 2021-26
Income Distance	62.5	50	47.5	50	45
Population (1971 Census)	10	25	25	17.5	-
Population (2011 Census)	-	-	-	10	15
Area	7.5	10	10	15	15
Forest cover	-	-	-	7.5	-
Forest and ecology	-	-	-	-	10
Infrastructure index	7.5	-	-	-	-
Fiscal discipline	7.5	7.5	17.5	-	-
Demographic performance	-	-	-	-	12.5
Tax effort	5	7.5	-	-	2.5
Total	100	100	100	100	100



Fiscal Federalism under Strain

CONTEXT: GST introduction has altered the resource position of the States, in addition to centralising the authority to levy tax.

Chart 1: The chart shows the share of the divisible pool (left axis) and cesses, surcharges & the cost of tax collection (right axis) in Centre's gross tax revenue (GTR). Both figures in %

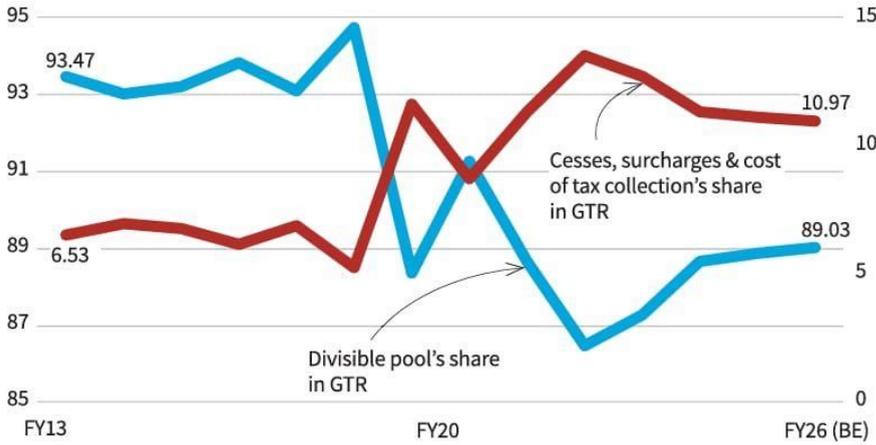


Chart 1: The amount in ₹ each State got for every rupee they contributed to Central taxes in 2021-22*

Customs and union excise duties have not been considered in the calculation as State wise data is not maintained

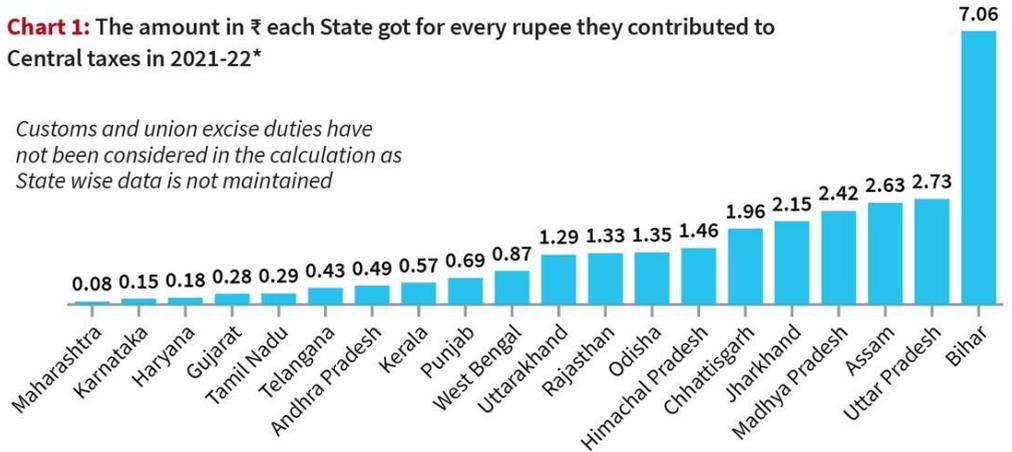
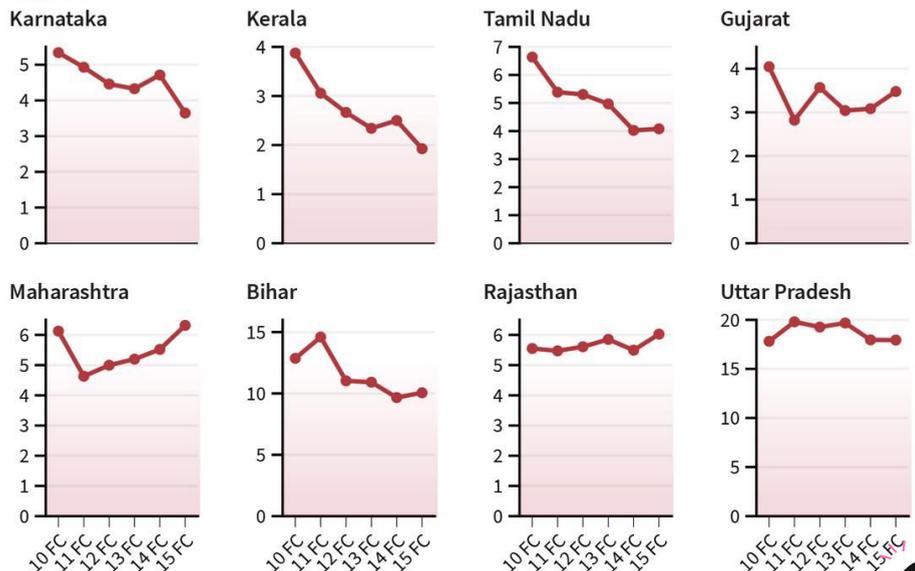


Chart 2: The share of States in the divisible pool of taxes over the last six FCs*



*Source: The Hindu Data Point dated March 16, 2023



17th October, 2025

CONTEXT: GST introduction has altered the resource position of the States, in addition to centralising the authority to levy tax.

Table 1 shows how the actual devolution of Central taxes to States has fallen short

Finance Commission	Recommended share on shareable pool (in %)	Actual share on GTR (in %)
13Th FC	32	28
14th FC	42	32
15th FC up to 2023-24	41	31

States – Real Arenas of Governance & Economic Activity

- **Extensive Expenditure Responsibilities:** Core welfare & developmental functions
- **Grassroots Implementation:** Central schemes – MGNREGS, PMAY, Jal Jeevan Mission; Implementation – state-led
- **Democratic Accountability:** State elections – local development, jobs, amenities & welfare – states – primary arenas

Concerns in Centre-State Financial Relations

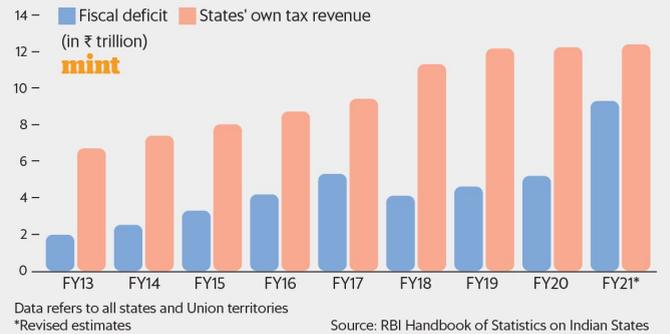
- **Erosion of State Autonomy:** Excessive use – CSSs – conditionalities – limits discretion.
- **Vertical Fiscal Imbalance:** Mismatch – Centre’s revenue & States’ expenditure – creates *dependency*
- **Regional Disparities:** Allegations – Finance Commission – do not reflect – financial needs; Concerns – fairness & transparency – allocation
- **Borrowing Restrictions:** Article 293 – permits states to borrow; requirement – central approval
- **Uncertainty in GST Revenue Sharing:** timely & adequate revenue distribution

Way forward

- **‘Fairer’ Devolution Formula** – 60% & 40 %
- **Capping Cess & Surcharge** – 5 %

State finances

States’ fiscal deficit shot up in FY21 as tax revenue receipts stayed steady and expenses mounted.



- **Enhance Resource Devolution:** 15th FC – vertical devolution – 41%, states demand – further increase
- **Incentives v Penalties**
- **Strengthen Fiscal Decentralisation :** greater autonomy – taxation & expenditure decisions – Local needs; Canada – greater fiscal autonomy
- **Reframe the Centre’s Role in Joint Schemes:** States – visibility & credit – joint initiatives; current model – fiscal dependency & political friction.
- **Reconstruct Fiscal Federalism Philosophy:** Centre – constitutional facilitator; real delivery – states & panchayats; GST Council & ISC
- **Adopt a True Partnership Model:** Fiscal planning, revenue sharing & scheme design – cooperative federalism – equal stakeholders
- **Transparent Revenue-Sharing Mechanisms:** fair & predictable revenue-sharing; GST Council – inclusivity, greater fiscal transparency

Mains Practise Question

The evolving nature of Centre-State financial relations in India has significant implications for cooperative federalism. Critically examine this statement in the context of recent trends in fiscal devolution and suggest measures to strengthen fiscal federalism.

(15 Marks, 250 words)



17th October, 2025

CONTEXT: As India builds its carbon market, the lessons from global failures show why protecting farmers and communities must come first.

What is Carbon Credit ?

- certified reduction or removal of GHGs - tonnes of CO₂-equivalent
- Mitigation OR Sequestration Projects
- Firms & Countries - Offset - carbon emissions
- 175-180 million credits - Retired/year

Origin and Context:

- **Kyoto Protocol (1997)** - UNFCCC
- Created **market-based mechanisms** to reduce GHGs emissions.

Key Mechanisms under Kyoto Protocol:

- Clean Development Mechanism
- Joint Implementation
- International Emissions Trading

Evolution under the Paris Agreement (2015) - Article 6

- Article 6.2
- Article 6.4
- Article 6.8

Types of Carbon Markets

- Compliance Market
- Voluntary Carbon Market

India's Carbon Credit Framework

- CCTS, 2023

Earlier Experience - One of the largest suppliers of CDM credits

Economic and Environmental Significance

(A) Economic Benefits: Creates financial incentives, Attracts investment, Generates additional income

(B) Environmental Benefits: Promotes sustainable land use, Encourages innovation, Supports countries - NDCs

Key Features

- Domestic Carbon Market - BEE
- Sectoral Emission-Intensity Benchmarks
- voluntary Carbon Offsets
- National Registry and Trading Platform

Challenges and Ethical Concerns

- Agriculture-based projects - Underdeveloped
- Greenwashing
- Measurement and Verification Issues
- Exclusion of Local Communities
- Land Conflicts
- Price Volatility
- Equity Concerns

Way Forward for India

- Ensure Free, Prior, and Informed Consent
- Transparent Benefit-Sharing
- Strengthen MRV System
- Integrate with SDGs
- Build Institutional Capacity
- Balanced Regulation

Mains Practise Question

Carbon markets have emerged as an important instrument of climate action. Discuss their significance and the challenges in ensuring equity and environmental integrity, with special reference to India's Carbon Credit Trading Scheme.

(15 Marks, 250 words)



India & MERCOSUR

SYLLABUS: GS 3: Trade
Newspaper : Indian Express; Page : 17

MUKESH JAGOTA
 NEW DELHI, OCTOBER 16

INDIA AND the South American trade bloc MERCOSUR have decided to expand their existing Preferential Trade Agreement (PTA) and conclude the negotiations within a year of launch.

"The expansion of the agreement should be substantial, aiming for a significant share of bilateral trade to benefit from tariff preferences. The expansion of the agreement should cover

both tariff and non-tariff issues related to trade and economic partnership," India-Brazil Joint Declaration for Deepening of Mercosur-India Trade Agreement said.

MERCOSUR includes Brazil, Argentina, Bolivia, Paraguay, and Uruguay. Chile, Colombia, Ecuador, Peru, Guyana, and Suriname of the trade bloc.

To get the exercise going both sides will set up a technical dialogue and hold a meeting of the Joint Administration Committee created under the existing PTA

at the earliest to define the scope of the expansion.

"Parties should endeavour to conclude the negotiations within one year from the launch of negotiations," the joint declaration said. The declaration for Deepening of MERCOSUR-India Trade Agreement was issued after the meeting on Thursday in New Delhi between the Vice President of Brazil and Minister of Development, Industry, Trade and Services, Geraldo Alckmin, and commerce and industry minister Piyush Goyal.

It was also decided to involve the private sector and other stakeholders to support the negotiation process.

"In addition, the Brazilian side indicated that it will work in a coordinated manner with its MERCOSUR partners towards a substantial, swift, and mutually beneficial deepening of the Agreement," the declaration added.

The existing PTA between India and MERCOSUR was signed in January 2004 and became operational in June 2009.

The agreement gives tariff concessions of 10% to 100% on 450 products from India and 452 products from MERCOSUR.

The bilateral trade between India and MERCOSUR stood at \$ 17.9 billion in 2024-25 with India's exports at \$ 8.19 billion and imports at \$ 9.73 billion.

Brazil is the biggest trading partner on the bloc with India's exports at \$ 6.77 billion and imports of \$ 5.43 billion. India's exports to Argentina were \$1.01 billion and imports were at \$3.73 billion.

States Parties

Argentina	Bolivia**	Brazil	Paraguay	Uruguay	Venezuela*

Associated States

Chile	Colombia	Ecuador	Guyana	Panamá	Peru

Surinam

*The Bolivarian Republic of Venezuela is suspended in all the rights and inherent to its status as a State Party of MERCOSUR, in accordance with the second paragraph of the Article 5 of the Protocol of Ushuaia.

MERCOSUR AS A WHOLE

What is MERCOSUR?

The Southern Common Market (MERCOSUR for its Spanish initials) is a regional integration process, initially established by **Argentina, Brazil, Paraguay and Uruguay, and subsequently joined by Venezuela* and Bolivia****.

Its official working languages are Spanish and Portuguese. The working documents' official version will be that of the host country language of each meeting. As of 2006, through the Decision CMC No. 35/06, Guarani was incorporated as one of the languages of the Bloc.

MERCOSUR is an open and dynamic process. Since its creation, its main objective has been to promote a common space that generates business and investment opportunities through the competitive integration of national economies into the international market. As a result, it has established multiple agreements with countries or groups of countries, granting them, in some cases, the status of Associated States - this being the situation of the South American countries. These participate in activities and meetings of the Bloc and have trade preferences with the States Parties. MERCOSUR has also signed commercial, political or cooperation agreements with a diverse number of nations and organizations on all five continents.



SYLLABUS: GS 2: International Relations

Newspaper : The Hindu; **Page No :** 14

Kallol Bhattacharjee

NEW DELHI

Members of the Non-Aligned Movement (NAM) should harness the initiative to advance the aspirations of the Global South, said Minister of State for External Affairs Kirti Vardhan Singh on Thursday.

Delivering the national statement at the 19th NAM mid-term ministerial meeting in Kampala, Uganda, Mr. Singh said the members of NAM should “re-purpose” the movement.

He also participated in a NAM Ministerial Committee on Palestine that met on Wednesday and called for a “two-state” solution on Israel-Palestinian crisis. “We must raise our voice for reformed multilateralism, including the UN Se-

curity Council and the international financial institutions for reflecting contemporary realities in global decision making,” said Mr. Singh. He said NAM should “destigmatise” movement of skilled professionals and said, “These are of prime importance for harnessing our demographic dividend.”

Speaking in support of the rights of Palestinian people, Mr. Singh on Wednesday said innocent Palestinians must not perish because of conflict. “The essential parameters are clear – a sovereign, independent, viable state of Palestine, living side by side in peace and security with Israel, within secure and recognised borders,” he said, laying out the Indian policy on Palestine.

About Non-Aligned Movement

- The Non-Aligned Movement (NAM) is an alliance of developing nations that refuses to identify with any major superpower.
- It was established in 1961 at the height of the Cold War. Whereas it started with the Bandung **Conference** held in Indonesia in 1955.
- Current members:
 - 120 countries: 53 from Africa, 39 from Asia, 26 from Latin America and the Caribbean and two from Europe.
 - It also includes the non-UN member state of Palestine, 17 other observer countries, and 10 observer organizations.
 - India is one of the founding members.
- After the United Nations, NAM is the second-largest grouping of nations.
- NAM does not have a permanent secretariat or a formal founding charter, act, or treaty
- The summit usually takes place every three years.



Carbon Border Adjustment Mechanism



SYLLABUS: GS 3 : Trade, Economy
Newspaper : The Hindu; **Page No :** 17

Indian exporters of iron and steel to EU may have to pay about €301 million (approximately ₹3,000 crore) in Carbon Border Adjustment Mechanism (CBAM) fees, the highest among all countries exporting similar products to the EU, an analysis by European non-profit think-tank Sandberg has found.

CBAM is a levy that European importers must pay if they buy products from countries whose production emits more carbon dioxide per tonne than equivalent goods manufactured within the EU.

An online calculator developed by Sandberg, made public on Thursday, estimates that Russia will face the next highest CBAM charges (€240 million), followed by Ukraine (€198 million) and China (€194 million).

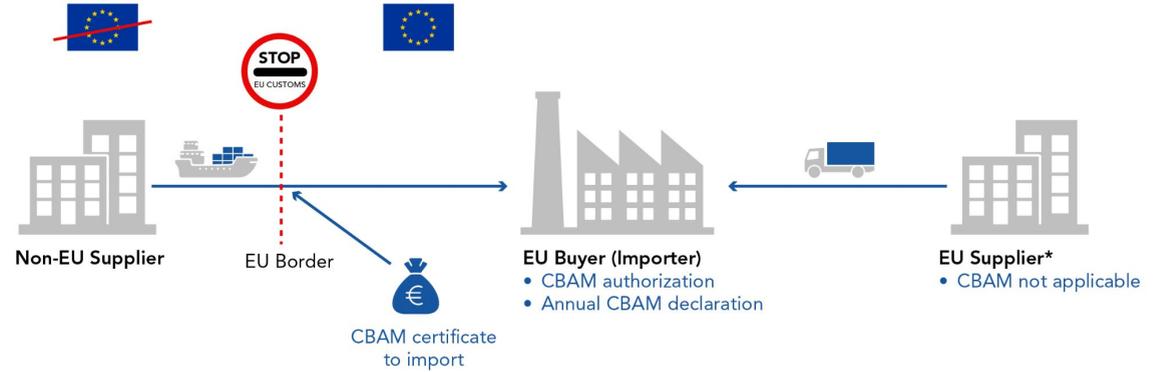
The analysis further indicates that India's total CBAM liability, covering exports of aluminium and ce-

ment in addition to iron and steel, stands at about €330 million, or roughly 1.05% of the value of all traded goods. However, the study also suggests that Indian exporters could earn higher revenues, estimated at €510 million, if they shift to cleaner technologies, resulting in a net cost reduction of around €180 million.

India has consistently opposed the CBAM, with industry bodies describing it as a "non-tariff barrier".

Commerce Minister Piyush Goyal said in July that if the EU implemented the CBAM, India would "retaliate with taxes of its own."

EU Carbon Border Adjustment Mechanism simplified illustration



* Including goods originating from Iceland, Liechtenstein, Norway, and Switzerland
 Source: The Conference Board, 2022

Carbon Border Adjustment Mechanism SteelMint®



Big Picture POWERED BY BIG PICTURE

Source: European Commission



SYLLABUS: GS 2 : Governance, Judiciary

Newspaper : Indian Express; **Page No :** EXPLAINED

THE SUPREME Court (SC) on Wednesday relaxed the absolute ban on the sale and use of firecrackers in Delhi-NCR, allowing government-approved “green crackers” on a “test case basis”.

The order, passed by a Bench of Chief Justice of India BR Gavai and Justice K Vinod Chandran, attempts to strike a balance between the livelihood concerns of the firecracker industry, festive traditions and the public health crisis caused by air pollution.

SC's directions

The SC has laid down a strict regulatory framework for this temporary relaxation: only approved green crackers can be sold and used; sale will be permitted only from October 18 to October 20; crackers can only be sold from designated locations; they can be used on Diwali or the day before, at 6-7 am in the morning, and 8-10 pm in the evening; crackers containing barium salts or other banned chemicals are prohibited; the sale of firecrackers through e-commerce websites is banned; and the manufacture and sale of 'laris' is not allowed.

Police and pollution control board officials will form patrolling teams to monitor designated sale sites, verify authenticity and take random samples for testing. Violators – both manufacturers and sellers – will face penalties, including the cancellation of their licences.

'Green crackers'

'Green crackers' are not pollution-free: they are formulations developed by the Council of Scientific and Industrial Research (CSIR) and National Environmental Engineering Research Institute (NEERI) that have a reduced environmental impact.

Such crackers do not contain harmful chemicals like barium nitrate, arsenic, lithium and mercury. They are designed to release water vapour or dust suppressants that trap a portion of the particulate matter generated. They are claimed to reduce PM2.5 emissions by at least 30%, and also have a lower noise intensity, capped at 120 decibels. Authentic green crackers can be identified by a green logo and a QR code on the packaging.

The SC clarified that this year's “relaxation is only on a test case basis”. It directed the pollution control board to conduct intensive air quality monitoring from October 14 to October 25, and submit a report. The future of firecracker regulations in the NCR will likely depend on the outcome of this experiment.

Behind relaxation

The court's reasoning stems from a desire to find a “balanced approach”. The court noted that despite the ban, conventional and highly polluting firecrackers were being smuggled into the NCR and used rampantly. It reasoned that allowing a less-polluting alternative in a regulated manner could be more effective than a complete ban that is difficult to enforce.

The development of green crackers, which the court was informed could reduce particulate emissions by 30-80%, presented a viable middle path. Moreover, unlike the previous AAP government, both the Centre and the Delhi government argued in favour of relaxation.

The court also considered the economic hardship faced by the firecracker industry and its workers: the order aims to balance the “right to carry on a profession” with the fundamental “right to life”.



Global Burden of Disease Report



SYLLABUS: GS 2 : Health

Newspaper : Indian Express; **Page No :** 12

IN 2017, THE National Health Policy emphasised the need to focus on non-communicable diseases (NCDs) like heart ailments, diabetes and respiratory afflictions. The policy was a response to an epidemiological transition that had commenced around the second decade of this century. The report of the latest Global Burden of Disease study, released earlier this week, shows that the shift has become more pronounced in the eight years since the policy came into operation. It makes a strong case for a healthcare strategy that recognises the adverse effects of environmental pollution, unhealthy diets and sedentary lifestyles. Another key takeaway of the report is that though Indians are living longer, chronic diseases diminish the quality of life of senior citizens.

The Global Burden of Disease study should be read along with other recent studies on NCDs in India. WHO data, for instance, shows that these diseases are responsible for close to 65 per cent of deaths in India and about a fourth of those who succumb to NCDs are below the age of 70 – this figure is roughly 12 per cent for the US and 17 per cent for China. In other words, cardiovascular diseases, diabetes, and lung ailments are cutting the lives of a large section of Indians short, hurting their families, society, and the economy. The problem is also that some of these diseases are not well understood. The Global Burden of Disease study draws attention to one such ailment, COPD (Chronic Obstructive Pulmonary Disease) – it constitutes more than 75 per cent of the country's burden of respiratory diseases. COPD is incurable, but not untreatable, and early diagnosis can make a big difference. In a large number of patients, however, the disease evades diagnosis because doctors do not follow protocols and most often target the symptoms – cough, cold and fever. In recent years, the government has bolstered community health centres (CHCs) and primary health centres (PHCs) in rural areas. The Global Burden of Disease study underscores the next-level challenge for the National Health Policy – to strengthen the diagnostic acumen of doctors at CHCs and PHCs.

The country needs an approach that combines medical research with understanding from nutritional and ecological sciences. Ensuring that people make healthy choices will require building awareness – on food habits, physical activities, the environment – from a young age through schools, families, and communities. Building synergies between projects targeted at the environment, the National Clean Air Programme, for instance, and those aimed at improving people's health and well-being is an imperative that cannot be postponed.



Q1. Regarding the Centre's fiscal dominance in India, consider the following statements:

1. Buoyant tax sources give the Centre constitutional and financial dominance.
2. Under Articles 269 and 270, the proceeds from cesses and surcharges are shared with the states through the Finance Commission's recommendations.
3. In the GST Council, the Centre enjoys one-third of the total voting power.

Which of the statements given above is/are correct?

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

Answer: c

Q2. Consider the following statements regarding Carbon Credits:

1. A carbon credit represents the reduction or removal of one tonne of carbon dioxide or its equivalent greenhouse gases.
2. Carbon credits can be traded in both compliance and voluntary carbon markets.
3. In India, the Bureau of Energy Efficiency is the nodal agency for the Carbon Credit Trading Scheme.

Which of the statements given above is/are correct?

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

Answer: d

Q3. Regarding MERCOSUR, consider the following statements:

1. It is a regional trade bloc in South America aimed at promoting free trade and the movement of goods, people, and currency.
2. Its founding members include India, Argentina, Brazil, Paraguay, and Uruguay.
3. India currently has a Free Trade Agreement with MERCOSUR.

How many of the statements given above is/are correct?

- a) Only One
- b) Only Two
- c) All Three
- d) None

Answer: a

Q4. How many of the following statements regarding the Non-Aligned Movement (NAM) is/are correct?

1. NAM was formally established at the Bretton Woods Conference.
2. India is a founding member of NAM.
3. NAM members are bound by a mutual defence pact similar to NATO.

Select the correct answer using the code given below.

- a) Only One
- b) Only Two
- c) All Three
- d) None

Answer: a

Q5. Regarding the Carbon Border Adjustment Mechanism (CBAM), consider the following statements:

1. It is a carbon pricing mechanism introduced by the European Union.
2. It aims to prevent "carbon leakage" by taxing imports based on their carbon emissions.
3. India has already implemented a similar domestic mechanism for its exports to the EU.

Which of the statements given above is/are correct?

- a) 1 and 3 only
- b) 1 only
- c) 2 and 3 only
- d) 1 and 2 only

Answer: d





VAJIRAM & RAVI

Institute for IAS Examination

A unit of Vajiram & Ravi IAS Study Centre LLP

9-B, Bada Bazar Marg, Old Rajinder Nagar,
New Delhi - 110060 • Ph.: 41007400, 41007500

New No. 62, P Block, 6th Avenue, Anna Nagar,
Chennai - 600040 • Ph.: 044-4330-2121

Visit us at : www.vajiramandravi.com