

NABARD

PY - 2016

(Maximum Marks—100)

[ Duration : 3 Hours ]

**PAPER-I-GENERAL ENGLISH**

- Instructions.*— (1) All questions are compulsory.  
 (2) Figures to the right indicate full marks to each question.  
 (3) Each question should be answered on a new page.  
 (4) All parts of a question should be answered together, without other answers intervening.  
 (5) Marks will be deducted if an answer is longer or shorter than the limit, or is irrelevant, or if illegible.  
 (6) Answers must be written only in English.

**Marks**

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|----|--|----|
| 1. | Write an essay of about 500 words on any <i>one</i> of the following :—  | 40 |
|    | (a) Robots will take over our lives in the future !!   |    |
|    | (b) Farmers Loans must be looked upon as good investment.  |    |
|    | (c) Pollution is a manmade disaster in Metros.   |    |
|    | (d) Alternative Sources of Energy.   |    |
|    | (e) Market Access to Rural Handicrafts.  |    |
| 2. | (a) Make a précis of the following passage reducing it to about 180 words, and give it a suitable title. Use the précis sheet provided for it :— | 20 |

“ The Centre needs to follow through with pending legislation for the goods and services tax (GST)”. As the recent Arvind Subramanian expert committee points out, the lack of reforms in the indirect tax regime leads to high costs and inefficiencies in myriad ways. For instance, blocked input taxes or distorting tax-on-tax and cascading rates could add up to as much as three-fourths of investment in plant and machinery.

Hence the pressing need to change over from the dual value-added tax (VAT) system in the Centre and the states to an integrated GST, with tax levied only on the value added and input tax credits seamlessly available across the value chain. It would shore up transparency and boost tax efficiency.

For starters, the government needs to respond to the three main points raised by the Congress: one, that a standard GST rate of no more than 18% be part of the constitutional amendment; two, an independent dispute-settlement mechanism be in place; three, that the additional 1% interstate tax be dropped. It is notable that the Subramanian panel does make a strong case for doing away with the 1% tax, but only as a small footnote in very fine print.

[ Turn over

The panel estimates the revenue-neutral rate for GST to be 15-15.5%, with “ a strong preference for the lower end of the range ”. But the report flags other risks, like revenue shortfall, lower growth and even that the methodology of estimating the standard GST rate can be prone to error. The panel has called for a standard rate and a lower rate for merit goods of mass consumption, plus a still-lower rate, for precious commodities like gold.

In addition, it has called for higher taxes of upto 40 % on luxury cars and petroleum products, and similar ‘ sin taxes ’ on tobacco and potable alcohol. It is also notable that the committee backs tax on hitherto exempt heads like education and health.

The report is also explicit in recommending that exemption on excise duty and the like be done away with. Such exemptions amount to negative protection against import competition, as input tax credit cannot be claimed. It makes perfect sense to widen the indirect tax base by including most goods and services, and to keep the rates low. Indirect taxes are by definition regressive, paid by all and sundry. We need to keep them moderate to encourage compliance and raise tax buoyancy going forward.

The report mentions that no input tax credits are allowed for the Union excise duties on capital equipment acquired for use in such vital sectors such as transportation, infrastructure or construction. And the reason for the glaring anomaly is that these sectors are perceived to be outside the scope of manufacturing. The report adds that in 2014-15, of the total investment in plant and equipment by the non-government, non-household sector of about 7.4 lakh crore, “ blocked input taxes could amount to as much as 75% of total investment ”.

The fact of the matter is that we still have a high-cost tax structure thanks to cascading rates and tax-on-tax. The way ahead is to reform the indirect tax regime with GST ”.

*Extracted from The Economic Times dated January 8, 2016*

(b) Answer the following questions based on the passage, briefly and to the point. All questions carry equal marks :— 20

- (i) How does a lack of reforms affect growth ?
- (ii) In what way could GST help ?
- (iii) What are the three main points needing attention ?
- (iv) How will it help to widen the indirect tax base ?
- (v) Mention the risks the report flags.

3. Answer the question chosen in about 250 words :— 20

- (a) As the Manager of a Rural Bank look into the application for a Loan of Rs. 15 lakhs for buying a tractor. Grant the loan while listing the rules.

**OR**

- (b) The Head Office has sent a request for a list of outstanding dues of a Rural Bank's Farmer loans. Send the report with information upto the current year