

CURRENTLY - FROM NEWS TO NOTES

DAILY CURRENT AFFAIRS

The Hindu & The Indian express

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Russia backs AMCA, offers to make Su-57 jets in India

The Hindu Bureau
NEW DELHI

Russia reaffirmed its commitment to deepen defence cooperation with India with its Ambassador Denis Alipov expressing his country's readiness to support India's Advanced Medium Combat Aircraft (AMCA) programme through "local production" of the Su-57 fifth-generation fighter jet.

Speaking at an event on Thursday, Mr. Alipov said the move underscores the long-standing strategic partnership between the two nations, which has evolved far beyond a traditional buyer-seller relationship into one of joint development, co-production, and full technology sharing. He also said that both sides are exploring collaborations in next-generation technologies.

The announcement comes amid growing speculation about the future of the India-Russia oil trade, following U.S. President Donald Trump's claim that India would soon halt such purchases.

However, the Ambassador said that "Russian energy remains the most cost-effective option on the global market".

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Trump and MEA at odds over Russian oil imports

Trump claims Modi gave commitment to stop buying oil from Russia 'soon'; Ministry denies the leaders discussed the issue, but says govt. is 'broad-basing' and 'diversifying' its energy sources

Suhasini Haidar
NEW DELHI

India and the United States continued to differ publicly over Russian oil as U.S. President Donald Trump said he had been assured by Prime Minister Narendra Modi that India will stop buying oil from Russia, while the Ministry of External Affairs maintained the two leaders had not spoken about the issue.

However, the MEA said that India was "broad-basing" and "diversifying" its sources of energy according to market needs, and did not specifically deny the claim that it was reducing its intake.

Bone of contention

The subject of Russian oil, which has led to the U.S. imposing penalty tariffs on India, is also believed to be holding up trade talks between the two countries. While the government has consistently denied it would bow to pressure, data analysed by *The Hindu* showed that oil public sector undertakings have dropped their Russian imports by as much as 45% between June and September this year, even though



I was not happy that India was buying oil, and [PM Modi] assured me today that they will not be buying oil from Russia. That's a big step. Now we're going to get China to do the same thing... He [Mr. Modi] loves Trump... I don't want to destroy his political career

DONALD TRUMP, U.S. President

Russia remains India's biggest supplier overall.

"I am not aware of any conversation yesterday between the two leaders," MEA spokesperson Randhir Jaiswal told reporters here on Thursday, also clarifying that a call between Mr. Modi and Mr. Trump last Thursday had

only dealt with the Gaza peace plan and India-U.S. trade issues.

On Wednesday, Mr. Trump had said he was confident that India would end its oil imports "soon" but not "immediately".

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Modi outsourced key decisions to the U.S.: Congress

NEW DELHI

Amid the India-U.S. exchange over Russian oil, Congress leader Rahul Gandhi on Thursday said Prime Minister Modi is "frightened" of U.S. President Donald Trump. In a post on X, he also said, "[Modi] allows Trump to decide and announce that India will not buy Russian oil. Keeps sending congratulatory messages despite repeated snubs... Skipped Sharm el-Sheikh. Doesn't contradict him on Operation Sindoor." » PAGE 14

China defends oil purchase, slams U.S. for 'bullying'

BEIJING

China on Thursday said that its purchases of Russian oil were "legitimate" and decried recent "unilateral bullying" measures by the U.S. as the trade row between the two countries continues to intensify. The reaction follows U.S. President Donald Trump's remarks that India promised to stop buying Russian oil, and he would get China to follow suit. » PAGE 18

AMCA (Advanced Medium Combat Aircraft):

India's indigenous 5th-generation stealth multirole fighter by DRDO & HAL for IAF. Aims for self-reliance, stealth, supercruise, AI-based avionics, internal weapon bay. Will replace Mirage-2000, MiG-29, Jaguar fleets.

First flight: targeted 2028 Induction: 2035 Goal: Indigenous stealth capability, tech sovereignty, defence export potential.

5th Generation Fighters:

Stealthy, supercruise-capable, sensor-fused, network-centric jets with advanced avionics. Examples: F-22, F-35 (US); Su-57 (Russia); J-20 (China); KF-21 (S. Korea); AMCA (India).



1

Consider the following aircraft :

1. Rafael
2. MiG-29
3. Tejas MK-1

How many of the above are considered fifth generation fighter aircraft ?

- (a) Only one
- (b) Only two
- (c) All three
- (d) None

2024



SC won't lift HC stay on 42% OBC quota in Telangana civic polls

Aaratrika Bhaumik

NEW DELHI

The Supreme Court on Thursday declined to interfere with a Telangana High Court order that had stayed two Government Orders enhancing the reservation for Other Backward Classes (OBCs) in municipalities and panchayats to 42%.

A Bench of Justices Vikram Nath and Sandeep Mehta declined to stay the

High Court's interim order, observing that it could not take a view inconsistent with Constitution Bench rulings that have fixed a 50% ceiling on total reservations in local body elections.

'Polls can proceed'

However, it said the local body elections could proceed without the proposed hike in OBC quotas.

"You may continue with your elections...

[State's appeal] dismissed. This will not prevent the High Court from deciding the matter on its own merits," the Bench told the State government.

The Telangana government had approached the Supreme Court challenging the High Court's October 9 order, which halted its move to raise the OBC quota in local bodies.

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SC won't lift HC stay on 42% OBC quota in Telangana civic polls

Source: The Hindu, Page 1

Why in News:

- The Supreme Court refused to interfere with the Telangana High Court's stay on increasing OBC reservation in local bodies to 42%.
- The High Court said the hike violated the 50% ceiling on total reservations (as per Indira Sawhney judgment).
- The Court allowed elections to continue without the enhanced OBC quota.

Validity of OBC Reservation:

- OBC reservation in local bodies is not compulsory; it is permissible if a state makes a law for it.
- It must be based on proper data showing underrepresentation.
- SCs, STs, and women reservations are mandatory, but OBC reservation is optional.
- The total quota (SC + ST + OBC + women) must not exceed 50%.

K. Krishna Murthy v. Union of India (2010):

- The Supreme Court upheld OBC reservation in local bodies as valid but not mandatory.
- Said it must be backed by empirical data and stay within 50% cap.
- Clarified that political backwardness alone isn't enough - proof of underrepresentation is needed.

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Restoring fiscal space for the States

With rising public aspirations and widening service gaps, States' expenditure commitments are steadily increasing. GST introduction has altered the resource position of the States, in addition to centralising the authority to levy tax

ECONOMIC NOTES

K. Shanmugam

The journey of Goods and Services Tax (GST) implementation has entered a major new stage with the latest restructuring of tax slabs, a move expected to pass on over ₹2 lakh crore in tax benefits to consumers. With this, the GST compensation cess stands abolished as it merges with the regular tax, marking the end of an era of compensation under GST. The decision is likely to boost local demand, and the consequent growth in revenue may reduce the expected revenue loss. However, certain States feel that no proper estimation of this loss has been made, and that the actual loss could be much higher than projected. They are aggrieved that their demand for compensation has been ignored.

Though studies show that GST implementation has largely benefited all States through liberal compensation mechanisms, the post-compensation tax structure is expected to raise concerns in some of them. The cess and surcharge mechanism gives the Centre additional leverage over the States. With significant changes in the fiscal policy landscape in recent years, including the introduction of GST, which has effectively shifted taxation power from the States to the GST Council, there is an increasing demand to revisit the fiscal policy on sharing to live up to the principle of 'cooperative federalism.'

Evolving tax landscape

Fiscal policy in India, particularly on revenue sharing between the Union and State governments, is an evolving story. Article 246 of the Constitution (subject matter of laws made by Parliament and by the legislatures of States) demarcates the areas of taxation power between the Centre and the States under the Union List and the State List, respectively, with residuary power reserved for the former. Using this residuary power, Parliament amended the Constitution in 2016 through Article 246A for the levy of Service Tax. The tax landscape changed with the introduction of the Service Tax through the 92nd Amendment, and further with the 101st Amendment, through which GST was launched in July 2017.

For the first time, GST introduced a destination-based tax instead of an origin-based one, besides allowing the Centre and the States to share a common tax base. With GST being a contributor of substantial own tax to the States, this new regime has led them to suffer a significant erosion in their fiscal autonomy, as the power on taxation is shifted to the GST Council, where the Centre dominates the decision-making process.

As India is a multi-tiered government, design asymmetry arises in assigning resources and responsibilities between the Centre and the States. Normally, the power to raise resources is largely centralised for efficiency and economic reasons. The expenditure responsibilities are decentralised for better accountability and efficient delivery of public services. The resulting fiscal imbalances are corrected through re-assignment and redistribution, enabling the government at each level to command resources to discharge its responsibility. Such an adjustment must remain dynamic to address changes in the fiscal landscape.

Role of Finance Commission

Articles 268 to 293 of the Constitution define the Centre-State financial relations.

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

The Finance Commission (FC) is constituted under Article 280, which has been constitutionally assigned the task of determining transfers to all States. However, there are grievances regarding the manner in which the Central Finance Commission applies its tax-sharing criteria, which, according to some States, penalise progressive ones. There are also complaints of inconsistency among the Finance Commissions in adopting criteria and applying relative weights.

The Commission's grants are supplemented by grants under various Centrally Sponsored Schemes (CSS), Central Sector Schemes, and, earlier, by the Union Planning Commission (PC) grants, which ceased after the abolition of the Planning Commission in 2014. Article 282 provides for direct grants by the Union government, while Article 275 provides for statutory grants through the Finance Commissions. Some States feel that the flow of funds through these channels is neither fair nor transparent.

Falling devolution share

The earlier system of sharing individual taxes was replaced by a global sharing principle, thanks to the 80th Amendment that came into effect during the 11th Finance Commission (2000-2005). The Commission recommended 29.5% to the States out of the proceeds of shareable Central taxes, which was steadily enhanced to 30.5% by the 12th Finance Commission, 32% by the 13th Finance Commission and 42% by the 14th Finance Commission. In view of Jammu and Kashmir having ceased to be a State, the share came down to 41%. However, despite higher recommendations, the actual devolution to the States as a percentage of Gross Tax Revenue (GTR) has consistently fallen short (Table 1).

The shortfall is attributed to the ever-increasing cesses and surcharges, which are not part of the shareable pool of revenue. The cess and surcharge accounted for ₹3,86,140 crore as per the Revised Estimates (RE) 2024-25. It is expected to be ₹4,23,456 crore under the Budget Estimates (BE) for 2025-26, excluding the GST compensation cess. States have been constantly pressing for their merger with the shareable pool, a demand the Union government has not accepted. This resource gives additional leverage to the Centre in managing its expenses over and above its usual tax share, as the proceeds from cesses and surcharges often fund the Central share in various schemes.

Dependence on Central transfers

Central transfers still account for 44% of the States' revenue receipts. It ranges from 72% for Bihar to 20% for Haryana with nine States – Haryana (20%), Telangana (21%), Gujarat (28%), Maharashtra (28%), Karnataka (31%), Tamil Nadu (31%), Goa (32%), Kerala (34%), and Odisha (41%) – getting less than the overall average figure of 44%. This indicates heavy dependency of States on Central transfers and, to that extent, a compromise in their fiscal autonomy.

A look at the proportion of tax revenue shared between the Centre and the States during pre- and post-GST periods reveals a clear trend: the power to levy taxes is getting centralised, while the expenditure responsibilities on the States are on the



Growing concerns: With the end of GST compensation, States fear a loss of fiscal autonomy. REUTERS

Share of central Transfers in State Revenue Receipts (₹ in crore)						
Year	Revenue receipt of States (RR)	Central tax devolution (CD)	% of CD to RR	Grants in aid (GA)	% of GA to RR	Total (TT)
2012-13	12,52,024	2,81,530	0.23	1,88,682	0.15	4,80,212
2013-14	13,69,187	3,18,273	0.23	2,05,952	0.15	5,24,225
2014-15	15,91,583	3,37,835	0.21	3,30,847	0.21	6,68,682
2015-16	18,32,886	5,06,191	0.28	3,25,896	0.18	8,32,087
2016-17	20,46,401	6,07,861	0.30	3,56,091	0.17	9,63,952
	80,92,861	20,61,690	0.25	14,07,468	0.17	34,69,158
2017-18	23,21,241	6,05,186	0.26	4,05,958	0.17	10,11,144
2018-19	26,20,353	7,46,894	0.29	4,39,869	0.17	11,86,763
2019-20	26,70,138	6,50,687	0.24	5,34,567	0.20	11,85,254
2020-21	25,86,622	5,95,227	0.23	6,43,841	0.25	12,39,068
2021-22	32,25,165	8,83,100	0.27	6,22,628	0.19	15,05,728
2022-23	36,54,408	9,48,982	0.26	6,61,457	0.18	16,10,439
	1,47,56,888	36,24,890	0.24	29,02,382	0.20	67,27,252

rise (Table 2).

For the five years from 2012-13 to 2016-17, the pre-GST period, the Centre collected 67% of the total tax revenue, while the States collected 33%. During the post-GST period (2018-19 to 2022-23), the ratio remained unchanged. As for revenue expenditure, the Centre incurred 47% and the States 53% in the pre-GST era. During the post-GST period, the figures were 48% and 52%, respectively. Increases in the Centre's revenue expenditure in recent years are largely attributed to the expansion of CSS on subjects that mostly fall in the domain of the States.

The expenditure commitments of the States are comparatively higher, as they are responsible for tackling the subjects of law and order, health, education, agriculture, and local self-government. As a result, States seek power to collect higher tax revenues, as the present fiscal policy of taxing power does not adequately address their requirements. Further, heavy dependence on Central transfers also creates problems such as liquidity management and the fear of political vendetta on the Opposition-ruled States.

As a way out, some States suggest that the example of Canada be followed where the federal government collects 49% of tax revenue and spends 40%, while sub-national governments collect 54% and spend 60%. Such a system gives more financial autonomy and flexibility to the States.

With rising public aspirations and widening service gaps, States' expenditure commitments are steadily increasing. GST introduction has altered the resource position of the States, in addition to centralising the authority to

THE GIST

The restructuring of GST slabs merges the GST compensation cess with regular tax, ending compensation under GST and potentially boosting local demand.

Central transfers still account for 44% of the States' revenue receipts, with several States receiving less than the overall average, indicating heavy dependency on the Centre.

Progressive States contributing more tax revenue can directly benefit if the personal income tax base is shared or States are empowered to top up IT, reducing fiscal dependency.

Mains Enrichment

Restoring fiscal space for the States Source: The Hindu, Page 12/ GS Paper 2: Fiscal Federalism

GST & Fiscal Federalism: Key Amendments:

- 92nd: Enabled Service Tax.
- 101st (2017): Introduced GST, merging indirect taxes and shifting fiscal power to Centre.

Key Articles:

- Art. 246: Division of taxation powers.
- Art. 268-293: Centre-State financial relations.
- Art. 280: Finance Commission (FC) setup & devolution.
- Art. 270: Cesses/surcharges not shareable with States.

FC Tax Devolution:

- 11th FC - 29.5%
- 12th FC - 30.5%
- 13th FC - 32%
- 14th FC - 42%
- 15th FC - 41% (post J&K reorganisation)

Tax & Expenditure Share:

- Pre-GST (2012-17): Centre 67% | States 33%
- Post-GST (2018-23): Same ratio (67:33)
- Revenue Expenditure: Centre 47 → 48% | States 53 → 52% (due to CSS expansion)

Canada Model:

Canada's federal system allows provinces to collect 40% of total tax revenues, while the federal government collects 60% – ensuring both tiers have independent and adequate fiscal powers. \$to\$ India could emulate this model to enhance States' fiscal autonomy and ensure a more balanced federal structure.



2

With reference to the Finance Commission of India, which of the following statements is correct ?

- (a) It encourages the inflow of foreign capital for infrastructure development
- (b) It facilitates the proper distribution of finances among the Public Sector Undertakings
- (c) It ensures transparency in financial administration
- (d) None of the statements (a), (b) and (c) given above is correct in this context

2011

3

Consider the following :

- 1. Demographic performance
- 2. Forest and ecology
- 3. Governance reforms
- 4. Stable government
- 5. Tax and fiscal efforts

For the horizontal tax devolution, the Fifteenth Finance Commission used how many of the above as criteria other than population area and income distance?

- (a) Only two
- (b) Only three
- (c) Only four
- (d) All five

2023

4

Which of the following statements with regard to recommendations of the 15th Finance Commission of India are correct?

- I. It has recommended grants of ₹ 4,800 crores from the year 2022-23 to the year 2025-26 for incentivizing States to enhance educational outcomes.
- II. 45% of the net proceeds of Union taxes are to be shared with States.
- III. ₹ 45,000 crores are to be kept as performance-based incentive for all States for carrying out agricultural reforms.
- IV. It reintroduced tax effort criteria to reward fiscal performance.

Select the correct answer using the code given below.

- (a) I, II and III
- (b) I, II and IV
- (c) I, III and IV
- (d) II, III and IV

2025

Indian iron and steel exporters face the highest CBAM levy

Jacob Koshy
NEW DELHI

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-



Indian exporters could earn higher revenues if they shift to cleaner technologies.

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."

Indian iron and steel exporters face the highest CBAM levy

Source: The Hindu, Page 17 Economy

Why in News:

- Indian iron and steel exporters to the EU may pay €301 million (\$\approx\$ ₹3,000 crore) under the Carbon Border Adjustment Mechanism (CBAM) - the highest among all exporting nations.
- Study by European think-tank Sandberg shows India's CBAM liability exceeds Russia (€240 mn), Ukraine (€198 mn), and China (€194 mn).
- India opposes CBAM, calling it a "non-tariff barrier" and warning of retaliatory tariffs if enforced.

About CBAM:

- An EU carbon tax on imports from countries with higher emission levels than EU standards. (1st Jan 2026)
- Objective: Prevent carbon leakage - relocation of high-emission industries outside the EU.
- Mechanism: EU importers must buy carbon certificates to offset emission differences.
- Covers iron, steel, aluminium, cement, fertilisers, hydrogen, and electricity.
- India calls it unfair and trade-distorting, violating WTO's principle of equity for developing nations.

Google's new AI finds promising approach for cancer treatment

Jacob Koshy
NEW DELHI

Opening a portal to a new approach to drug discovery, Google unveiled a family of artificial intelligence tools that proposed a drug combination for detecting cancer that human experts did not know about, which seemed effective in laboratory conditions.

This is a rare instance of AI being used in the process of scientific discovery to design practical drug candidates.

The Cell2Sentence-Scale 27B (C2S-Scale) is a 27-billion-parameter foundation model designed to understand the language of individual cells. "This announcement marks a milestone for AI in science," Shekoofeh Azizi and Brian Perozzi, staff scientists at Google DeepMind and Google Research, respectively, said in a blogpost, adding,



The problem that researchers set out to solve was how to detect an emerging tumour.

"C2S-Scale generated a novel hypothesis about cancer cellular behaviour and we have since confirmed its prediction with experimental validation in living cells. This discovery reveals a promising new pathway for developing therapies to fight cancer."

Their research paper, with the scientific details, was made available for public scrutiny at bioRxiv, a repository of pre-prints.

The problem that researchers set out to solve was how to detect an

emerging tumour when the immune system itself was unaware of it. A strategy was to force such nascent tumours to display immune-triggering signals through a process called antigen presentation.

The C2S-Scale 27B model was given a task: find a drug that boosts immune signals only if low levels of interferon are present. Interferons are proteins produced by the body and act as frontline defenders against infections and tumours. This is a situation that exists when a tumour is likely secretly growing while avoiding the body's natural threat detection system. Small AI, or Large Language Models were unable to learn this. By exposing the 27-billion parameter model to two large data sets – real-world patient samples with tumour-immune interactions plus low-level interferon signalling and cell-line data with

no immune context – the scientists trod upon insight.

They first simulated the effect of over 4,000 drugs and noted how many of them worked in situations where interferon levels were low even as the tumours grew. Out of the many drug candidates highlighted by the model, a fraction (10%-30%) of drug hits are already known in prior literature, while the remaining drugs were "surprising hits with no prior known link". The model zeroed in on a chemical drug called silmitasertib that only seemed to boost the immune system when it suspected a tumour.

"With more pre-clinical and clinical tests, this discovery may reveal a promising new pathway for developing therapies to fight cancer," Sundar Pichai, CEO, Google and Alphabet, posted on X on Thursday.

Google's new AI finds promising approach for cancer treatment

Source: The Hindu, Page 17 Biotechnology | AI

Why in News:

- Google DeepMind scientists unveiled a new AI-driven approach to drug discovery that identified novel drug combinations for cancer detection and treatment.
- The AI model, named Cell2Sentence-Scale 27B (C2S-Scale), proposed drug mechanisms unknown to human experts but found effective in lab testing.
- This marks a major advancement in AI for medical research, especially in understanding how tumours evade immune detection.

How the Model Works:

- C2S-Scale 27B is a 27-billion-parameter foundation model built to understand the language of individual cells.
- It analyses real-world patient tumour samples with low interferon levels – a condition where the immune system struggles to detect growing tumours.
- The model was tasked to find drugs that boost immune signals when interferon levels are low.
- It simulated over 4,000 drugs and found which could trigger immune response activation.
- About 10-30% of the predicted drugs were already known, while others were completely new discoveries.
- Essentially, it helps detect "hidden" tumours by forcing them to produce immune-triggering signals through a process called antigen presentation.