

**The Hindu Important News Articles & Editorial For UPSC
CSE**

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India's ambitious "Free Trade Agreement (FTA) spree," aimed at boosting exports and integrating with global supply chains, has hit a geopolitical roadblock in West Asia. While negotiations with Western partners like the U.K. and the EU remain on a steady trajectory for 2026, the escalating conflict involving Israel, Iran, and regional actors has forced a "pause" on talks with the Gulf Cooperation Council (GCC) and Israel. This highlights the vulnerability of bilateral economic agendas to regional instability and the strategic "chokepoints" of global trade.

Key Highlights of the Report

West Asia Delays: Negotiations with the GCC (comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE) and Israel are officially delayed due to the active state of war in the region.

Progress in the West: * India-U.K. FTA: Expected implementation by May 1, 2026 (International Labour Day). This follows the signing of the Comprehensive Economic and Trade Agreement (CETA) on July 24, 2025.

India-EU FTA: Negotiations concluded in January 2026; ratification by the European Parliament is expected by **November 2026**, with the deal likely entering into force in early 2027.

The Conflict Factor: The formal launch of India-GCC talks in February 2026 and the first round of India-Israel talks in the same month have been overshadowed by the closure of the Strait of Hormuz and direct military escalations in the region.

Static Correlation

A. Free Trade Agreements (FTAs) & Economic Integration

Definition: An FTA is a pact between two or more nations to reduce barriers to imports and exports among them.

Stages of Integration: 1. **PTA (Preferential Trade Agreement):** Lowering tariffs on select goods.

2. **FTA:** Eliminating tariffs on most goods.

3. **CEPA/CECA:** Comprehensive deals including services, investment, and IPR.

Rules of Origin (RoO): Criteria used to determine the national source of a product to prevent third-party countries from "dumping" goods through FTA partners.

B. Gulf Cooperation Council (GCC)

Established: 1981 (Riyadh, Saudi Arabia).

FTA talks with Israel, GCC countries may be delayed

T.C.A. Sharad Raghavan
NEW DELHI

The ongoing conflict in West Asia is going to create delays in India's negotiations on free trade agreements (FTA) with the Gulf Cooperation Council countries as well as Israel, a senior official in the Commerce Ministry said.

The FTA with the U.K., however, could be implemented by May 1, and the trade agreement with the European Union could be ratified by the European Parliament by the end of November, they added.

"There are several impacts of the war in the Middle East, but one of them is that our talks with the GCCs and Israel will be delayed, since most of the parties involved are at war currently," the official explained, declining to be named as the matter is still under discussion.

FTA negotiations with the GCC countries – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE) – were launched on February 24.

The same month, between February 23-26, India and Israel also held the first round of negotiations for a bilateral FTA.

"The implementation of the U.K. FTA should happen by end-April, and we might decide to announce it on May 1," the official said, adding that India was looking for a "significant date" to announce it, and that International Labour Day was a good and early candidate.

The India-U.K. Comprehensive Economic and Trade Agreement (CETA) was signed on July 24, 2025.

Members: Saudi Arabia, UAE, Qatar, Kuwait, Oman, and Bahrain.

Significance for India: * Energy Security: Source of over 50% of India's oil and 85% of LPG.

Remittances: Home to ~10 million Indian expats; a primary source of foreign exchange.

Trade: India's largest trading bloc partner (\$178 billion+ in FY25).

C. Geopolitical Chokepoints: The Strait of Hormuz

Location: Between the Persian Gulf and the Gulf of Oman.

Strategic Importance: Approximately 20% of the world's total oil consumption passes through this strait. Any disruption (as seen in early 2026) directly spikes global crude prices and impacts India's **Current Account Deficit (CAD)**.

Impact Analysis for India

| Sector | Impact of Delay / Conflict |
|--------------|---|
| Energy | Supply chain disruptions leading to higher landed costs of crude and gas. |
| Exports | Delay in duty-free access for Indian textiles, gems, and engineering goods to the lucrative Gulf market. |
| Connectivity | Uncertainty over the India-Middle East-Europe Economic Corridor (IMEC), which relies on stability in the UAE, Saudi Arabia, and Israel. |
| Strategic | Balancing ties between Israel (a "Special Strategic Partner") and the Arab world while managing the fallout of the Iran-Israel confrontation. |

Conclusion

The delay in FTA negotiations with West Asian partners is a tactical setback necessitated by regional volatility. However, the imminent implementation of the U.K. deal and the progress with the EU provide a cushion for India's trade targets. For India, the long-term challenge remains the diversification of energy sources and the securitization of maritime trade routes. As India pursues its vision of Viksit Bharat 2047, its trade policy must remain adaptive, balancing economic liberalization with the harsh realities of "poly-crisis" in the Middle East.

UPSC Prelims Exam Practice Question

Ques: With reference to Free Trade Agreements (FTAs), consider the following statements:

1. FTAs eliminate tariffs on all goods traded between member countries.
2. Rules of Origin are used to prevent trade deflection.
3. CEPA includes provisions related to services and investment.

Which of the statements given above is/are correct?

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

Ans: A)

UPSC Mains Exam Practice Question

Ques: "India's trade diplomacy is increasingly shaped by geopolitical instability in West Asia." Discuss in the context of recent delays in India's FTA negotiations with GCC and Israel. **(150 Words)**



Classes
Quality education

Page 06 : GS II & III : Indian Polity and Economy / Prelims Exam

The transition to the VB-GRAM (G) Act, 2025, marks a structural shift in India's rural employment guarantee framework. While the Centre has earmarked over ₹95,000 crore for FY 2026-27, the implementation hinges on a 40% cost-sharing model by States. The current friction arises from the absence of a "normative allocation formula," leading States to budget based on historical MGNREGA expenditure patterns to avoid a rural distress crisis.

24 States, U.T.s set aside funds for new rural jobs scheme

They use past expenditure under the MGNREGA as the baseline as the Centre is yet to notify the formula for determining the State-wise normative allocations under the VB-GRAM (G) Act

Sobhana K. Nair
NEW DELHI

With the Centre yet to notify the formula for determining State-wise normative allocations under the Viksit Bharat Guarantee for Rozgar and Ajeevika Mission (Gramin) Act, 2025, at least 24 States and Union Territories have nevertheless earmarked funds for the new rural employment programme.

Under the Act, States must bear 40% of the scheme's expenditure, except in the northeastern and hilly States and UTs such as Jammu & Kashmir, which receive a relaxation.

Union Rural Development Minister Shivraj Singh Chouhan informed the Rajya Sabha on Tuesday that 27 States and UTs are making provisions for the new scheme, though he read out allocations for only 24 of them, amounting to a little over ₹31,000 crore. The Union Budget for 2026-27 has set aside



Under the Act, States must bear 40% of the scheme's expenditure, except in the northeastern and hilly States. AFP

The Union Budget for 2026-27 has set aside ₹95,652 crore as the Centre's share

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Responding to criticism that States may struggle to shoulder their share of the financial burden, Mr.

normative allocation. Section 4(5) of the Act mandates that the Union government determine State-wise allocations annually based on "objective parameters".

The clause aims to ensure equitable distribution, following complaints from economically weaker States that they receive disproportionately lower funding.

In the absence of clarity, most States have used their past expenditure under the MGNREGA as the baseline while also accounting for the additional 25 work-days promised under new Act, which extends guaranteed employment from 100 to 125 days. For instance, Rajasthan has spent over ₹7,597 crore under the MGNREGA so far, this financial year. Its 40% share comes to roughly ₹3,038 crore. The State, keeping a margin for the expanded work guarantee and anticipating uncertainty in Central allocations, has set aside ₹4,000 crore.

Chouhan highlighted that even Congress ruled Himachal Pradesh, despite its opposition to the Act, had allocated ₹143 crore. Karnataka, he noted, was the only major outlier. "Many members asked where States will find the money. I am only addressing their anxiety," he said.

A key pending element is the Centre's formula for

Key Highlights of the Report

Budgetary Provisions: 24 States/UTs have already set aside approximately ₹31,000 crore as their share, despite the lack of a finalized Central formula.

The 125-Day Guarantee: Unlike MGNREGA's 100-day limit, VB-GRAM guarantees 125 days of work, increasing the financial burden on both levels of government.

Funding Ratio: * **General Category States:** 60 (Centre) : 40 (State).

NE & Hilly States/UTs: 90 (Centre) : 10 (State) [or similar relaxed norms as per previous schemes].

The "Normative Allocation" Debate: Section 4(5) of the Act requires the Centre to distribute funds based on "objective parameters" to ensure poorer States (like Bihar or Odisha) get a fair share compared to historically high-spending States (like Rajasthan).

Static Correlation

A. MGNREGA vs. VB-GRAM (G) Act

MGNREGA (2005): A demand-driven scheme where the Centre bore 100% of unskilled labor costs and 75% of material costs.

VB-GRAM (2025): Shifts toward a fixed cost-sharing ratio (60:40). This increases Cooperative Federalism but also raises concerns about the fiscal capacity of debt-stressed States.

B. Fiscal Federalism & Article 282

Article 282: Allows the Union or a State to make grants for any public purpose. Most Centrally Sponsored Schemes (CSS) like VB-GRAM fall under this.

The Challenge: When the Centre mandates a 40% share, it shrinks the "fiscal space" for States to fund their own regional welfare schemes.

C. Normative Allocation Formula

In public finance, "Normative" refers to how things should be distributed based on criteria like:

Rural Poverty Headcount Ratio.

Unemployment Rates.

Agricultural Distress Levels.

The goal is to move away from "historical spending" (which rewards efficient states) to "need-based allocation" (which supports laggard states).

Comparison Table: MGNREGA vs. VB-GRAM (G)

| Feature | MGNREGA (2005) | VB-GRAM (G) Act (2025) |
|----------------------------------|---------------------------|--------------------------------------|
| Days Guaranteed | 100 days per household | 125 days per household |
| Funding (Unskilled Labor) | 100% by Centre | 60% Centre : 40% State (General) |
| Allocation Basis | Demand-driven (Bottom-up) | Normative Allocation (Formula-based) |

Daily News Analysis

| Feature | MGNREGA (2005) | VB-GRAM (G) Act (2025) |
|--------------|---------------------|---------------------------------------|
| Focus | Livelihood security | Livelihood + Aajeevika (Enterprising) |

Conclusion

The proactive budgeting by 24 States signifies their reliance on rural employment as a safety net, regardless of political affiliation. However, the delay in notifying the "normative formula" creates a fiscal vacuum. For VB-GRAM to succeed, the formula must balance "Equity" (supporting poor states) with "Efficiency" (not penalizing states with high demand). The transition period will test the strength of India's fiscal federalism and its ability to manage rural aspirations in a post-MGNREGA era.

UPSC Prelims Exam Practice Question

Ques: The term "Normative Allocation Formula" in public finance refers to:

- A. Allocation based on past expenditure trends
- B. Allocation based on objective need-based criteria
- C. Allocation based on political considerations
- D. Equal allocation among all States

Ans: (C)

UPSC Mains Exam Practice Question

Ques: "The shift from MGNREGA to VB-GRAM reflects a deeper transformation in India's fiscal federalism." Discuss. (150 Words)



Page 08 : GS III : Indian Economy / Prelims Exam

On February 27, 2026, the Ministry of Statistics and Programme Implementation (MoSPI) released a new series of GDP estimates, shifting the base year from 2011-12 to 2022-23. This "rebasing" is a standard statistical practice to capture structural changes in the economy, such as new industries, shifting consumption patterns, and updated data from the corporate and household sectors. While the new estimates show a slightly smaller economy (3-4% lower) than previous projections, they offer a more granular and realistic "health check" of India's growth.

New GDP series, charting the path ahead

A much-awaited new GDP series with the base year as 2022-23 is now available in the public domain. On February 27, 2026, the Ministry of Statistics and Programme Implementation came out with a press note on a new series of GDP estimates and related aggregates for the financial years 2022-23, 2023-24 and 2024-25. This addresses the long-standing demand for a more accurate and realistic picture of the size of the Indian economy by updating the base year. It overcomes the limitations of earlier estimates, which relied on the outdated 2011-12 base year.

The overall size of the Indian economy in terms of GDP as per the new series at current prices (in rupees lakh crore) is estimated to be 261.18 (financial year 2022-23), 280.84 (FY 2023-24) and 318.07 (2024-25), respectively (first revised estimate). These aggregates are marginally (between 3% and 4%) lower than what were released earlier based on the previous series. The relative shares of primary, secondary and tertiary sectors in total Gross Value Added (GVA) at current prices during 2024-25 remained at 21.4%, 25.8% and 52.9%, respectively. The manufacturing sector depicts a high growth rate (more than 9%) in real GVA for both the years: 12.7% in 2023-24 and 9.3% in 2024-25. As regards the expenditure side estimates, the share of private financial consumption expenditure in GDP is around 56%, both at current and constant prices during the years 2023-24 and 2024-25.

Major refinements in the new series

Some of the most significant refinements in the methodology adopted in the new series include: first, segregation of activities of multi-activity enterprises belonging to non-financial private corporate sector by apportioning the total GVA of the enterprise across its business activities using the corresponding revenue share information of the company available in the form of MGT 77A data (as against entire GVA being allocated to the major activity of the enterprise in 2011-12 series); second, use of a separate blown up factor at the industry x size class level, based on paid-up capital, for scaling up the GVA of the reported active companies to account for the contribution of the active companies which did not file returns; third, a comprehensive coverage of Limited Liability Partnerships (LLP) using Ministry of Corporate Affairs (MCA) data; and fourth, the use of high-frequency (annual) data on GVA per worker (GVAPW) as per the Annual Survey of Unincorporated Sector Enterprises



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Updating the ASI sampling frame and refining the ASUSE survey methodology can further enhance the accuracy and reliability of GDP and GSDP estimates

(ASUSE) in conjunction with the estimates of the number of workers utilising the information available through Periodic Labour Force Survey (PLFS) to estimate the GVA contribution of the Household Sector. In this context, it is worthwhile to mention that in the 2011-12 series, base year (2011-12) GVA estimates at the activity level for the Household Sector were extrapolated using suitable indicators to derive GVA for subsequent years.

The new series also introduces significant improvements in the estimation of real GVA through the expanded application of 'double deflation' and 'volume extrapolation' methods, bringing the estimates more in line with international guidelines. In addition, the benchmark estimates for 2022-23 private final consumption expenditure (PFCE) are now derived more directly by utilising data from the Household Consumption Expenditure Survey (HCES 2022-23), especially for items that are widely consumed across household groups and tend to exhibit low income elasticity.

The challenges ahead

Among the four institutional sectors, namely, general government, public corporations, private corporations and households for which GVA estimates are separately computed and then aggregated, the database of the first two sectors is quite robust. Coming to the private corporate sector, particularly the private non-financial corporate segment, for which GVA is compiled using the MCA database – a critical issue lies in allocating the national-level total GVA of companies across States to derive the corresponding Gross State Value Added (GSAV), given that the primary data are available only at the enterprise level.

In the 2011-12 series, total manufacturing GVA at the national level was allocated proportionately over States by using their shares in GVA as per the Annual Survey of Industries (ASI). In the new series, apart from ASI data (confining to manufacturing sector), the GST data is also available for this purpose. A major limitation with the ASI data is the inadequacy of the ASI frame. To illustrate, the number of companies in 2011-12, as on December 15, 2014, as per the MCA database classified under 'Manufacturing' was 135,802 (source: Changes in Methodology and Data Sources in the New Series of National Accounts, Base Year 2011-12, Central Statistics Office, 2015) as against only 67,649 factories covered under the corporate sector in ASI, 2011-12

(Table 7, Principal Characteristics by Type of Organisation in ASI 2011-12 (Revised)). Accordingly, the proportionate shares of different States in the total GVA derived from the ASI based on a truncated frame may not reflect the reality and hence affect the State-GDP figure. Remedial measures to improve the sampling frame of ASI by utilising the MCA and GST databases can be a step in the right direction. In parallel, a properly designed sample survey of active companies could be worth exploring to derive the percentage shares of different States in total GVA by the companies.

Resolving fluctuations

As regards the Household Sector, its GVA at the activity, i.e., 'compilation category' level in the new series is derived as the product of GVAPW as per the ASUSE and number of workers based on the Periodic Labour Force Survey (PLFS). This necessitates that the corresponding estimates from the surveys are fairly reliable. However, available results from the ASUSE indicate a certain volatility in the estimates across the years for some industries and States.

For example, the all-India annual estimates of GVAPW (rural and urban combined) as per the ASUSE (covering both household sector and 'quasi-corporate' units) for the years 2021-22, 2022-23 and 2023-24 were found to be 7163,078; 7255,447; and 7201,500, respectively, for the 'manufacture of rubber and plastic products' which is a distinct compilation category in GDP calculations.

Similarly, the annual estimates of GVAPW pertaining to the manufacturing industry in respect of Bihar were found to be 89,638; 91,021; and 91,001, respectively, for the three years. To address this problem, the methodology in the new series recommends the use of three years' moving average, wherever necessary, except for the base year. However, in resolving the issue of such fluctuations in the annual estimates of GVAPW, it may be worth exploring whether a rotating panel design in the ASUSE with a substantial overlap in the samples between any two consecutive years – similar to the procedure adopted in the PLFS – can yield better estimates.

Finally, to conclude, updating the ASI frame and refinements in the survey methodology of ASUSE can be effective in further improvement of the GDP and GSDP estimates.

The views expressed are personal

Key Highlights & Data Points

The New Scale: GDP at current prices is estimated at ₹318.07 lakh crore for FY 2024-25.

Sectoral Composition (GVA 2024-25):

Primary (Agri & Allied): 21.4%

Secondary (Industry/Mfg): 25.8% (Manufacturing grew at a robust 9.3%).

Tertiary (Services): 52.9%

Consumption: Private Final Consumption Expenditure (PFCE) remains the backbone of the economy, accounting for **56% of GDP**.

Major Methodological Refinements

The new series introduces four "game-changing" technical updates:

Multi-Activity Segregation: Instead of tagging a company's entire value to its "main" business, the GVA is now split across its various activities (e.g., a company doing both manufacturing and retail) using MGT 7/7A data.

Size-Class Scaling: It uses a more sophisticated "blown-up factor" based on Paid-Up Capital (PUC) to estimate the contribution of active companies that haven't filed returns yet.

LLP Integration: Comprehensive coverage of Limited Liability Partnerships (LLPs) using Ministry of Corporate Affairs (MCA) data.

Household Sector Accuracy: It combines ASUSE (Annual Survey of Unincorporated Sector Enterprises) data for "value per worker" with PLFS data for the "number of workers," replacing the old method of simple extrapolation.

Static Correlation

A. Understanding GDP and GVA

GDP (Gross Domestic Product): The total market value of all finished goods and services produced within a country's borders in a specific period.

GVA (Gross Value Added): Provides the sector-wise contribution to the economy (Supply side).

Base Year: A representative year used as a benchmark for calculating real growth by eliminating the effects of inflation.

B. Deflation Methods

Double Deflation: A method where both output and intermediate inputs are deflated separately by their respective price indices. This is considered the "gold standard" for calculating Real GVA.

C. Unincorporated Sector (The "Household" Sector)

This sector includes small family businesses, kirana stores, and street vendors.

ASUSE (Annual Survey of Unincorporated Sector Enterprises): A crucial survey that captures the economic contribution of the informal/unorganized sector, which is otherwise hard to track via corporate filings.

Challenges & The Path Ahead

Despite the improvements, the author highlights two critical "data gaps":

The State-Level Split: While national data is robust, allocating a company's total GVA across different States (GSVA) remains difficult. The author suggests using GST data and improving the Annual Survey of Industries (ASI) frame to fix this.

Volatility in Small Business Data: The ASUSE data shows high fluctuations (e.g., in rubber and plastics). To fix this, the series uses a three-year moving average, but the author recommends a "rotating panel design" (similar to PLFS) for more stability.

Conclusion

The 2022-23 GDP series is a landmark step toward "Data Sovereignty" and statistical transparency. By integrating high-frequency data from the MCA, GST, and ASUSE, India has moved closer to the System of National Accounts (SNA) 2008 standards. However, the reliability of India's economic narrative will depend on how well MoSPI addresses the "volatility" in informal sector data and the "allocation" of corporate profits across states. For a \$5 trillion aspiration, accurate measurement is the first step toward effective management.

UPSC Prelims Exam Practice Question

Ques: The term "Double Deflation" refers to:

- A. Adjusting GDP for inflation using CPI only
- B. Deflating both output and input separately using price indices
- C. Removing subsidy effects from GDP
- D. Adjusting nominal GDP twice for accuracy

Ans: B)

UPSC Mains Exam Practice Question

Ques: Explain the methodological improvements introduced in the latest GDP series. How do they enhance the accuracy of economic measurement? (150 Words)

Quality education

Page 10 : GS II : International Relations / Prelims Exam

The military escalation between the U.S.-Israel alliance and Iran on February 28, 2026, has triggered a "black swan" event in global trade: the closure of the Strait of Hormuz. As a chokepoint for 20% of global oil, its blockage has pushed crude prices above \$110 per barrel. This crisis is forcing a radical recalibration of international relations, turning former "pariah" states like Russia into essential market stabilizers and testing the fiscal resilience of energy-dependent giants like India and China.

Oil, power, and politics of disruption

The closure of the Strait of Hormuz disrupts a vital artery of the global economy, triggering price increases and turmoil in energy markets as supply shocks reshape the geopolitics of energy, countries like India, the U.S., and Russia recalibrate strategies amid shifting oil flows and rising dependence.

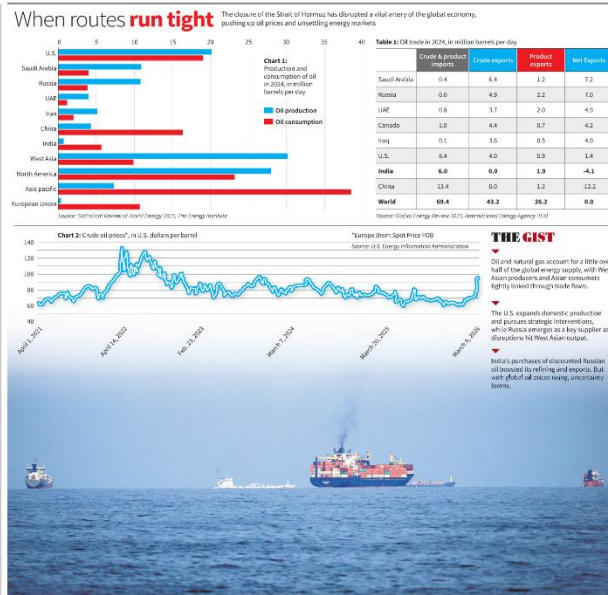
ECONOMIC NOTES
Jayan Jose Thomas

The blue waters of the Strait of Hormuz, connecting the Persian Gulf to the Arabian Sea, form a vital artery of the global economy. Through this narrow gateway—stretching just 21 km at some points—pass ships carrying nearly a fifth of the oil that is traded worldwide. After the U.S. and Israel launched a military campaign against Iran on February 28, Iran blocked ships passing through the Strait, leading to price increases and turmoil in energy markets.

Global energy flows
Oil and natural gas account for a little over half of the global energy supply (with coal, renewables, and other sources accounting for the rest, according to IEA data for 2024). They fuel vehicles from trucks to airplanes, produce electricity and cooking gas, and provide critical raw materials for industries. West Asian countries around the Persian Gulf, notably Saudi Arabia, the UAE, and Iran, are among the largest producers of crude oil and natural gas. At the same time, some of the largest energy consumers are in East and South Asia, particularly China, India, and Japan. Still, these countries have limited domestic oil reserves to power their growing economies (though China is a major natural gas producer) (Chart 1). They depend on crude and natural gas imports from West Asia, much of which passes through the Strait of Hormuz.

America and West Asia
The concentration of energy reserves, especially oil, in a few regions has been the primary trigger for some of the long-standing and intense contests between global powers. Aside from the Persian Gulf countries, only a few nations—the U.S., Russia, Venezuela, and Canada—have large oil and natural gas reserves. The U.S. has been a principal player in the geopolitics of energy, both a major producer and consumer. Given the gas-guzzling sectors driving its economy, the U.S. has an average energy supply per person that is 40 times that of India and 24 times that of China. The hunt for more energy has been one of the primary motives of the U.S. international policies. Control over oil in West Asia shifted from large American and European firms to state-owned national oil companies since the 1970s, with Arab members covering greater influence within the Organization of the Petroleum Exporting Countries. The U.S. response has been twofold: it increased domestic production by drilling more shale oil, especially since the mid-2000s, making it the world's largest oil producer, and it tried to mould the geopolitics of oil in its favour through strategic interventions, including the Gulf War (1990-91), the Iraq War (2003-11), recent action in Venezuela (2020), and the ongoing U.S.-Israel war with Iran.

Although current production levels are modest, Venezuela and Iran together account for 30% of the world's proven oil reserves. The promise of future oil is what makes these countries strategically important, especially in the profit projections of U.S. President Donald Trump. However, the closure of the Strait of Hormuz has, at least in the short term, upset Mr. Trump's calculations and made Russia an unintended beneficiary of the energy turmoil, following the



Russia-Ukraine war in 2022, Russia became a pariah in the West, especially Europe, and trade sanctions have long stifled its oil trade. But suddenly, as oil production capabilities in West Asia take a hit, Russian oil has become crucial for stabilising energy prices. Outside West Asia, Russia is the only country with a large tradable oil surplus (Table 1).

Russian oil and India
The oil markets are deeply interlinked. Even a ripple in a corner of the market can gather itself into a tumultuous wave. India is the world's second largest importer of crude oil and the third largest consumer. Supply disruptions result in higher prices for essential goods and services in India. At the same time, India's actions in the oil market significantly impact global oil prices.

European countries, with limited domestic oil and natural gas reserves, have traditionally relied on energy

imports, mainly from Russia, to withstand the frigid winters. But with sanctions on Russian products imposed since 2022, Europe has had to seek new energy sources, mainly in West Asia.

In this context, India began purchasing Russian oil at discounted prices. The share of Russian imports in India's oil purchases increased dramatically—from 2.5% in 2021 to 35.0% in 2023. Notice that crude oil is processed in refineries to convert it into a range of products, including petrol, diesel, LPG, and petrochemicals. While dependent on imported crude, China and India have built large refining capacity and export a portion of their refined oil product.

Some Indian refiners have made large profits by exporting products processed from discounted crude.

Despite their protestations, Western leaders quietly welcomed the stability in oil prices that resulted when demand from India was partly diverted to sanctioned Russian oil since 2022 (Chart 2).

Under strain
Today, with the Strait of Hormuz closed and oil prices crossing \$100 a barrel, the U.S. is desperate to see greater purchases of sanctioned Russian oil, which has long been manoeuvred at sea, to calm the markets.

A week, indeed, can be a long time in international politics. As tensions prod in West Asia, the global energy order could be reshaped.

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THE GIST
Oil and natural gas account for a little over half of the global energy supply, with West Asian producers and Asian consumers tightly linked through the Strait of Hormuz.

The U.S. expands domestic production and pursues strategic interventions, while Russia emerges as a key supplier as disruptions hit West Asian export.

India's purchases of discounted Russian oil boosted its refining and exports. But with global oil prices rising, uncertain, income.

Key Highlights of the Report

The Chokepoint: The Strait of Hormuz is only 33 km wide but carries nearly a fifth of global traded oil. Its closure essentially "decapitates" the primary supply line from the Persian Gulf to Asia.

Russia's Re-emergence: Following the 2022 Ukraine conflict, Russia was sanctioned by the West. However, the Hormuz closure has made Russian oil the only viable large-scale alternative. Paradoxically, the U.S. now quietly favors increased purchases of "marooned" Russian oil to prevent a global economic meltdown.

India's Strategic Pivot: India has shifted its oil basket significantly, with Russian imports rising from **2.5% in 2021 to 39% by 2023**. Indian refineries are now "middlemen," processing discounted crude into refined products for global markets.

The Trump Factor: U.S. policy under President Trump (2026) aims to control future reserves in Venezuela and Iran, but the current blockade has disrupted these long-term profit projections.

Static Correlation

A. Geography: Maritime Chokepoints

Strait of Hormuz: Connects the **Persian Gulf** and the **Gulf of Oman**. It is the world's most important oil transit chokepoint.

Other Critical Straits:

Bab-el-Mandeb: Connects the Red Sea to the Gulf of Aden.

Strait of Malacca: Vital for India and China's trade with East Asia.

Suez Canal: Connects the Mediterranean to the Red Sea.

B. Economics: Oil Pricing & India's Macroeconomy

Brent Crude: The international benchmark for oil prices.

Current Account Deficit (CAD): Since India imports ~85% of its oil, a price surge above \$110 leads to a widening CAD, weakening the Rupee and causing **Imported Inflation**.

Strategic Petroleum Reserves (SPR): India maintains underground salt caverns (Visakhapatnam, Mangaluru, Padur) to hold oil stocks for ~9.5 days of consumption to mitigate such supply shocks.

C. International Relations: Energy Diplomacy

The "Double Game": The analysis shows how Western nations criticize Russian oil purchases publicly while relying on those same flows to maintain global price stability.

Strategic Autonomy: India's decision to buy Russian oil despite Western pressure is a prime example of "Strategic Autonomy"—prioritizing national interest (energy security and inflation control) over bloc politics.

Comparison of Energy Giants (IEA/Author Data)

Daily News Analysis

| Feature | United States | India | Russia |
|-------------------------|-------------------------------|------------------------------------|-----------------------------------|
| Role | Largest Producer & Consumer | 2nd Largest Importer | Largest Tradable Surplus |
| Energy Intensity | 10x per person vs India | High growth, low per capita | Export-dependent economy |
| Current Strategy | Intervention & Shale drilling | Diversification & Refining exports | Market stabilization (Unintended) |

Conclusion

The "Strait of Hormuz Crisis" of 2026 underscores a fundamental truth: geopolitics follows the pipes. The closure has proven that sanctions are luxury tools of peacetime; in a true energy crunch, economic survival trumps political moralizing. For India, this crisis validates its multi-alignment strategy but also highlights the urgent need to accelerate the Green Energy Transition to reduce dependency on volatile maritime corridors.

UPSC Prelims Exam Practice Question

Ques: The term "Strategic Autonomy" in India's foreign policy refers to:

- A. Aligning with Western democracies
- B. Maintaining neutrality in all conflicts
- C. Taking independent decisions based on national interest
- D. Avoiding all military alliances

Ans: C)

UPSC Mains Exam Practice Question

Ques: Examine how the ongoing West Asian conflict has altered global power dynamics, particularly the role of Russia as an energy supplier. **(250 Words)**

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The Mahad Satyagraha, led by Dr. B.R. Ambedkar on March 20, 1927, was not merely a protest for water; it was a revolutionary claim to "human-ness." By drinking from the Chavdar Tale (Tasty Tank), Ambedkar challenged millennia-old social hierarchies. While the 1930 Salt Satyagraha fought an external colonial power, Mahad fought an internal social "sickness." As the centenary approaches in 2027, the Republic faces a moment of "honest reckoning" regarding the lived reality of Article 17 (Abolition of Untouchability).



FULL CONTEXT

Before salt, there was water: why Mahad Satyagraha deserves its centenary

The republic must mark the centenary of the Mahad Satyagraha with the seriousness it deserves; it calls for a year of honest reckoning to ask whether the constitutional promise of dignity and freedom from untouchability has become a lived reality for all

Sanjeev Hegde

Think of a child in school. He is thirsty. There is water in the classroom. But he cannot drink it. Not because the water is dirty. Not because there is a rule against drinking in class. He cannot drink because the peon who is supposed to pour the water into his cupped hands, from a height, so that the vessel is not polluted by his touch, happens to be absent that day.

No peon, no water
That was the rule that governed the childhood of Bhimrao Ramji Ambedkar. He wrote about it with quiet, devastating precision in his autobiographical essay *Waiting for a Visa*, and in the fragment known as *No Peon, No Water*. He and his siblings, travelling to meet their father, arrived at a railway station parched with thirst. No one would give them water. They were Mahars. They were "untouchable." The public tap was not for them.

Let that image stay with you for a moment: small children, thirsty, surrounded by water, unable to drink. Not in a desert, but in a school. Not in a time of famine, but in a time of plenty. That boy grew up. He went to Columbia. He went to the London School of Economics. He read law at Gray's Inn. And then he came home and walked to a water tank.

What happened at Mahad
On March 20, 1927, Ambedkar led a procession of thousands through the streets of Mahad, a small town in the Konkan, in the Bombay Presidency. Their destination was the Chavdar Tale, a public water tank. The Bombay Legislative Council passed the Bole Resolution in 1923, and the Mahad Municipality opened the tank to the depressed classes in 1924. But resolutions on paper and water in the trough are different things. The upper castes ensured that the resolution remained a dead letter.

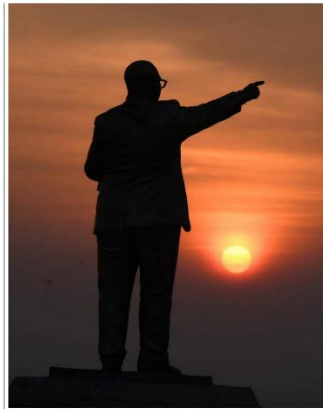
Ambedkar walked to the tank. He bent down. He drank.

Thousands followed him — men, women, children. They drank. For

perhaps the first time in their lives, they drank water from a public source as a matter of right, not as an act of stealth or charity. And then the violence came. Honourous spread that the satyagrahis intended to sever the *Vereshchagin* temple. Returning delegates were attacked in the streets, in their bullock carts, in their villages. The tank was "purified" with cow dung and urine, as though human dignity were a contaminant that could be washed away. When Ambedkar returned to Mahad in December 1927 for a second conference, he brought with him not just the resolve to drink water again but a deeper symbolic intent. On December 25, 1927, the conference publicly burned a copy of the Manusmriti. That fire was not a mere gesture. It was a declaration that the future republic, if it was to mean anything at all, would rest on rights, not on graded inequality codified in ancient texts.

Ten years in court

What followed the satyagraha was as instructive as the satyagraha itself. The upper castes of Mahad did not merely resort to violence. They also went to court.



On March 20, 1927, Ambedkar led a procession of thousands through the streets of Mahad. J. L. P. PHOTO

On December 12, 1927, even before the second conference began, Hindu residents filed a civil suit in the Kolaba District Court seeking a temporary injunction to prevent the depressed classes from using the Chavdar tank. The injunction was granted on December 14, 1927.

Ambedkar, true to his belief in constitutional methods, chose to respect the court's order while continuing his conference. He addressed the gathering. He burned the Manusmriti. But he did not go to the tank.

The litigation dragged on for a decade. It passed through the trial court at Mahad and then the court of the Assistant Judge at Thana. At every stage, the courts held that the plaintiffs had failed to establish any immemorial custom entitling caste Hindus to exclude untouchables from the tank.

The case finally reached the Bombay High Court, where it was decided on March 17, 1937, by Justices Bromfield and M. J. Shukla in *Narhari Damodar Vaidya v. Bhimrao Ramji Ambedkar*. Justice Bromfield, in a passage that deserves to be remembered, held that the appellants had not established the immemorial custom they had alleged. The tank belonged to the municipality. It was public property. The untouchables had every right to use it.

A man led a procession to drink water from a public tank in 1927. It took until 1937 for the courts to confirm that he was entitled to do so.

The law vindicated Ambedkar. But the fact that vindication took a decade tells its own story about the depth of the resistance he faced.

the Constitution. The architecture of Part III bears the watermark of Mahad.

Article 15, which prohibits discrimination on grounds of caste and specifically addresses access to wells, tanks, bathing ghats, and places of public resort, reads as though Ambedkar had the Chavdar tank before his eyes.

Article 17, which abolishes untouchability and makes its practice a punishable offence, is the Mahad Satyagraha transcribed into constitutional text.

The Dandi March gave India the aspiration for Swaraj. Mahad gave India the grammar of equality. Swaraj could have been written by many hands. The grammar of equality could only have been written by one who had been denied water as a child.

The case for a centenary

The 100th anniversary of the Mahad Satyagraha falls on March 20, 2027. We are now in the 99th year. If this republic has any sense of its origins, any honest memory of the struggles that gave it a Constitution, it must mark this centenary with the seriousness and grandeur it deserves.

I would propose a year-long commemoration beginning on March 20, 2026, and culminating on March 20, 2027, with a grand gathering at the Chavdar tank. Let citizens of every caste, creed, and class come to Mahad and drink together. Let it be a constitutional baptism: a re-immersion in the founding promise that no Indian shall be diminished by the accident of birth. But let us not stop with only ceremonies.

Let the centenary year become a year of honest reckoning. Let us ask whether the child to a government school in rural India today, the Dalit boy, the Advait girl, truly lives free of the "no peon, no water" principle, or whether that principle has merely found new vocabularies while retaining its venom.

Let us ask whether the manual scavenger who cleans our sewers with bare hands occupies a fundamentally different position from the Mahars barred from the Chavdar tank. Let us ask whether the constitutional text has become the reality of the republic.

The centenary must be a call for true equality for all, for the last, the least, and the lost. For every Indian whom the lottery of birth still consigns to a life of diminished citizenship, of invisible labour, of social suffering that is too familiar to even register as injustice any more. The waters of the Chavdar tank must flow again, not as historical memory but as lived commitment.

Ambedkar did not merely draft a Constitution; he was also proven by walking to a tank in a small town and drinking water from it, that those for whom he would one day write that Constitution were human enough to drink. That act, radical and simple and slanting, remains the foundational moment of Indian constitutionalism. It came before Dandi. In what it demanded, and of whom it demanded it, it went deeper than Dandi.

And in the unfinished business of Indian equality, it still awaits its full redemption. The centenary approaches. Let the republic remember, lest it forget. *Sanjeev Hegde is a senior Advocate practising in the Supreme Court*

Key Historical & Legal Milestones

The "No Peon, No Water" Prelude: Ambedkar's childhood experience of being denied water at school without a high-caste peon to pour it formed the emotional core of this movement.

The Bole Resolution (1923): A legislative move to open public places to "depressed classes," which remained a "dead letter" until the Mahad march transformed law into action.

The Symbolic Fire (Dec 25, 1927): During the second conference at Mahad, the Manusmriti was publicly burned, signaling a break from "graded inequality" toward a future based on rights.

The Judicial Battle (1927–1937): A decade-long litigation followed. It culminated in the Bombay High Court ruling (*Narhari Damodar Vaidya v. Bhimrao Ramji Ambedkar*) which affirmed that the tank was public property and access was a right, not a "pollution."

Comparison: Salt Satyagraha vs. Mahad Satyagraha

Daily News Analysis

| Feature | Salt Satyagraha (1930) | Mahad Satyagraha (1927) |
|---------------------|-------------------------------------|---|
| Target | External Oppressor (British Empire) | Internal Oppressor (Caste Hegemony) |
| Objective | Political Freedom (Swaraj) | Social Dignity & Equality |
| Nature of Challenge | Economic Apparatus (Salt Tax) | Civilizational Sickness (Untouchability) |
| Legacy | Challenged Colonial Legitimacy | Formed the "Grammar of Equality" for the Constitution |

Static Correlation: The "Watermark" on the Constitution

The Mahad Satyagraha directly informed the drafting of Part III (Fundamental Rights).

Article 15(2): Specifically prohibits discrimination regarding access to shops, public restaurants, hotels, and places of public entertainment; or the use of wells, tanks, bathing ghats, roads, and places of public resort. This is a direct legal response to the Chavdar Tank denial.

Article 17: The absolute abolition of "Untouchability." Unlike other rights that can be restricted, this is an absolute mandate, reflecting the non-negotiable dignity sought at Mahad.

Constitutional Morality: Ambedkar's insistence on using the courts (1927–1937) despite social violence highlights his belief in Constitutional Methods over anarchy—a theme he emphasized in his final Constituent Assembly speech.

The Centenary Proposal: 2026–2027

The author proposes a "Year of Reckoning" to evaluate if the "Constitutional Promise" has met the "Social Reality."

The Manual Scavenging Crisis: Despite legal bans, the persistence of manual cleaning of sewers is a modern-day extension of the "untouchability" logic.

Educational Access: Reports of Dalit children still being segregated during mid-day meals or denied water in certain rural pockets suggest the "No Peon, No Water" principle survives in "new vocabularies."

Conclusion

The Mahad Satyagraha was the first time "the last, the least, and the lost" of India drank water as a matter of right, not stealth. If Dandi gave India the "aspiration for Swaraj," Mahad gave it the "logic of Justice." As the nation moves toward the centenary on March 20, 2027, the celebration must go beyond ceremonies to ensure that no Indian is diminished by the "lottery of birth."

UPSC Prelims Exam Practice Question

Ques: The Bole Resolution (1923) is related to:

- A. Abolition of Zamindari
- B. Opening of public spaces to depressed classes
- C. Civil Disobedience Movement
- D. Formation of Constituent Assembly

Ans: B)

UPSC Mains Exam Practice Question

Ques: "The Mahad Satyagraha was not merely a protest for water but a struggle for human dignity." Discuss. **(250 Words)**



AI-powered tax governance in India and its challenges

A key tax policy challenge facing India has been the low tax-Gross Domestic Product (GDP) ratio and high levels of tax evasion. On average, during 2001-22, India's tax-GDP ratio (16.36%) was the lowest among emerging and developing economies. India loses around 4.3% of tax revenues due to tax evasion annually. At the India AI Impact Summit (February 2026), global leaders and tech titans hailed India's progress in utilising the power of Artificial Intelligence (AI) to solve real-world problems.

One problem area where the application of AI is worth examining is tax revenue mobilisation and tax governance. In this context, India's Income Tax Department (ITD)'s Project Insight (PI) initiative – aimed at leveraging AI and data analytics to strengthen tax administration and revenue mobilisation – warrants critical examination.

The benefits

Launched in 2017 and fully operational in 2019, the PI aims to encourage voluntary tax compliance, reduce high-risk cases of potential tax evasion, make tax enforcement fairer and equitable, and reduce prejudice in tax enforcement.

The PI has three components. The Income Tax Transaction Analysis Centre (INTRAC) is the analytical engine that utilises AI and advanced data analytics to process financial data from multiple sources, including banking and financial institutions, property and securities transactions, credit card and GST payments, and high-value purchases, to generate a 360-degree taxpayer financial profile.

Such information helps the ITD detect inconsistencies between taxpayers' declared income and their actual financial activities. The Compliance Management Centralized Processing Centre ensures behavioural compliance using information from the INTRAC. It nudges taxpayers who have filed incorrect tax returns to file correct returns using the Non-intrusive Usage of Data to Guide and Enable (NUDGE) strategy, which involves sending SMS or email reminders to the person pay taxes that match their actual economic activities. Taxpayers can either submit a revised tax return or stand by the initial returns



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Artificial Intelligence in India's tax administration is improving outcomes, but safeguards are needed

they filed. Deploying AI in tax administration has several benefits. First, it can assist tax agencies in accurately assessing taxpayers' risk profiles and identifying tax evasion. Second, it enables tax administrators to prioritise tax evasion cases based on the size and sophistication of evasion. Third, AI can automate routine tax administration tasks, freeing tax administrators to focus on those that require greater human judgment. Fourth, AI can enhance taxpayer services by assisting taxpayers with filing correct tax returns, answering queries through smart chatbots, and preventing tax scams.

Outcome of PI initiative, concerns and risks

The PI is beginning to show the results. After receiving nudges, many taxpayers utilised the ITD's updated-return feature to make voluntary changes to their original tax returns. Since 2020-21, over one crore revised returns have been filed, resulting in an additional ₹11,000 crore in taxes. Out of the 19,501 taxpayers contacted by the ITD as part of a targeted Foreign Income and Assets NUDGE campaign, 62% of them corrected the information originally reported in their tax returns. Also, 30,161 tax filers declared overseas assets totalling ₹29,208 crore and foreign income of ₹1,089 crore from cryptocurrencies or virtual digital assets.

The NUDGE campaign covering 6.25 lakh taxpayers resulted in corrections of false claims for income-tax deductions amounting to ₹963 crore for political donations, and the payment of additional taxes to the tune of ₹410 crore. The average time taken to process a tax refund has decreased from 93 to 17 days. Recently, using big data analysis and AI tools, the ITD discovered that restaurants across India had suppressed sales turnover of ₹70,000 crore since 2019-20 using sophisticated methods such as selective deletion of cash invoices, post-billing modifications, wiping of sales data, and manipulation of bill value.

Many advanced countries, such as Australia, Italy, the United Kingdom and the United States have successfully implemented AI-enabled platforms modelled on the PI and have generated additional revenue.

As India transitions to algorithmic tax

governance, several operational, ethical, and legal issues require serious attention.

The first is about data provenance and quality. AI systems such as the PI are only as good as the data they are trained on. They could identify outliers, but cannot always distinguish evasion from legitimate complexity. Data on variable-income professionals using prior savings, clerical errors, or joint family financial structures can trigger false positives. Without accessible human review, taxpayers must prove the legitimacy of flagged patterns.

The second is on the algorithmic bias. AI models trained on historical enforcement data can unintentionally duplicate existing socio-economic or geographic biases, identifying tax fraud more often in some taxpayer or geographic areas than others, as demonstrated by the Dutch childcare benefits scandal.

The third is on the issue of explainability and due process. For an AI-based tax compliance system to be legitimate, taxpayers need to know why they were identified, how their information is used, how the system arrives at its decisions, and have a clear, easy way to challenge decisions. There must be a human-in-the-loop evaluation for any decision with serious consequences for taxpayers.

The fourth is about the concerns over data privacy and security. Accessing sensitive financial and personal information about taxpayers creates a big attack surface for potential exploitation.

There is no ombudsman

Finally, India lacks an AI ombudsperson to review contested decisions, a requirement for algorithmic impact assessments and public reporting of false-positive and appeal-success rates, and external audits of risk-scoring models.

Without such strong AI governance guardrails outlined above, the PI might turn into a hidden surveillance system that compromises accountability and tax system fairness, making taxpayers less trusting and more resistant. India must make a clear choice: to pursue a modern tax intelligence system that is both ethical and effective.

The views expressed are personal

GS Paper III : Indian Economy

UPSC Mains Exam Practice Question: "Project Insight represents a paradigm shift from intrusive tax enforcement to intelligent compliance management." Discuss. **(250 Words)**

Context : Historically, India has struggled with a low tax-to-GDP ratio (averaging ~16.36% between 2001-22) and significant tax evasion (estimated at 4.3% of revenue annually). In the digital era, the Income Tax Department (ITD) is transitioning from traditional, intrusive enforcement to a data-driven, non-intrusive approach. At the forefront of this shift is Project Insight, which utilizes AI and Big Data to bridge the "tax gap" and modernize India's fiscal governance.

Core Framework: Project Insight (PI)

Launched in 2017 and fully operational by 2019, Project Insight is the "brain" of India's algorithmic tax governance.

Key Components

INTRAC (Income Tax Transaction Analysis Centre): The analytical engine that creates a 360-degree profile of taxpayers by integrating data from PAN, Aadhaar, GSTN, property registrations, and credit card transactions.

Compliance Management Centralized Processing Centre (CMCPC): Based in Bengaluru, it handles automated verifications and communications.

NUDGE Strategy: Standing for Non-intrusive Usage of Data to Guide and Enable, it uses behavioral economics to send SMS/email alerts to taxpayers whose filings mismatch their actual expenditure.

The Benefits: Efficiency and Outreach

The application of AI in taxation has yielded tangible results:

Increased Revenue: Over one crore revised returns have been filed since 2020-21, generating an additional **₹11,000 crore**.

Detection of Sophisticated Fraud: Recently, the ITD uncovered suppressed sales of ₹70,000 crore by restaurants using "selective deletion" of digital invoices.

Improved Service: The average time to process tax refunds has plummeted from 93 days to 17 days.

Tax Base Expansion: Identification of high-value transactions (e.g., overseas assets or crypto income) has forced a larger section of the "shadow economy" into the tax net.

Critical Challenges and Risks

The transition to "Algorithmic Governance" is not without friction:

| Challenge | Impact |
|-------------------------------|--|
| Data Quality | AI may flag legitimate financial complexities (like joint family structures) as evasion, creating "false positives." |
| Algorithmic Bias | If trained on historical data, models might unintentionally target specific geographic or socio-economic groups. |
| Explainability | Taxpayers often don't know <i>why</i> they were flagged, violating the principle of due process. |
| Privacy & Security | Creating a massive centralized repository of sensitive financial data increases the risk of data breaches. |
| Lack of Oversight | India currently lacks an AI Ombudsperson or a legal requirement for external audits of risk-scoring models. |

Static Perspective

Article 265: No tax shall be levied or collected except by authority of law.

Direct vs. Indirect Tax: Direct taxes (Income Tax) are progressive; Indirect taxes (GST) are regressive. AI is being used across both via GSTN and Project Insight.

Behavioral Economics: The "Nudge Theory" (pioneered by Richard Thaler) is central to the PI initiative, moving away from the "command and control" model to voluntary compliance.

Digital Governance: PI aligns with the National Strategy for AI and the Digital India Mission.

Conclusion

AI is a double-edged sword for Indian tax governance. While it offers a powerful solution to the chronic problems of low tax compliance and manual inefficiency, it risks becoming a "black box" of surveillance without adequate safeguards. To ensure a fair and equitable tax system, India must introduce human-in-the-loop evaluations, algorithmic transparency, and a dedicated AI grievance redressal mechanism. The goal should be a modern tax intelligence system that is as ethical as it is effective.

