



Key announcements

Infrastructure

- National Infrastructure Pipeline of INR 103 trillion launched on 31 December 2019, consisting of 6,500+ projects across sectors viz housing, safe drinking water, access to clean and affordable energy, healthcare for all, modern railway stations, irrigation projects
- Development of five new smart cities under public private partnership
- Accelerated development of highways to be undertaken including development of access control highways, economic corridors, coastal and land port roads, and strategic highways
- Considering of listing at least one major seaport on stock exchange
- Boost to inland waterways by promoting economic activity alongside river- banks called as Arth Ganga
- To widen the Udaan scheme by developing 100 airports by 2024
- Policy to be announced for development of data centre parks by private sector
- National Logistics Policy to create a single window e-logistics market, generate employment, and make MSMEs competitive
- Proposal to create additional warehouses per warehouse development and regulatory authority

Direct tax

- Proposal to exempt income of eligible sovereign wealth funds, in the nature of dividend, interest, and long-term capital gains, arising from debt or equity investments in a company engaged in developing, and/or maintaining and operating an infrastructure facility before 31 March 2024 and with a minimum lock in period of 3 years eligibility criteria for such funds prescribed
- Proposal to extend tax pass through status to private unlisted Infrastructure Investment Trust (InvIT) as well; aligns with latest change in the Securities and Exchange Board of India regulations

Indirect tax

- Blanket exemption on import of specified goods for construction of roads withdrawn; these goods to now attract applicable Basic Custom Duty (BCD)

Oil & Gas

- Upstream sector alongwith city gas distribution covering 137,000 sq km have been awarded to private sector and central public sector enterprises for exploration, under the Open Acreage Licensing Policy (OALP)
- National gas grid system proposes an expansion of 51% from present 16200 kms to 27000 kms. Further, reforms are being undertaken to introduce transparency in the gas prices and distribution

Direct tax

- Option to choose reduced corporate tax rate of 15% is extended to domestic companies engaged in generation of electricity, which are incorporated after 1 October 2019 and commences production of electricity before 31 March 2023
- Income accruing or arising to Indian Strategic Petroleum Reserves Limited under an arrangement for replenishing crude oil in its storage facility, in pursuance of directions of Central government is exempt from tax, subject to replenishment of crude oil within three years

Indirect tax

Key changes in customs duty rates:

S.no	HSN	Product description	From	To
1	2710	Very Low Sulphur Fuel Oil (VLSFO)*	10%	NIL
2	2710	Naptha imported by Ratnagiri Gas and Power Private Limited for use in generation of electricity at its Dabhol Power plant	NIL	4%
3	2710	Naptha imported by generating importing company fir generation of electrical energy	NIL	4%
4	2713 1210/1290	Calcined petroleum coke	10%	7.5%

*Of the quality meeting ISO 8217:2017RMG 380 Viscosity 220-400 CST Standard Marine Fuel 0.5 % (FO), when used by specified vessels

- In addition to the above, effective BCD rate of butane and propane shall now be 2.5%

Power and utilities

- Budget proposes setting up large solar power capacity along railway tracks on land owned by Railways

- Big Push for solar power for farming and for fallow lands on extension of Kisan Urja Sanrakshan Evam Utthan Mahabhiyan (KUSUM), with an allocation of INR 1000cr
- Thermal plants to be shut down in case not meeting emission norms
- Smart metering i.e. pre-paid meters replacing conventional energy meters for electricity distribution proposed, benefitting DISCOMS

Direct tax

- On income tax front, business of generation of electricity proposed to be included in 'business of manufacture of production of article or thing' for purposes of section 115BAB. Consequently, new domestic power companies (incorporated on or after 1 October 2019) to be eligible for reduced base corporate tax rate of 15 percent, provided electricity generation is commenced by 31 March 2023

Indirect tax

- Tariff rate on solar cells (whether assembled or not in modules or panels) increased from Nil to 20 percent; however, full exemption from BCD to continue thereby retaining the effective rate as Nil
- BCD exemption on import of electrical energy withdrawn; such electrical energy to now attract BCD at INR 2,000 per 1,000 KWH; no change in concessional rate of BCD on import of electrical energy originating from Nepal/ Bhutan or SEZ to DTA
- BCD rate on goods required for high voltage power transmission project increased from 5 to 7.5 percent; simultaneously concession on BCD rate for parts and components of such goods withdrawn

Other tax proposals

- Dividend Distribution Tax abolished and shifted the tax incidence in the hands of the recipient. Distribution companies will be required to withhold tax at rates prescribed under domestic law (subject to treaty benefits for non – residents)
- Extension of the sunset date to 30 June 2023 for concessional rate of tax withholding (i.e., 5 percent) on interest on foreign borrowings and municipal debt securities in respect of loans
- Tax dispute resolution Scheme introduced for settlement of tax disputes pending before different authorities to help de-clog the legacy litigation
- Exemption from filing income tax returns by non-residents till now available to those having income from interest and dividend now extended to income of non residents from royalties and fee for technical services where full amount of tax has been deducted at source
- Provision of interest limitation to not apply on interest payable in respect of debt availed from Permanent Establishment (PE) of non-resident banks in India
- Due date for Transfer Pricing (TP) Compliance and TP documentation proposed to be amended to one month prior to due date for filing of return of income
- Amendment proposed to include rules relating to attribution of profit to PE as part of the Safe Harbour Rules and in Advance Pricing Agreement

- Dispute Resolution Panel route also available for disputes other than computation of income
- Customs Act has been amended to prevent misuse of duty exemption benefits under the preferential tariff regime under Free Trade Agreements with developing countries by introducing stringent time bound verification process

Impact

- Increased budget allocation to MNRE's shall improve financial assistance and boost schemes such as solar parks, roof top solar, off grid renewable energy sector
- Proposal to set up large solar power capacity alongside rail tracks on land owned by Railways shall prove a saving point for railways for lower procurement cost of power
- Reduced tax rate of 15% for new power generating companies coupled with erstwhile MAT reduction rate shall bring down effective rate in the range of 8% -9%.
- Installation of pre paid smart meters replacing conventional meters provides customers a right to choose suppliers with a transparent tariff rate. Opportunity to multiple licensees to provide better rates than commercial tariff rates
- Shall improve collection efficiency
- Improve overall operations cost of DISOMS with better grid management
- De-commissioning of thermal power plants not meeting norms is to be planned and also for covering up the loss for the power generated through such plants

For additional information or queries, please feel free to reach out to our tax partners:

Mr. Shahid Khan (Senior Partner - Direct Tax) at shahid.khan@kochhar.com and

Ms. Shampa Bhattacharya (Partner - Indirect Tax) at shampa.bhattacharya@kochhar.com

We trust that you will find our newsletter informative and useful.

Best regards,
Corporate Relations Desk
Kochhar & Co.

DISCLAIMER: The material has been prepared for general information purpose only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to the appropriate advisor for any specific matter.

New Delhi Office - 11th Floor, Tower A, DLF Towers Jasola, Jasola District Center, New Delhi – 110025
Tel: +91 11 41115222, Fax: +91 11 40563813 email: info@kochhar.com

Gurgaon Office - 3rd Floor, Tower-B, Ocus Technopolis Building, Sector-54 DLF Golf Course Road
Gurgaon-122002, Haryana, Tel.: +91-124-4545222, Fax: +91-124-4375596 email: info@kochhar.com

**New Delhi | Gurgaon | Mumbai | Bangalore | Hyderabad | Chennai
Dubai | Singapore | Atlanta | Jeddah (affiliate office)**

If you do not wish to receive our newsletter and legal updates in the future,
please reply to this email with a subject line: **Unsubscribe**

