GUEST COLUMN

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FOCUS ON CONSUMPTION AND INVESTMENT BOOST

The economy has made significant progress in combating inflation in recent years. India has emerged as the fastest growing major economy in the world. Over the last four years, inflation has averaged just over 4 per cent. In the last calendar year GDP grew at an average of 7.2 per cent. Mergers and Acquisitions (M&A) activity in the country has reached $82.1 billion in 2018, whereas Index of Industrial Production (IIP) rose 5.6 per cent year-on-year in April-October 2018. Focused reforms on doing business have helped India move up the rankings on Ease of Doing Business by 23 places to 77th position.

The expectations from the Interim budget 2019-2019 are:

1. Re-introduction of Accelerated Depreciation

■ To provide a level playing field for SME and small investors and to continue diversity in investments in the RE sector:
■ Accelerated depreciation should be re-introduced @ 80 per cent for windmills and solar projects to retail investors with project size less than 25 MW. This will also benefit Central Public Sector Enterprises (CPSEs)

2. Additional Depreciation & Concessional Rate of Tax

■ Activity of generation and distribution of power should be included in provisions of section 32(1)(iia) (Additional depreciation), 32AD (Investment allowance for setting up projects in backward area of AP and Telangana) and 115BA (Section allowing assesse to opt for concessional rate of tax of 25 per cent)

3. GST Related

■ GST on services relating to setting up, power evacuation and operation & maintenance services (OMS) of a Renewable Energy Project should also be kept at 5 per cent (that is the same GST rate as applicable on renewable energy equipment) from the present 18 per cent.
■ Tax the services for Balance of Plant (BOP) that is, the services required for setting up and power evacuation of Renewable Energy Project, at the rate of 5 per cent.
■ Tax Operations & Maintenance Services (OMS) at the rate of 5 per cent

4. Concessional Rate / Preferential Rate of Finance – 2 per cent rebate

■ RE sector is growing, however cost and availability can potentially impact viability, hence concessional rate/ preferential rate of Finance is required with 2 per cent rebate
■ The benefit will come directly to consumers by keeping the energy prices low.

5. Export incentive to achieve anufacturing target of 10,000 MW+ per annum

■ Increase export incentive from 2 per cent to 6 per cent, to make Indian exports competitive in the global market
■ Mandate Power Finance Corporation (PFC) and Indian Renewable Energy Development Agency Limited (IREDA) to allow issuance of line of credits to OEMs for exports from India

6. Exemption from Payment of MAT

■ Restoration of earlier provision when the profits of the undertaking engaged in the business of generation and distribution of power and infrastructure business were also allowed to be reduced from the book profits for the purpose of calculating MAT

7. Push 'Make in India' for captive / open access and ISTS charges waiver

■ To achieve Make in India successfully, allow open access and ISTS charges waiver (like SECI bidding) to all manufacturing units for their captive power requirements

8. Co-investment for farmer's scheme in FiT-based projects

■ Potential to create recurring income for farmers. These measures will enable Nation's energy security, job-creation and facilitate a low carbon economy by providing sustainable and affordable energy for all. India has the potential to become a global wind energy exporter and a manufacturing hub for renewables in a few years, if the government continues to back its commitment to achieve 40 per cent of total installed power capacity from non-fossil fuels by 2030. It is recommended that the Interim Budget continues to focus on boosting consumption and prioritise investments, specifically in manufacturing