#KPMGjosh

India Union Budget 2021-22

Point of view

Transport and Logistics

#Budget2021 #KPMGBudgetLive

Key announcements for the sector

Direct Tax

Corporate tax amendments related to the sector in the Finance Bill 2021 are as follows:

- Tax exemption to non-resident earning royalty income from lease of an aircraft from an eligible unit of International Financial Services Centre (IFSC)
- Capital gains arising to an eligible unit of IFSC from transfer of a leased aircraft or aircraft engine to a domestic company engaged in the business of operation of aircraft, before such transfer shall also be eligible for 100% deduction subject to condition that the unit has commenced operation on or before 31 March 2024
- Amendments placed to allow issuance of zero-coupon bond by notified infrastructure debt funds. Consequential amendment has been made in provisions pertaining to TDS on the same
- Rationalisation of provisions related to sovereign wealth fund (SWF) and Pension Fund (PF) to encourage their investments in infrastructure sector of India by diluting the conditions prescribed
- Exemption from TDS on payment of dividend to business trust in whose hand dividend is exempt
- Goodwill of a business or profession will not be considered as a depreciable asset
- Extending benefit of lower rates under tax treaties for foreign institutional investors (FIIs) from securities
- New scheme proposed for dispute resolution for small and medium taxpayers up to specific income threshold
- To expedite dispute resolution, Authority for Advance Ruling (AAR) is replaced by Board for Advance Ruling (BAR). BAR ruling is appealable before High Court
- To bring early certainty, time limit for re-opening of assessment (barring search/requisition cases), reduced from 6 years to 3 years for cases up to specific income threshold of INR5 million
- Taking faceless proceedings forward, Income-tax Appellate Tribunal (ITAT) also made faceless
- Rationalisation of the provisions of Equalisation Levy to exclude payments which are taxable as royalty or FTS in India. Key definitions clarified
- Eligible start-up exemption extended till 31 March 2022

Indirect taxes

- Agriculture Infrastructure and Development Cess (AIDC) proposed to be levied on specified goods like agricultural product, coal, lignite, etc. from 2 February 2021 with compensating reduction in BCD
- Customs:
  - High Speed Rail Projects to enjoy Project Imports benefit i.e. Basic Customs duty (BCD) @ 5%.
  - Various conditional exemptions under the customs proposed to have a sunset life of two years unless otherwise provided
  - Filing of Bill of Entry mandated latest by end of the day before the day of arrival of goods in India
  - Specific amendment brough in Customs Regulation to permit job work, 100% outsourcing for manufacturing of goods as a trade facilitation measures
  - BCD on safety glass, consisting of toughened (tempered) or laminated glass under tariff heading 7007, when used for motor vehicles increased to 15%.
- GST
  - With an objective of ease of doing business, requirement of getting annual accounts audited and reconciliation statement (GSTR-9C) certified by specified professional removed
  - Retrospective amendment to limit interest liability only on net cash liability in given circumstances
  - Zero-rated supplies to SEZ unit/developer will only include supplies for authorised operations
  - To curb fraud, etc., Input Tax Credit to be limited to the extent of invoices/debit notes details furnished by suppliers
  - Seizure and confiscation of goods and conveyances in transit to be a separate proceeding from recovery of tax.

Implications for the sector

A measured budget for the transport & logistics sector, with emphasis on enhancing core infrastructure investment, divestment, and private sector participation

- Allocation of a cumulative amount of INR2.3 lakh crore covering ports, roads, railways, and inland waterways is a welcome move for the development of the Indian transport and logistics sector
- Notable allocation of INR1.18 lakh crore for road infrastructure development, the highest ever outlay for Ministry of Road Transport and Highways
- The railway sector will be buoyed by an INR1.1 lakh crore allocation, with emphasis on infrastructure development and passenger safety. Continued focus evident on enhancing the modal share of railways to 45% from the existing 28% levels
- Seven privatisation projects across major ports worth more than INR2,000 crore to improve operational efficiency is a welcome move
- The budget assigned an outlay of INR1,624 crore over five years to promote flagging of merchant ships in India by providing subsidy support to Indian shipping companies in global tenders floated by Ministries and CPSEs. This initiative aims to improve the share of Indian companies in the international shipping market
- Under the Recycling of Ships Act, the budget promises to bring more ships to India from Europe and Japan. It expects to double the recycling capacity to 4.5 million Light Displacement Tonne (LDT) by 2024 and generate additional employment of 1.5 lakh jobs
- Government plans to add 20,000 buses under a new scheme and innovative PPP models to provide the necessary boost to the urban mobility logistics across metros and non-metros

- There is a continued focus on monetisation of transport and logistics assets. The launch of National Monetization Pipeline is announced which expects to include railway assets, NHAI operational toll roads, the second set of AAI airports in Tier 2 and 3 cities, and warehousing operations under CWC.

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