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India Union Budget 2020

Point of view

Transport and Logistics

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Key announcements for the sector

Direct tax

With the corporate tax rate overhaul by the Taxation Laws (Amendment) Act, 2019, no major amendments specific to the sector were announced. Some of the significant proposed changes in law are as under:

- Abolishment of Dividend Distribution Tax and shifting the tax incidence in the hands of recipient. Distributing companies will be required to withhold tax at rates prescribed under domestic law (subject to treaty benefits for non-residents)
- 100 per cent tax exemption in respect of interest, dividend and capital gains income of Sovereign Wealth Funds wholly owned by foreign government or of a subsidiary of Abu Dhabi Investment Authority in respect of investment made on or before 31 March 2024 with lock-in period of 3 years in specified infrastructure facility
- Non-residents having income only from Royalty and/or Fees for Technical Services shall not be required to file income-tax returns in India provided taxes are withheld at rates prescribed under domestic law
- Extension of concessional withholding tax rate of 5 per cent on interest on foreign borrowings and municipal debt securities in respect of loans taken up 30 June 2023
- Reduction in withholding rate on Fees for Technical Services (other than professional services) from 10 per cent to 2 per cent on payments made to residents
- E-commerce operators to withhold tax at 1 per cent on sale of goods or provision of service facilitated by it through its digital or electronic facility or platform
- Introduction of *'Vivad Se Vishwas'* Scheme (No Dispute but Trust Scheme) to reduce tax litigations across all levels by allowing settlement of dispute by payment of disputed tax only, thereby providing waiver of interest and penalty. Scheme is exercisable up to 31 March 2020 or by extended date up to 30 June 2020 (subject to additional amount)
- CBDT to issue guidelines and directions to income-tax authorities to adopt the Taxpayer's Charter enumerating taxpayer's rights. Details of the content of the Charter are yet to be notified.

Indirect tax

- Increase in Basic Customs Duty on Completely Built Unit (CBU) of commercial vehicle:
  - From 25 per cent to 40 per cent on electric vehicle

- From 30 per cent to 40 per cent on other than electric vehicle.

- Increase in Basic Custom Duty on following electric vehicles:
  - From 15 per cent to 30 per cent on Semi Knocked Down (SKD) forms of passenger vehicles, three wheelers
  - From 15 per cent to 25 per cent on Semi Knocked Down (SKD) forms of bus, trucks and two wheelers
  - From 10 per cent to 15 per cent on Completely Knocked Down (CKD) forms of passenger, two wheelers, three wheelers, bus and trucks.
- Exemption from Social Welfare Surcharge to Completely Built Unit (CBU) of commercial vehicle (including commercial electric vehicle) falling under heading 8702 and 8704
- Others:
  - Relaxation to avail input tax credit (ITC) provisions relating to time limit for availment of ITC for debit note/ credit note by omitting the reference to original invoice
  - Taxable persons engaged in making supply of services not leviable to GST, inter-state supply of services or outward supply of services through an e-commerce operator not eligible for composition schemes
  - To curb fraudulent transactions and ITC, Union Budget 2020-21 proposes to levy penalty equivalent to tax evaded (i.e. 100% penalty). Further, amends provisions related to punishment by making the offence a cognisable and non-bailable offence not only in the hands of the person who commits offence but also the person who causes the commission or retains the benefit of transactions arising out of specified offences
  - Amendment in transitional provisions retrospectively to prescribe time limit for taking transitional credit in line with the relaxation made by GST council
  - Requirement of issuance of TDS certificate by the deductor relaxed.

Implications for the sector

Transport infrastructure has a significant impact on almost all aspects of the economy. It is the backbone on which our economy runs.

- Prior to Union Budget, the government launched a massive plan of around 6,500 infrastructure projects with an outlay of INR103 lakh crore worth to be implemented jointly by the Centre, states and the private sector
- Continuing with that theme, INR1.7 lakh crore has been allocated in FY20-21 for transport infrastructure covering roads, railways, aviation, inland waterways, and ports. National Logistics Policy expected to be released soon could be a catalyst for development of the transport and logistics sector
- Accelerated development of highways is to be continued, including 2,500 km access control highways, 9,000 km of economic corridors, 2,000 km of coastal and land port roads and 2,000 km of strategic highways. The focus on building quality highways and reliable electronic tolling are critical
- New initiatives for railways have been proposed, e.g. setting up solar power capacity alongside the rail tracks, and inviting private participation in station re-development projects and operation of 150 passenger trains. This is a welcome move
- Corporatisation and listing of at least one major port is on the anvil. This could be complex though and a longer term initiative. Emphasis on inland riverine waterways for cargo and passenger traffic continues, which is aligned to the European Union and China transportation models. Boosting economic activities alongside river routes, similar to economic zones around ports proposed in Sagarmala project is proposed
- One hundred more airports are be developed by 2024 to support Regional Connectivity Scheme. This will require careful evaluation considering current performance of Udan scheme

- Continued focus and a grand vision on transport infrastructure is necessary, and in the right step
- Implementation could be an issue on many aspects, though. Raising such massive funds is challenging, which will need inviting foreign and domestic private sector and much higher level of collaboration among the Central and state governments. Monetisation of road packages, improved road toll collection through rigorous implementation of electronic tags, leveraging land parcels alongside railway assets, and disinvestment are some of the avenues to raise funds
- Finally, much enhanced participation of India's youth in construction, operation and maintenance of infrastructure assets and services is required. National Skill Development Agency and private initiatives will need to be encouraged for skilling our youth.
- The National Infrastructure Pipeline (NIP) plan is unprecedented and aspirational. If implemented right, this is a game-changer for India.

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