

Policy Updates

Power

Budget announcement

- New target for renewable energy capacity as set by the Ministry of New Renewable Energy is 175,000 MW to be achieved till 2022 (100,000 MW Solar, 60,000 MW Wind, 10,000 MW Biomass and 5,000 MW Small Hydro).
- Government proposes to auction 5 new Ultra Mega Power Projects (4,000 MW each) with clearances and linkages in place.
- The second unit of Kudankulam Nuclear Power Station will be commissioned in financial year 2015-16.
- There will be a focus on electrification of 20,000 villages by 2020 especially through off-grid solar power generation.
- Public Private Partnerships (PPP) mode of infrastructure development will be revisited and revitalized.
- National Investment Infrastructure Fund will be established with an annual flow of Rs. 20,000 crore.
- A new procurement law will be debated in the Parliament.
- Government proposes to introduce a Public Contracts (Resolution of Disputes) Bill to streamline the institutional arrangements for resolution of disputes.

Other recent policy updates

- Government to set up an independent Government company - POSOCO for reforms in power sector.
- Amendments were made to the Electricity Act, 2003 as per the proposed Electricity (Amendment) Bill, 2014 to usher in reforms in the power sector.
- Integrated Power Development Scheme ('IPDS') for strengthening of sub-transmission and distribution network including metering at all levels in urban areas was approved.
- SAARC countries finalized Framework Agreement for Energy Cooperation.

Mining

Budget announcement

- There are no specific announcements.

Other recent policy updates

- The Government promulgated 'the Coal Mines (Special Provisions) Ordinance, 2014' for management and reallocation of cancelled coal blocks.
- States entitled to get additional funds on coal auction rather than just royalty for local community welfare.

Oil & Gas

Budget announcement

- There are no specific announcements.

Other recent policy updates

- The prices of diesel were de-regularized and made determinable by market forces at both Retail and Refinery Gate level for all consumers. The new domestic gas pricing policy was approved.
- System for direct transfer of LPG subsidy was introduced.

Corporate Tax Highlights

- Corporate tax rate for financial year 2015-16 remains unchanged @ 30%. However, surcharge increased by 2% for Indian companies. The proposed effective maximum marginal rate for Indian companies is 34.61% and for foreign companies is 43.26%.
- Corporate tax rate is proposed to be reduced from 30% to 25% over a period of next 4 years.
- Wealth Tax proposed to be abolished.
- General Anti-Avoidance Rules (GAAR) deferred and proposed to be applicable from financial year 2017-18. GAAR proposed to apply prospectively for investments made on or after 1 April 2017.
- It is proposed that a company would now be resident in India if it is an Indian company or its 'place of effective management' (POEM) is situated in India. POEM would mean a place where key management and commercial decisions necessary for conduct of business of an entity are made.
- Section 9 is proposed to be amended to specify that transfer of an asset (e.g. shares of a foreign company) will be deemed to derive its value from India (and hence taxable in India) if such value exceeds ₹10 crore and further represents at least 50% of value of all assets owned by the company owning the Indian assets. Further, such taxable income is proposed to be computed on principle of 'proportionality' based on value of assets located in India versus outside India.
- TDS rate on royalties and fees for technical service payable by Indian concerns to foreign companies is proposed to be reduced from 25% to 10% (plus applicable surcharge and cess).
- Enabling provision is proposed to be inserted for Central Board of Direct Taxes to prescribe mechanism for granting relief or deduction of foreign taxes paid.
- Cost of acquisition of capital asset transferred pursuant to demerger by demerged company to resulting company proposed to be the cost (including cost of improvement) of such assets in the hands of demerged company. Period of holding of such capital asset in hands of resulting company to include the period for which such capital asset was held by demerged company.
- Specified domestic transaction threshold proposed to be increased from ₹5 crore to ₹20 crore.
- In case of **Infrastructure Investment Trust**, it is now proposed to provide concessional capital gains tax regime to the Sponsor of a business trust, in case of transfer of units which were acquired in exchange of its shareholding in the SPV i.e. concessional tax of 15% on short-term capital gains and exemption of tax in case of long term capital gains provided securities transaction tax (STT) is paid.
- Share of members, being a company, in an association of person which is exempt from income-tax has now been exempted from MAT as well. This will help **consortium members**.
- In case of new plant and machinery used for less than 180 days in a year, the balance 50% of **additional depreciation** is proposed to be allowed in the immediately succeeding year.



Indirect Tax Highlights

Goods and Services Tax

- Commitment to introduce nation-wide Goods and Services Tax from 1 April 2016 re-affirmed.

Customs Duty

- Standard ad-valorem rate of Counter Veiling Duty proposed to be increased from the existing rate of 12% to 12.5%.
- Education cess and Secondary & Higher Education cess to be applicable on Basic Custom Duty.
- Special Additional Duty on **naphtha** for use in manufacture of excisable goods is reduced from 4% to 2%.
- Basic Customs Duty on **liquefied butanes** is reduced from 5% to 2.5%.
- Concessional rate of customs duty of 5% is extended to Activity Energy Controller for manufacture of **renewable power system**.

Central Excise Duty

- Standard ad-valorem rate of excise duty proposed to be increased from the existing effective rate of 12.36% to 12.5%. Education cess and Secondary & Higher Education cess proposed to be subsumed in the ad valorem rate with effect from 1 March 2015.
- Direct dispatch of goods to premises of customers of a registered dealer/registered importer without bringing the goods to the registered premises allowed subject to conditions.
- Time-limit for availing CENVAT credit on inputs and input services is being extended from six months to one year, from the date of invoice.
- Time-limit for return of capital goods from job workers' premises extended from six months to two years.
- Reversal of proportionate CENVAT credit extended to a manufacturer of non-excisable goods.
- Increase in excise duty on portland cement (other than white cement) from ₹900 per tonne to ₹1,000 per tonne (w.e.f 1 March 2015).
- Excise duty on **petroleum products** is increased from 12% to 12.5% except in case of petrol and diesel. Education / higher education cess will be merged with excise duty and hence, the increase is marginal. Incidence of excise duty on petrol and diesel remain unchanged. Effective rate of Clean Energy Cess on coal, lignite and peat is increased from ₹100 to 200.

- Effective rate of **Clean Energy Cess** on coal, lignite and peat is increased from Rs. 100 to 200.
- Conditions governing supply of goods manufactured locally and supplied against **International Competitive Bidding** are amended to provide that where such goods can be imported without payment of Basic Customs Duty and Countervailing Duty, it can be supplied without payment of excise duty and conditions prescribed in Customs Notifications will apply mutatis mutandis to such local supply.

Service Tax

- Rate of service tax is increased from 12% to 14%. However, education / higher education cess is merged with service tax.
- Manpower supply and security services when provided by an individual, HUF, or partnership firm to a body corporate are being brought to full reverse charge (w.e.f 1 April 2015).
- **Swachh Bharat Cess** at 2% will be introduced from a date to be notified by Central Government.

Common changes under Customs Duty/Central Excise Duty/ Service Tax

- In case of Customs Duty, Central Excise Duty and Service Tax law, penalty provisions are being rationalized to encourage compliance and early dispute resolution and facility of obtaining advance rulings has been extended to resident firms.
- Central Excise and Service Tax registration process simplified by prescribing documents, time limit and procedure for registration. Single premises registration shall be granted within two working days of filing the application.
- In case of Central Excise Duty and Service Tax, issuance of digitally signed invoices and maintenance of electronic records permissible.



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