



# India Union Budget 2024-2025

Point of view

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Energy and Natural Resources

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## Key announcements for the sector

- Increased focus on economic growth based on higher and greater resource efficiency and energy security in terms of availability, accessibility, and affordability.
- Announcement of a policy document on energy transition pathways will be released, emphasizing employment and sustainability.
- Power projects including setting up of a new 2400 MW power plant at Pirpainti, Bihar will be taken up at the cost of INR 21,400 crores.
- Solar Energy
  - Pradhan Mantri Surya Ghar Muft Bijli Yojna has been launched to install roof tops solar plans to enable 1 crore households in obtaining free electricity up to 300 units per month
  - 1.28 crore registrations and 14 lakh applications received so far since its launch on 15 February 2024 during the interim budget.
- Promotion of Pumped storage projects
  - A policy for promoting pumped storage projects will be brought out for electricity storage and facilitating smooth integration of the growing share of renewable energy with its variable and intermittent nature in the overall energy mix.
- Research and development of small and modern nuclear reactors. Nuclear energy is expected to form a significant part of energy mix. Central govt will partner with private sector firm for:
  - Setting up Bharat Small Reactors
  - R&D of Bharat Small Modular Reactors
  - R&D of newer technologies for nuclear energy
  - R&D funding budget announced in the interim budget will be made available for this sector.
- Advanced Ultra Super Critical (AUSC) Thermal power plants
  - The development of indigenous technology for AUSC thermal power plants with much higher efficiency has been completed. Joint Venture between NTPC and BHEL will set up a full scale 800 MW commercial plant using AUSC technology with required fiscal support from government

- Development of indigenous capacity for production of high-grade steel and other advanced metallurgy materials for these plants will result in strong spin-off benefits for the economy.
- Enhancing energy transition for hard-to-abate industries:
  - Creation of a roadmap for hard-to-abate industries from energy efficiency targets to emission targets
  - Formulation and implementation of regulations for transition of these industries from the current 'perform, achieve and trade' mode to 'Indian carbon market' mode.
- Energy transition scheme for micro and small industries:
  - Increased support to traditional micro and small industries and facilitation of investment-grade energy audit of such industries in 60 clusters
  - Provision of financial support for shifting the micro and small industries to cleaner forms of energy and for implementation of energy efficiency measures
  - Replication of the scheme for 100 additional clusters in the subsequent phase.
- Critical Mineral Mission
  - Creation of a Critical Mineral Mission for domestic production, recycling of critical minerals and overseas acquisition of critical mineral assets
  - The mandate for the Mission to include technology development, skilled workforce, extended producer responsibility framework and a suitable financing mechanism.
- Offshore mining of minerals
  - The government will launch the auction of the first tranche of offshore blocks for mining, building on the exploration already carried out.
- Customs duty reduction/ exemption
  - Expansion of the list of exempted capital goods used in the manufacturing of solar cells within the country to encourage energy transition
  - Complete exemption of customs duties on 25 critical minerals (like cobalt, lithium, copper, and rare earth elements), and reduction of BCD on 2 of them to boost processing and refining of such minerals and ensure their availability for the strategic sectors such as nuclear energy, renewable energy, and others
  - The budget proposes to continue the exemption from BCD on nickel cathode. This measure aims to reduce the production cost of steel and other important industries that rely on nickel cathode as a raw material
  - The government proposes not to extend the exemption of customs duties provided to solar glass and tinned copper interconnect. This indicates a confidence in the domestic industry's ability to supply these components without requiring continued import duty exemptions
  - Reduction of BCD (subject to conditions) on Methylene Di-isocyanate (MDI) used in production of spandex yarn from 7.5% to 5%.
- Chemicals and Petrochemicals
  - Increase of BCD on ammonium nitrate from 7.5% to 10%
  - Increase of BCD on plastics, PVC flex banners from 10% to 25%.
- Development of a taxonomy for climate finance to help improve the availability of funds for adapting to climate change and reduce greenhouse gas emissions.

## Indirect Tax

### Customs

- Specific amendment brought under the Customs Act specifying that certain manufacturing process or other operations, as specified, will not be eligible for benefit of Manufacturing and Other Operation in Warehousing Regulation ('MOOWR'), 2019 (No.2), which appears to deny the benefit of setting of solar power plant in MOOWR.
- Entry no 426 A has been inserted in Notification No 50/2017-Customs dated 30 June 2017 to provide exemption in respect of the goods specified in List 41 of Notification no 50/2017-Customs dated 30 June 2017, for the manufacture of photovoltaic cells falling under tariff item 8541 42 00 or photovoltaic modules falling under tariff item 8541 43 00 and parts, for manufacture of goods as above.
- List no 33 of Notification no 50/2017-Customs dated 30 June 2017 has been widened to include specific items including capital goods and raw materials Goods falling into chapter 25, 28, 34, 35, 36, 40, 56, 69, 74 in addition to the goods covered in chapter 27, 29, 31, 38, 39, 73, 82, 84, 85, 87, 89 or 90 for the purpose of exemption from Basic Customs Duty for use in petroleum exploration operations.

### Employment Linked Incentive

- The Government proposes following three schemes for 'Employment Linked Incentive' which will be based on enrolment in the EPFO, and focus on recognition of first-time employees, and support to employees and employers:
  - Scheme A: First Timers: This scheme will provide one-month wage to all persons newly entering the workforce in all formal sectors
  - Scheme B: Job Creation in manufacturing: This scheme will incentivize additional employment in the manufacturing sector, linked to the employment of first-time employees. An incentive will be provided at specified scale directly both to the employee and the employer with respect to their EPFO contribution in the first 4 years of employment
  - Scheme C: Support to employers: This employer-focused scheme will cover additional employment in all sectors. All additional employment within a salary of Rs. 1 lakh per month will be counted.

### Goods and Services Tax

- GST Amnesty: Section 128A is introduced to provide for a conditional waiver of interest and penalty for GST demand issued under section 73 and pertaining to the financial years 2017-18, 2018-19, and 2019-20, subject to payment of full tax liability by the taxpayer.
- Relaxation in timeline for taking input tax credit pertaining to the Financial Years 2017-18, 2018-19, 2019-20, and 2020-21 is extended till filing of GSTR-3B return up to the 30th day of November 2021.
- Specific provision introduced to empower the government to regularise non-levy or short levy of GST due to any general practice prevalent in trade. Similar provisions are proposed under IGST Act, UTGST Act and GST (Compensation to States) Act.

- Section 17 of the Central Goods and Services Tax ('CGST' Act, 2017 is amended to remove the restriction of input tax credit if the GST is paid under Section 74, 129 and 130 from 2024 onwards. Thus, the restriction under the above provision will only be applicable for tax paid under Section 74 for the Financial Year ('F.Y.') up to 2023-24.
- Section 73 and 74 of CGST Act, 2017 are amended to limit the applicability of these sections to demands up to FY 2023-24, since from FY 2024-25 onwards, GST demands will be issued under the new Section 74A of the CGST Act, 2017.
- A new Section 74A of the CGST Act, 2017 is inserted in the CGST Act, 2017 to issue demand of GST within the time frame of 42 months from the due date of furnishing returns. Furthermore, the tax authority will be required to pass the order within 12 months from the date of issuance of SCN.

## Direct Tax

- Comprehensive review of the Income-tax Act to be done in next six months with the objective to simplify, reduce litigation and provide certainty to taxpayers.
- No extension in sunset date provided under section 115BAB for availing the benefit of lower corporate tax rate of 15% by new manufacturing/power generation domestic companies.
- Reduction in corporate tax rate announced for foreign companies from 40% to 35%. This will reduce effective tax rate for foreign companies operating through Branch Office or Project Office set up and also for foreign oil field service providers.
- Angel tax provisions i.e., section 56(2)(viib) proposed to be abolished from AY 2025-26 which will help in reducing disputes around valuation of shares and also ease funding by foreign and domestic investors.
- Equalisation levy at the rate of 2% proposed to be discontinued on consideration received or receivable for e-commerce supply or services, on or after 1 August, 2024.
- Buyback transaction undertaken as per section 68 to be treated as deemed dividend i.e., Buyback tax of 23 percent (approx.) will not be applicable. In computing the taxable dividend, the cost of acquisition of shares will not be allowed as a deduction. This cost can be carried forward and reduced against gains on any subsequent transaction (w.e.f. from 1 October 2024).
- Long term capital gains rate proposed to be changed to 12.5% for all category of assets (indexation benefit not available).
- Short term capital gains on STT paid equity shares proposed to be increased to 20% from the present rate of 15%.
- The period of holding for determination of short-term or long-term capital gains to be considered as follows:
  - For all listed securities (including units of listed business trust and listed equity shares)- 12 months
  - For all other assets (including bonds, debentures, gold, unlisted shares and immovable property)- 24 months.
- Unlisted debentures and unlisted bonds transferred/matured/redeemed on or after 23 July 2024 proposed to be brought under section 50AA, i.e., taxable as short-term capital gains.

- With a nod towards rationalisation of withholding tax provisions, the Budget proposes to reduce the TDS rate for specified expenditure currently at 5% to 2% (including brokerage or commission under section 194H).
- In respect of TDS under section 194-IA, in case of multiple transferor or transferee in respect of an immovable property, consideration for determining applicability of TDS provisions (i.e., limit of INR 50 lakhs) shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property.
- Proposal to explicitly clarify that any sum covered by section 194J does not constitute “work” for the purposes of TDS under section 194C.
- Option to seek lower withholding tax certificate as well as lower tax collection certificate introduced for TDS provisions under section 194Q and TCS provisions under section 206C(1H).
- Keeping in view the success of the previous Vivaad Se Vishwas Act, 2020 (launched for appeals pending as on 31 January 2020) and the mounting pendency of appeals at CIT(A) level, Direct Tax Vivad se Vishwas Scheme, 2024 has been introduced to reduce litigation and settle disputes.
- In order to clear backlog of cases pending at CIT appeals level (specifically cases with large tax effect), appointment of more officers has been proposed. However, no specific amendment proposed in the budget to this extent.
- Time limit for initiating reassessment proceedings proposed to be reduced from 10 years to 5 years and 3 months for income of INR 50 lakhs or more escaping/ likely to escape assessment. For other cases, time limit extended from 3 years to 3 years and 3 months.

## Implications for the sector

- The “Amrit Kaal” budget 2023-24 is a torchbearer of India’s commitment to energy security, energy efficiency and energy transition. The budget is in line with the Panchamrit Goals announced at COP26, thus reflecting India’s interest in building a clean and climate resilient economy.
- Introduction of Pradhan Mantri Surya Ghar Muft Bijli Yojna aims at providing renewable energy at affordable rates to public, thus encouraging transition from traditional power to green power. This will provide opportunities for the solar industry to penetrate deeply into the B2C market directly engaging with households.
- Setting up of AUSC technology-based thermal power plant aims to achieve greater resource efficiency with limited fossil fuel resources. Increased efficiency will mark an important shift in reducing carbon footprint and emissions. This will also provide a blueprint for other thermal power plants to enhance their efficiency in terms of resource utilisation and reduction of carbon emissions.
- Moving hard to abate industries from energy efficiency to emission targets can help widen the focus beyond optimising demand for energy, to looking at fossil fuels to clean fuels switch, for heating, cooling, electricity as well as feedstock requirements of the industry. This can significantly help to move the needle on green transition unlocking the industrial demand for energy transition solutions.
- Measures such as announcement of the Critical Mineral Mission for domestic production, recycling, and overseas acquisition of critical mineral assets, rationalisation of customs duty on minerals such as copper, lithium, cobalt, and rare earth elements can significantly debottleneck the supply chain for energy transition sector and encourage domestic manufacturing of renewables, batteries, electrolysers and other electrical equipment.

- The thrust on skilling through centrally sponsored skilling programme, incentives for first time employees in manufacturing , internship programme, enhancement of education/ skilling loans, women participation in workforce is critical for catering to the 5 to 6 million jobs requirement by 2030 for supporting the country's energy transition.
- Developing a taxonomy for climate finance will bring market clarity, enable targeted interventions by all stakeholders for promoting financing to support the country's green transition.
- Increase in basic customs duty of certain chemicals and petrochemical products is aimed at reduction of usage of hazardous chemicals that are detrimental to the ecosystem. This will discourage manufacturers of plastics and PVC flex banners as it is a non-biodegradable material.
- Investment commitment in research and development of nuclear energy is critical to achieving the Viksit Bharat goals. It showcases India's dedication to moving towards hybrid mix of energy.
- The government's proposal not to extend the exemption of customs duties provided to solar glass and tinned copper interconnect indicates a confidence in the domestic industry's ability to supply these components without requiring continued import duty exemptions.
- The tax rate on a foreign company has been reduced from 40 percent to 35 percent. This reduces the tax rate for oil & gas E&P companies and service providers.