

23 July 2024

Tax Alert - Key announcements of
Union Budget 2024



Union Budget 2024-25

Power & Utilities Sector | Powered by Union Budget 2024-25!

India envisions a transformative future, advancing towards solar, nuclear and innovative technologies for a green tomorrow



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The Union Budget casts a visionary blueprint for the evolution of India's P&U sector, with a strong emphasis on embracing new forms of energy. Commitment to research and innovation in compact, modular nuclear reactors reflects the government's strategic approach to broadening the power mix and curbing carbon footprints. If executed effectively, these measures could propel India to the forefront of advanced nuclear technology, catalyzing partnerships with private sector and enhancing sophisticated manufacturing capabilities. The debut of a Pumped Storage Policy marks a critical step for renewable power, fortifying grid reliability, and weaving renewable sources into the comprehensive power matrix. The shift from prioritizing 'energy efficiency' to setting 'emission benchmarks' for sectors that are challenging to decarbonize is noteworthy and vital for realizing the government's ambitious objective of Net Zero emissions by 2070. Lack of updates on the FAME III scheme for electric vehicles and the Green Hydrogen Mission indicates that the industry must remain patient for progress in these essential domains. Still, the endorsement of Advanced Ultra Super Critical (AUSC) thermal power stations, the removal of import duties on solar manufacturing equipment and provision of financial support for small enterprises to transition to greener energy solutions underscore the central role of new energy in the government's strategic vision for a Developed and Viksit Bharat. These initiatives look promising to unlock new prospects and growth avenues for expansion within the power and utilities sector.

How does the budget impact the Power & Utilities sector?

Corporate tax:

- ▶ **Rationalization of capital gains tax provisions:** Capital gains tax provisions are proposed to be rationalized as under with effect from 23 July 2024
 - ▶ The holding period for all listed securities including units of business trust will now be a common period of 12 months to be classified as long-term capital assets. All other assets will qualify as long-term capital assets if held for 24 months or more
 - ▶ Gains from unlisted bonds and debentures transferred, redeemed or mature on or after 23 July 2024 will be treated as short-term capital gains irrespective of the holding period
 - ▶ No indexation benefit in case of any long-term capital assets
 - ▶ Tax rate for LTCG proposed at 12.5% on all categories of assets (currently, LTCG taxable at 20% for resident and 10% for non-residents as well as residents selling securities with payment of STT)
 - ▶ Tax rate for STCG on sale of securities (with payment of STT) proposed to be increased from 15% to 20%
- ▶ **Removal of exemption for gift by corporate entities:** Exemption under section 47(iii) is proposed to be restricted to gift of assets by individuals or HUFs
- ▶ **Abolition of angel tax provisions**
 - ▶ Section 56(2)(viib) provides for levy of angel tax in the hands of private companies where consideration for issue of shares is higher than fair market value
 - ▶ The Budget proposes to remove angel tax with effect from financial year 2024-25
- ▶ **Introduction of Direct Tax Vivad se Vishwas Scheme, 2024 for providing mechanism of settlement of disputed issues.** Date of applicability of proposed scheme is yet to be notified
- ▶ **Procedural aspects**
 - ▶ In order to simplify re-assessments and bring-in certainty, re-assessment can now be initiated beyond three years from the end of the assessment year only if the escaped income is INR50 lakhs or more, and up to a maximum period of five years from the end of the assessment year. Similarly, in search cases, the time limit has been proposed to be reduced to six years before the year of search, from the existing limit of 10 years
 - ▶ Taxpayer will now be able to appeal before the Income Tax Appellate Tribunal (ITAT) against penalty orders issued in case of search proceedings. Time limit for appeal before ITAT is revised to two months from the end of the month in which order sought to be appealed is communicated to the taxpayer

Highlights



Simplification of
Capital Gains
taxation



Abolition of angel
tax provisions



Direct Tax Vivad se
Vishwas Scheme,
2024

How does the budget impact the Power & Utilities sector?

Indirect taxes

- ▶ **Expansion of list of BCD exemption on certain goods**
 - ▶ Specified capital goods and raw materials when imported for petroleum exploration operations
 - ▶ Copper wire or refined copper when used for the manufacture of parts of manufacturing solar cells or modules and other related parts
 - ▶ Specified goods used in manufacture of Ethylene Vinyl Acetate (EVA) sheets which are used in the manufacture of solar photovoltaic cells or modules
 - ▶ Certain specified capital goods and parts thereof have been added in list of exempted goods for use in manufacture of solar cells and modules
- ▶ **Time-limit for BCD exemption on following products extended up to 31st March 2026**
 - ▶ Parts and raw materials for manufacture of goods supplied for purposes of off- shore oil exploration
 - ▶ LPG received from the unit located in SEZ and returned by the DTA unit to the SEZ unit
 - ▶ Electrical energy supplied from SEZ unit to DTA
- ▶ **Following products to attract higher BCD rate with effect from 30th September 2024**
 - ▶ Catalyst for use in the manufacture of cast components of Wind Operated Electricity Generator
 - ▶ Exemption on Resin for use in the manufacture of cast components of Wind Operated Electricity Generator
 - ▶ Solar tempered glass or solar tempered (anti-reflective coated) glass for use in manufacture of solar cells/panels/modules
 - ▶ Active Energy Controller for use in manufacture of renewable power system inverters
- ▶ **Central Excise Act**
 - ▶ **Extension in time period for furnishing final Mega Power Project certificate:** Amendment in has been proposed extending the time period for submission of final Mega Power Project certificate from existing time period of 120 months to 156 months from the date of clearance of excisable goods (effective from 30th June 2017)
 - ▶ **Exemption from levy of Clean Environment Cess on goods manufactured till 30 June 2017:** Clean Environment Cess was levied and collected as duty of excise on the goods such as coal, lignite and Peat till 30th June 2017. Budget proposes to provide retrospective exemption from levy of Clean Environment Cess on excisable goods lying in stock as on 30th June 2017 on which appropriate GST compensation cess has been paid on supply of such goods on or after 1st July 2017 (effective from 1st July 2017)

Highlights



Till 31 March
2026

BCD exemption for
certain goods



Expanded list of
exempted capital
goods for
manufacturing of
solar cells and
panels

156 months  140 months

Extension of timeline for
furnishing final Mega
Power Project certificate

Key policy amendments

- ▶ Pumped Storage Policy: To promote pumped storage projects for electricity storage and smooth integration of growing share of renewable energy in the overall energy mix
- ▶ Nuclear Energy: Partnerships with the private sector to (1) set up Bharat Small Reactors, (2) R&D of Bharat Small Modular Reactor, and (3) R&D of newer technologies for nuclear energy
- ▶ Transition to Indian Carbon Market mode for 'Hard to Abate' Industries: Formulation of a roadmap for transitioning these industries from 'energy efficiency' targets to 'emission targets'
- ▶ JV between NTPC and BHEL to set up an 800 MW commercial plant using indigenously developed Advanced Ultra Super Critical (AUSC) technology
- ▶ Support for Traditional Micro and Small Industries: Financial support for transitioning to cleaner energy forms and implementation of energy efficiency measures
- ▶ PM Surya Ghar Muft Bijli Yojana (announced in interim budget): Further impetus to installation of rooftop solar plants (enable 1 crore households obtain free electricity up to 300 units/ month)
- ▶ New power projects, including 2400 MW power plant at Pirpainti, Bihar, at a cost of INR21,400 crore
- ▶ A policy document on appropriate energy transition pathways that balances the imperatives of employment, growth and environmental sustainability to be released

Highlights

7.5%  0%

Reduction in custom duty on certain capital goods used in manufacturing of solar cells and modules



Custom duty on solar glass and tinned copper interconnect

2400 MW plant

In Pirpainti, Bihar

800 MW plant

JV of NTPC and BHEL

Impact analysis

The Indian Power & Utilities sector is on the cusp of a major shift, with governmental efforts to boost renewable energy, particularly solar and nuclear, and enhance grid infrastructure. Key budget measures, including backing for Advanced Ultra Super Critical (AUSC) thermal plants, elimination of solar equipment import duties, and incentives for small businesses to embrace green energy, are set to catalyze sectoral expansion. These initiatives promise to draw investments, drive innovation, and forge a greener energy future. Amidst rising electricity demand and a dedication to eco-friendly growth, the sector is expected to thrive, reinforcing its robustness and aiding India's journey towards a Viksit Bharat.

Glossary

AUSC - Advanced Ultra Super Critical

BCD - Basic Customs Duty

FAME - Faster Adoption and Manufacturing of Electric Vehicles

FB - Finance Bill

Gol - Government of India

GST - Goods and Services Tax

HUF - Hindu Undivided Family

IGST - Integrated Goods and Services Tax

ITAT - Income Tax Appellate Tribunal

ITC - Input Tax Credit

ITL - Income Tax Act 1961 read with Income Tax Rules 1962

LPG - Liquefied Petroleum Gas

LTCG - Long Term Capital Gains

NR - Non-resident

SEZ - Special Economic Zone

STCG - Short Term Capital Gains

STT - Securities Transaction Tax

WHT - Withholding taxes



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