



PRE-BUDGET ::::

RECOMMENDATIONS

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REVIVING LIVELIHOODS & GROWTH

A lot has transpired since the last budget was presented. The country witnessed how quickly the narrative changed from 'Growth' to 'Survival.' The concept of Lockdown and its ramifications were unknown and inconceivable at the global level.

The economy has indeed taken a significant hit.

In these precarious times, it was heartening to see how the Central and State Government, Industry, Industry Associations, Think Tanks, Media, have come together to brainstorm and ideate measures to find solutions to these unprecedented problems. By leveraging the ever-evolving virtual platforms, the country democratized decision making bring the best of cooperative federalism to the fore.

India's battle against COVID-19 seems to have finally turned the corner. The country has passed the peak, with the daily new case count dropping to ~65-75k by mid-October from 90-95k in mid-September even as daily testing has increased. The active case count has also been declining since mid-September. These trends are quite heartening.

There is positive news on the economic front too. In September, green shoots are visible with several high-frequency data points, including electricity demand, GST collections, E-Way bill generation, exports, rail freight traffic, and mobility point witnessing a YoY growth month after a steady decline during March-August 2020.

Agriculture and the rural economy have remained relatively buoyant, aided by a good monsoon and proactive government policies. Kharif output touched record levels, and healthy reservoir levels bode well for Rabi sowing. Government interventions such as initiating cash and kind transfers, stepping up procurement, pushing rural spending, scaling up MGNREGA, and starting a temporary rural works program for migrants have played an essential role in supporting the rural economy and preventing distress. Besides, announcements about the setting up the farmgate infrastructure funds and the passing of the three farm-related bills are medium-term positives for the agriculture sector.

Government interventions in the right direction

The government also announced a range of measures as a part of its Aatmanirbhar Bharat package in May and supplemented these with further announcements in recent months. These announcements contained a mix of near-term measures to prevent distress and support the economy and medium to long-term structural measures to improve India's potential growth. The RBI has also proactively supported the economy through rate cuts, forward guidance, liquidity, and regulatory backstops. All these measures have had a salutary impact on economic activity.

The need of the hour is to provide tools and resources to the citizens to further dig the country out of the current economic spiral.

Nevertheless, the green shoots do not aptly convey the stress in some core sectors of the Indian economy driving its growth in the past decade.

GDP is expected to contract by ~ 9-12% in FY21. Core sectors like Travel and Tourism, Real Estate, Capital Goods, Durables, and Automotive will show a drastic decline. The recovery in these sectors is likely to be stretched.

Economies around the world have taken strong measures to boost the economy. However, significant fiscal space still exists for India to undertake.

Government spending and policy have assumed momentous proportions given the weakness in private sector activity, and these would be key to India's economic recovery in FY22. This makes the upcoming budget extremely important as current policy actions would be the critical determinant of the shape of the country's economic recovery curve.

The Solution Framework:

It is time for India to build treatment for the COVID-19 response and robust Fiscal response for its fledgling economy. We believe the key components of such a response should be based on big ideas, bold thinking, and a balance of short and long terms measures.



REVIVING LIVELIHOODS & GROWTH

While there are several possibilities and growth ideas, it is essential to address the needs of the key pillars of the Indian economy.

A six-pronged strategy is strongly recommended:

1. REVITALISING THE BASE – THE AGRICULTURAL VALUE CHAIN

Agriculture is the largest employer in India and the largest source of demand for several formal sectors. While the Government has taken several measures in the recent past, few critical issues must be addressed:

- a. **Avoiding Erosion of the Farmer – Being an agriculturist should be a matter of pride ‘again.’**
 - i. Capacity development and strengthening skills in agriculture - Encourage & Promote the establishment of “Farming Transformation & Technology Deployment Centres” with P-P-P.
 - ii. Project ARYA needs to be strengthened through modernised farming practices along with exposure to innovative cropping pattern in agriculturally advanced countries.
 - iii. Farm produce processing units at the local level.
- b. **Promoting manufacturing of Agricultural equipment in India**
 - i. Subsidy programmes to be designed specifically for companies that have a local content of over 50%.
 - ii. Creation of Smart Villages – villages adopted by the national, state, and local govts with a focus on holistic rural development.
- c. **Focus on increasing farm productivity through mechanisation**
 - i. Strengthening of farm equipment testing and certification in India.
 - ii. Financing Farm Mechanisation to be on Priority & accountability linked focus.
 - iii. Promote initiatives to encourage timely repayment by farmers instead of Ad-hoc loan waivers.
 - iv. Revitalise NABARD linkage - interest subvention - Encourage financial discipline at borrowers’ end
 - v. Encourage ‘Precision Farming.
- d. **Empowering the farmer with best in class equipment**
 - i. Re-looking at the subsidy programme in its design and implementation.

2. ENCOURAGE AND INCENTIVISE NBFCs FOCUSED IN RURAL AREAS

To spur rural demands and to ensure the flow of credits in the rural economy, it would be prudent to encourage those NBFCs which have focused operations in rural areas. This will also help to address the agrarian distress. Specific policy supports for rural focused NBFCs need to be explored.



REVIVING LIVELIHOODS & GROWTH

3. UNLOCK SECTORS WITH SIGNIFICANT GROWTH POTENTIAL AND THAT HAVE A HIGH MULTIPLIER ON THE INDIAN ECONOMY – E.G., PASSENGER VEHICLES, COMMERCIAL GOODS

The automotive sector contributes ~ 7% to the Indian GDP and also, 50% of the formal manufacturing sector. It is also a large employer in the manufacturing sector and significantly in the services sector, e.g., maintenance, insurance, etc. Unlocking this sector would be of critical importance to the growth of the Indian economy. The sector has been heavily taxed and perceived negatively in the recent past. The recent shift to BSVI has reduced vehicular emissions from new vehicles, but it is the need of the hour to revitalize the entire fleet. Key measures to unlock growth in the sector are -

- a. **A well thought out, time-sensitive, incentivized vehicle modernization scheme**
 - i. Introduce an Incentive-based vehicle Scrappage scheme to generate demand. The incentives can be a 50% rebate in GST, Road tax, and registration charges.
 - ii. Providing manufacturing status to Auto Vehicle Scrappage Facility.
- b. **A permanent/temporary reduction in GST rates across vehicle categories, especially commercial vehicles, as they are the wheels of the economy.**
- c. **Lowering Custom Duty on emerging technologies such as - Lithium-ion cells and battery pack for the propagation of EVs in India.**

4. FOCUS ON NOVEL AREAS OF GROWTH – E.G., VACCINE TRANSPORTATION INFRASTRUCTURE

Entirely new opportunities have taken shape as the world is anticipating a vaccine for COVID -19. When the COVID-19 vaccine is ready, India will need a cold chain infrastructure across the country.

Safe delivery of doses will be the biggest challenge for India. This will involve tapping all available cold chain and warehouse operators in the country. Since there is limited capacity available, the Government will have to look at private players who can care for storage and distribution under the Centre's directives.

There will be a temporary requirement (2-3 months) of surge capacity for sizeable cold storage at state / regional levels to store and distribute large incoming quantities of the vaccine. Cold chain capacity needs to be augmented mostly in UP, Maharashtra, West Bengal, Rajasthan, Andhra Pradesh, Karnataka, Gujarat, Kerala, Telangana, and Delhi.

Due to the shipments' sensitivity, technology will play a vital role in ensuring the smooth execution along every step of the supply chain, for example, to ensure that vaccines have remained efficacious throughout the supply chain. Key recommendations to enable this are -

- a. **Sufficient planning and solid partnerships make a considerable difference when meeting the surge in demand for medical supplies and ensuring their effective distribution. A network with both public-private and government-to-government partnerships will be essential going forward.**
- b. **Incentivise the creation of supply chain infrastructure (cold chain infrastructure, etc.) to disseminate Covid-19 vaccines.**



REVIVING LIVELIHOODS & GROWTH

5. SUSTAINABILITY IS CRITICAL FOR THE OVERALL WELFARE OF THE SOCIETY: IMPLEMENT WASTE DISPOSAL PROJECTS ACROSS THE MUNICIPALITIES BY LEVERAGING TECHNOLOGY

India is a signatory to the Paris climate agreement, along with over 170 nations. The Sustainable Development Goals (SDGs) were adopted in September 2015 as a part of the resolution, 'Transforming our world: the 2030 Agenda for Sustainable Development'. India is committed to achieving the 17 SDGs and the 169 associated targets, which comprehensively cover social, economic, and environmental dimensions of development and focus on ending poverty in all its forms and dimensions. India generates approximately 440 lakh tons of solid waste annually. While a meagre 12.5% is treated, the rest goes untreated. Of the untreated waste, the organic constitutes 55%. This untreated organic waste leads to various sanitation and health problems. If the same organic waste is segregated and appropriately processed, it will replace conventional non-renewable resources and produce organic manure for farm and garden applications. Key recommendations to further this implementing Waste to Energy projects in PPP mode across top 100 municipal across India.

6. REDUCE THE HIGH COSTS OF DOING BUSINESS IN INDIA

Cost of compliance to be controlled

While Government has done significant works to improve "Ease-of-doing Business" in the country, lots need to be done. In terms of regulations, more and more "disclosures" are equated with Governance, which is not the case. "Disclosures" beyond a point do not serve the purpose but become counterproductive. There needs to be a balance between Regulation and Business needs. Regulations evolve over a period of time. Since 2013 a huge amount of Regulatory changes has taken place - Total revamp of companies Act, Total Revamp of Accounting standards, substantial change in LODR guidelines etc. The cost of compliance is tremendously high. Need to balance business growth with regulatory revamp and move at a gradual pace.

Role of the State: Delayed Payments, Contract Enforcements etc.

To ensure that India improves as a business-friendly country, it is important that commercial/ economic disputes and issues concerning the important economic legislations are resolved expeditiously. Only a robust and expeditious dispute resolution mechanism can foster certainty for promoters, investors, and other stake holders and further the agenda of ease of doing business.

This document has compiled our suggestions across various topics and sectors in view of the upcoming budget. We hope this is useful, and thank you for your time.





DIRECT TAXES

DIRECT TAXES

Sr. No.	Section/ Subject	Issue	Rationale with factual data	Recommendation
1	Corporate tax rate	Parity in corporate tax rates	The Government has through ordinance reduced corporate tax rate for all corporates @ 22% + SC.+ Cess. However, these companies shall not be allowed any incentives. Further, the rate for companies who set up new manufacturing facility will be only 15% + SC + Cess. Therefore, this has created inequality between existing corporates who have made capital investments in recent years and new manufacturing corporates.	There should be parity in the corporate tax rates for existing companies and newly set up companies. Else, fresh investments by existing companies should be provided the benefit of differential tax rate by way of incentives.
2	Section 56(2) (x)	Receipt of money or property without adequate consideration.	<p>The section refers to taxability of receipt of money or property without adequate or nil consideration. However, in case of Allotment of shares, the property comes into existence only after allotment. Therefore, allotment of shares does not result into receipt of property. Further, if the allotment is made by listed companies by way of rights issue or preferential allotment of shares, the same is governed by SEBI regulations. Currently, there is no specific exclusion in case of allotment of shares under rights issue or preferential allotment. The provisions of section 56(2)(x) are intended to curb abuse of tax provisions and in case of listed entity making allotment through stock exchange of its preferential and rights issues the question of intention of tax avoidance does not arise.</p> <p>Further in case of investment made by holding company into its wholly owned subsidiary (domestic as well as foreign company) there is no additional benefit that the holding company derives as it continues to own the entire / substantial amount of capital of the subsidiary in the same manner as before allotment of shares for additional infusion.</p> <p>The valuation Rules being Rule 11UA requires determination of value based on the formula prescribed therein. Such formula includes determination of immovable property value based on the valuation made by prescribed authority. Such values would not be available for foreign companies. Also for Indian companies it is cumbersome to calculate value on the acquisition date.</p> <p>Further the valuation Rules require audited balance sheet as on the valuation date which means the transaction date. It is very impractical to require assessee to draw up a balance sheet on a particular date during the year and get the same audited every time from the auditor whenever there is a transaction taking place or infusion of funds happening in the company.</p>	<p>The allotment of shares should also be part of proviso excluding the cases covered under the said section 56(2)(x).</p> <p>In any case even otherwise, it is recommended to exclude cases of allotment in respect of rights issue or preferential issue by listed companies.</p> <p>Further the provisions of the section should not be made applicable to allotment of shares by a wholly owned subsidiary to its holding company.</p> <p>Also, in the case of other companies, if there is allotment of shares to all existing shareholders on a proportionate basis, then the provisions of section 56(2)(x) should not be made applicable.</p> <p>The Rule should not be made applicable to foreign companies as the necessary details / balance sheet may not be available with the investor / company as on the valuation date.</p> <p>The Rule should be amended to consider last audited balance sheet available or quarterly or half yearly limited reviewed accounts available to the company.</p>
3	CSR expenditure	Disallowance of CSR expenditure	Presently expenditure incurred on corporate social responsibility (CSR) is not allowed as business expenditure. Such expenditure is incurred for social development, help to the needy and poor segments of the society. The Companies (Amendment) Act, 2013 has made it mandatory for Corporates to appropriate at least 2% of their PBT for CSR activities.	It is suggested that an express provision be made in the Income-tax Act to the effect that expenditure incurred on CSR is allowed as deduction while computing tax liability.
4	Weighted deduction for Research and development	Weighted deduction for Research and development / new product development should be reintroduced	<p>The Income tax Act has been having provisions for weighted deduction for research and development since more than 2 decades. India needs to go a long way in becoming a leader in the global market in the areas of innovation and new product developments, acquiring intellectual property rights. Therefore, companies doing research and development need adequate incentives to absorb the cost of new product development.</p> <p>The research and development is important from the point of view of make in India initiative and also to attract and retain talent in the country.</p>	The provisions of weighted deduction for research and development / new product development under section 35(2AB) be re-introduced.



DIRECT TAXES

Sr. No.	Section/ Subject	Issue	Rationale with factual data	Recommendation
5	Incentive to new investments in plant and machinery	Weighted deduction for investment in new plant and machinery be reintroduced	<p>The Make in India movement requires lot of capital investments resulting into income generation from tangibles, employment generations, market developments for ancillary products as well as investors owning tangible wealth.</p> <p>Therefore, there is a need to incentivize industries who are ready to invest into new plant and machinery and implement large projects thereby installing mass scale manufacturing facilities.</p> <p>To provide boost to the investment, weighted deduction be granted for investments in new plant and machinery, new projects.</p>	<p>Section 32AC was in the Statute till F-2017 (Assessment year 2017-18) providing weighted deduction for investment in new plant and machinery.</p> <p>The said section be re-introduced for a minimum period of 5 years.</p>
6	ESOP expenditure	ESOP expenditure	<p>Presently there is no express provision in the Act about allowability of ESOP expenditure while computing taxable income. There are Rulings from different Courts / tribunals giving favourable views regarding allowability of ESOP expenditure. Since ESOP expenditure is in the nature of employee compensation, the same should be allowed as revenue expenditure.</p>	<p>It is suggested that ESOP expenditure be allowed as revenue expenditure.</p>
7	Business acquisition expenditure	No specific provision to allow expenditure for the purpose of acquisition of business.	<p>To expand business, corporates acquire different entities. During acquisition, various expenses get incurred for feasibility study, due diligence, foreign travel expenses etc. Presently there is no specific provision to allow such expenditure while computing taxable income. Considering the competitive business requirement, such expenditure should be allowed as deduction.</p>	<p>It is suggested that such business acquisition expenditure should be allowed as deduction.</p>
8	Income tax on Dividend	Dividend income should be exempt from taxation	<p>Dividend income is nothing but appropriation of profits by the companies after payment of income tax. It is quite similar to a partner receiving his profit share from the partnership firm after payment of income tax. The share of profit received by a partner is exempt under section 10.</p>	<p>The dividend income should be exempt in the hands of shareholders as it is distribution of profits by the company after payment of income tax on its income. Therefore, the same should not be subjected to income tax in the hands of shareholders.</p>
9	Group Taxation.	Concept of Group taxation be introduced	<p>In order to meet the dynamic market challenges, many business houses are setting up new businesses / acquiring companies in order to attain business synergies. At times, even though, subsidiary companies get formed / acquired in order to meet business / commercial needs, essentially these are in the nature of various projects carried out by parent company in different set-ups. Presently we have entity-wise taxation which leads to charge of tax on profit making companies whereas losses incurred by some other projects in different companies of the same group remain unabsorbed and at times are permanently lost.</p>	<p>It is suggested that taxation should be done at a consolidated level / group level whereby intra group transactions would be eliminated and tax would be charged on 'real' income of the parent company.</p>
10	15CA and 15CB compliance on Dividend payments	Section 195	<p>From F.Y. 2020-21, Dividend is subject to TDS as per section 194/195 depending upon whether the same is getting paid to resident or non-resident shareholder. In case of non-resident shareholders, as per the provisions of section 195, the companies are required to obtain and furnish Form 15CA, 15CB. As such all companies would be filing TDS return whereby the tax department would get the necessary details of shareholders with dividend payment details. Also, where the tax has been deducted as per the provisions of Income tax Act, there is no additional tax to be collected by the Income tax department from such non-resident shareholders. There is no requirement to file income tax return by the non-resident shareholders in such cases. Therefore, the provisions of submission of form 15CA and 15CB be done away with wherever the tax has been deducted as per the provisions of Income tax Act and the same be made applicable only in cases where lower tax has been deducted depending upon the rates prescribed by the Double Tax Avoidance Agreements (DTAA).</p>	<p>Section 195(6) be amended in respect of dividend payable to non-resident shareholders whereby the same should not be applicable where the tax has been deducted as per the provisions of Income tax Act. Therefore, submission of Form 15CA/15 CB should be made a requirement only in cases where the tax has been deducted at a lower rate / Nil rate by applying the provisions of DTAA.</p>



DIRECT TAXES

Sr. No.	Section/ Subject	Issue	Rationale with factual data	Recommendation
11.	Place of effective management	Section 6(3) amended with effect from AY 2017-18 – the application should be restricted to companies in tax haven countries	<p>Section 6(3) of the Income-tax Act has been amended w.e.f. 1st April 2017 (AY 2017-18) whereby the residential status of a company shall be determined based on the location of place of effective management. Emphasis has been kept on the physical place of management. It may be seen that situation like Covid 19 has forced people in most of the countries to work from their residence. Thus, it has been proved that virtual work and presence is going to be the new normal.</p> <p>Though the intention of POEM is to restrict companies shifting their place of residence to tax haven countries to avoid tax.</p> <p>However, in most of the countries where the corporate tax rates are more than 15% to 20%, there is no incentives for corporates to artificially create residence in a particular country. Also, in case of loss making companies the question of planning the place of residence and thereby saving / avoiding income tax does not arise.</p> <p>The provisions of POEM are resulting into hindrance in the global growth of Indian multinationals and are affecting ease of doing business.</p> <p>Further, the CBDT has issued circular No 6 dated 24 January 2017 to provide POEM guidelines. In the said guidelines, emphasis has been given on the place of taking key decisions. The place of Board meetings is an important event wherein the key personnel of the company resolve major decisions. The inference of the provisions is that, the persons taking attending meetings should be personally present at the venue of meeting, which would establish the place of effective management pertaining to such meetings and decisions.</p> <p>In para 8.2 clause (d) of the circular, it has also been mentioned that the modern technology impacts POEM in many ways. It is no longer necessary for the persons taking decision to be physically present at a particular location. Therefore, physical location of board meeting or executive committee meeting or meeting of senior management may not be where the key decisions are in substance being made. In such cases, the place where the directors or the persons taking the decisions or majority of them usually reside may also be a relevant factor.</p> <p>The aforesaid para needs a review post COVID-19 scene, as now it is almost impossible and unsafe to travel to the place of meetings and attend personally to take decisions. The meetings are getting conducted in virtual manner since March 2020 onwards. Therefore, it is necessary to relax such conditions whereby due to virtual presence the country where directors are ordinary resident no longer remains a factor in determining POEM.</p>	<p>Section 6(3) be suitably amended to state that the same will apply to companies that are tax resident of tax haven countries.</p> <p>The provisions of place of effective management should not apply to companies that are resident of countries having corporate tax rate of more than 15%.</p> <p>The provisions of place of effective management should apply to companies who have incurred loss during the relevant fiscal year and one year prior thereto.</p> <p>In case of companies having active business outside India, it has been stated that majority of the Board meetings should be held outside India. Considering the new normal way of operations, this criteria be removed and therefore the primary presumption should be based on the first criteria as mentioned in the Guidelines as issued by CBDT in this regard.</p> <p>Clause (d) of Para 8.2 of the CBDT circular be suitably modified. The venue of board meeting be considered as the place of decision making in case of virtual meeting provided that at least one director or key managerial personnel is attending and recommending / proposing decisions from such venue of meeting.</p>



DIRECT TAXES

Sr. No.	Section/ Subject	Issue	Rationale with factual data	Recommendation
12.	Vivad Se Vishwas Scheme	Vivad Se Vishwas Act, 2020	According to the scheme, the appeals pending as on 31.01.2020 before the appellate forum shall be eligible for the scheme. However, due to COVID issue, the scheme is extended till 31st December, 2020. Since due to COVID many of the companies and other assessee will have to operate from home or a distant location. Also there are challenges in communicating and coordinating with consultants. Considering that the operational challenges are likely to continue for more than a year, the scheme may be further extended by one more year i.e. it should be kept open till 31 December 2021 and appeals pending on or before 30th June 2021 be considered eligible for the purpose of Vivad se Vishwas Scheme	Considering that the operational challenges are likely to continue for more than a year, the scheme may be further extended by one more year i.e. it should be kept open till 31 December 2021 and appeals pending on or before 30th June 2021 be considered eligible for the purpose of Vivad se Vishwas Scheme.
13.	Faceless assessment	Section 143(3)	<p>The faceless assessment has been introduced by the Government with consultation with large industry houses. There are many complex issues in the assessment of different type of industries and many times personal hearings are required to explain the officers the intricacies of the issues, legal positions.</p> <p>The faceless scheme for appellate proceedings should also be deferred for large corporate houses, industries (having turnover of more than Rs 500 Cr. or more) for a couple of years.</p>	<p>The concept of faceless assessment be deferred for a couple of years for large industries (having turnover over Rs 500 Cr or more</p> <p>Alternatively, adequate opportunity for video conference hearing be made for assessee based on a need basis.</p> <p>The faceless scheme for appellate proceedings also be deferred to large corporate houses, industries (having turnover of more than Rs 500 Cr or more) for a couple of years.</p>
14.	Individual Tax Rate	Reduction in Individual Tax Rate.	The Government has reduced corporate tax rates for all companies from 30% to 22% for the F.Y. 2019-20. However the rates for Individuals are still high at @ 30% having income above Rs. 10 lakhs.	It is requested that the rates for Individuals should also be reduced from 30% to 22% for the income above Rs. 10 lakhs. Alternatively the rates recommended by the committee for direct tax code be implemented.
15.	Value of deemed dividend to be allowed as cost	Section 2(22) read with section 49	<p>Section 2(22) provides for taxation of distribution of profits in the form of assets, debentures, debenture stock, deposits etc as dividend in the hands of the shareholder.</p> <p>Once shareholder pays tax on receipt of asset in the form of dividend income – then the fair market value of the asset should be allowed as cost to the shareholder at the time of subsequent sale thereof.</p> <p>Similar provision exists on taxation of ESOP shares where the value on which tax has already been paid gets allowed as cost under section 49.</p> <p>There should be express provision in section 49 whereby the shareholder should be allowed cost of asset based on the value the basis of which tax has been paid by him as deemed dividend.</p>	<p>Section 49 be amended to provide for cost of acquisition in relation to assets acquired / received by a shareholder on which income tax has been charged / paid by the shareholder as deemed dividend under section 2(22).</p> <p>This amendment should be made retrospective from the date the deemed dividend under section 2(22) has been introduced into the Statue in line with the fair principles of eliminating double taxation.</p>



DIRECT TAXES

Sr. No.	Section/ Subject	Issue	Rationale with factual data	Recommendation
16.	Tax of buy-back of shares section 115QA	Tax on buy-back of shares under section 115QA be omitted	<p>A domestic company doing buy-back of shares is liable to pay tax on the distributed income – which is defined to mean the consideration paid by the company on buy-back as reduced by the amount received by the company at the time of issue of shares.</p> <p>With effect from 5th July 2019 this section has been made applicable even to listed entities also. In case of listed entities, the shares get transacted quite frequently and the shareholder are liable to pay tax on the difference in prices in the form of capital gains. Thus, the real income earned by the shareholder by surrendering shares in the buy-back is the difference between the buy-back price offered by the company and his/ her purchase price of such shares.</p> <p>However, the buyback tax gets levied on the company on the entire difference between the buy-back price and the issue price.</p> <p>This results into double taxation of the same income though in the hands of different assessee. Therefore, it is necessary to eliminate double taxation. Hence section 115QA be omitted and the buyback of shares be made taxable in the hands of respective shareholders.</p>	To eliminate double taxation the buy back tax under section 115QA be omitted and the gain on buyback be made taxable in the hands of respective shareholders by omitting section 10(34A).





INDIRECT TAXES

GST SUGGESTIONS

Sr. No.	Issue	Challenges	Suggestion
1.	Non-inclusion of GST paid on Input services & Capital Goods in the determination of refund on a/c of Inverted Tax Structure	<ul style="list-style-type: none"> Suppliers are not getting full benefit of refund on a/c of ITC accumulation as current provisions & corresponding formula by which refund is granted on a/c of Inverted Tax Structure restricts refund of only the component of GST paid on inputs used in manufacture of final products supplied. GST paid on Input Services and Capital Goods which are also used in manufacture of such final products are not considered in computation of refund amount. 	<ul style="list-style-type: none"> Suggested to consider granting refund of GST incidence on Input Services & Capital Goods used in the manufacture of Outward supplies are taxed at lower GST rate than the GST levied on Inputs, Input Services & Capital Goods
2.	<p>Payment to suppliers within 180 days:</p> <p>Second proviso of Section 16(2) (d) -GST Act seeks to pay tax with interest where ITC is availed by the recipient, but suppliers are not paid within 180 days from the date of invoice</p>	<ul style="list-style-type: none"> The provision allows taking re-credit of ITC reversed earlier, once payment is made to Supplier. Interest cost on ITC reversal 	<ul style="list-style-type: none"> Suggested to amend the provision to related recovery of interest on reversal of ITC, as Govt. revenue is fully protected once supplier has paid tax liability and duly incorporated the supply details in the Return. In the alternative, suitable provision to be incorporated for refund of interest once due payment is made to supplier
3.	Time Limit prescribed under GST Rule 96A for exporting goods under Letter of Undertaking	<ul style="list-style-type: none"> Pay GST along with interest if export not manifested within 90 days or within extended period as allowed by Commissioner. Authorities can withdraw the LUT in case registered person fail to pay tax. 	<ul style="list-style-type: none"> Under Pre-GST, 6 months' time limit was given. Suggested to retain similar time limit in GST regime.
4.	Time of supply of service- Reverse Charge Mechanism Sec.13(3)	<ul style="list-style-type: none"> RCM Invoices may not get processed within 60 days, which is resulting into additional interest burden. Large organisation like us, invoices may not get processed within 60 days as it has to pass through various clearance process. 	<ul style="list-style-type: none"> Suggested to consider the genuine difficulties faced by recipient of service and not to burden them with additional interest cost for no fault at their end, it is suggested to provide time of supply for such services as date of payment or alternatively, to make it 6 months from the date of invoice.



GST SUGGESTIONS

Sr. No.	Issue	Challenges	Suggestion
5.	Cross debits to inter units: As per 32(7) of CGST Rules, Government was supposed to notify that the value of taxable service provided by such class of service providers service between distinct person service shall be deemed to be NIL where input credit is available.	<ul style="list-style-type: none"> Challenges in ensuring 100% compliance under entry 2 of Schedule I 	<ul style="list-style-type: none"> Suggested to issue clarification to deal with the entry No.2 of Schedule I transactions & type of transactions covered. Government to issue notification.
6.	ITC is denied in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing the return or the month of Sept. following year	<ul style="list-style-type: none"> It is a deterrent provision. Some of the invoices or debit notes may not get processed due to practical challenges. Denying ITC for such will be cost to business 	<ul style="list-style-type: none"> Suggested to allow ITC if availed within one year from the date of Invoice
7.	Hefty Tax demand and penalty levied on E-Way bill related procedural / documentation issues	<ul style="list-style-type: none"> Authorities are issuing order for hefty tax demands and equivalent amount penalty for procedural lapse or minor issue in documentation such as address is not matching, clerical errors in document no. or date, incorrect HSN etc. Authorities are not adopting practical approach 	<ul style="list-style-type: none"> Suggested to do away with E-Way bill requirement for goods like Vehicles / Tractors wherein unique identification number is allocated and such numbers are incorporated in tax invoice. There is no scope for mis use / tax evasion. Govt. revenue is fully protected. Tax demand and hefty penalty should not be demand for procedural lapse or minor defect in documentation. Tax Authorities should adopt practical approach while dealing with such instances. Authorities should release detention upon furnishing of Letter of Undertaking by Supplier that he will pay all dues if the matter is finally held against him



GST SUGGESTIONS

Sr. No.	Issue	Challenges	Suggestion
8.	Non-availability of ITC on Passenger Motor Vehicle of seating capacity upto 13 person, when used for R&D purpose or for conversion to BSVI norms or for scrapping, where output tax is fully discharged	<ul style="list-style-type: none"> In certain instances, OEMs purchase vehicle for R&D purpose or re-purchase the Vehicle from Dealers for conversion of the vehicle to meet regulatory norms. Also, certain entities purchase used vehicle for scrapping purpose (as per Govt. regulations) and pay GST on the supply of scrapped items. However, Section 17(5)(a) of CGST Act, 2017, seeks to deny ITC on Passenger Motor Vehicle of seating capacity upto 13 person, unless such vehicles are further used for making the following taxable supplies, namely:- <ul style="list-style-type: none"> A. further supply of such motor vehicles; or B. transportation of passengers; or C. imparting training on driving such motor vehicles; Since Vehicles put to use for R&D, conversion or for scrapping are not used in the manner prescribed under Sec. 17(5), the taxpayers are not able avail ITC of GST charged on purchase of the vehicles 	<ul style="list-style-type: none"> It appears that the legislative intent to deny ITC is only on such of those vehicles which are used by business for personal use or for travel by employees. Hence, it is suggested that the exceptions laid down in Section 17(5)(a) to allow ITC in certain situations, should be amended to include availability of ITC on Passenger Motor Vehicle of seating capacity upto 13 person, when they are used for R&D purpose or for conversion to meet regulatory norms or for scrapping, where output tax is fully discharged by the taxpayers
9.	By Notification No. 49/2019-Central Tax sub-rule (4) has been inserted in Rule 36 in the Central Goods and Services Tax Rules, 2017 ("CGST Rules") which restricts the input tax credit ('ITC') in case of mis-match of invoices. The activity needs to be followed by the registered person on a monthly basis.	<ul style="list-style-type: none"> The amendment in Rule 36 has far reaching implications for the trade and industry both from the point of view of increased burden of compliances and financial hit that the companies may now be forced to take on account of blocked mis-matched input tax credits. In-spite of making payment to the suppliers, the registered person is compelled to follow these provision, whereas Sec 16(2) fully protects the interest of the revenue whereby the registered is required to reverse the ITC in case of failure to make payment to supplier of goods and services within 180 days. Besides, facility of filing returns on a quarterly basis by the suppliers also leads to mismatch of ITC and it has not been considered while inserting Rule 36(4). 	<ul style="list-style-type: none"> Various measures have been taken by the Govt. in the recent passed to strengthen the system and processes through automation and there are other initiatives being introduced such as e_invoicing, simplified returns etc. In given situation, it is suggested that the Rule 36(4) be dispensed with and the same should be made applicable after the year end by suitably amending Section 42 of CGST Act, 2017.



SUGGESTIONS FOR REVIEW OF (I) EXISTING CUSTOMS EXEMPTION NOTIFICATION AND (II) CUSTOMS LAWS AND PROCEDURES

Sr. No.	Reference	Challenges	Suggestion
Topics for Review of Existing Customs Exemption Notification			
1	Custom Duty Exemption on imports of Critical Components/ assemblies used in the manufacture of Electrically Operated Vehicles (EoV) - Sr. no. 528 of Notification no. 50/2017- Cus. dated 30.06.17	<p>As per entry no.528 of the Notification 50/2017, Concessional Duty benefits are available only to the manufacturer of EoV, who can establish from the records that goods are imported by them ultimately used in the manufacture of EoV. Duty benefits are not available to the suppliers who undertakes the manufacture of intermediate goods and supplies them to OEMs for their ultimate use in manufacture of EoV.</p> <p>A plain reading of notification reveal that benefits of Concessional Duty under the said Entry No. 528 will apply not only to OEMs but also to importers who undertakes manufacture of intermediate goods and supply them to OEM for their ultimate use in the manufacture of EoV.</p> <p>However, there is a lack of clarity with the jurisdictional officers on this position.</p>	Suitable explanation needs to be inserted in the notification, to clarify that where importers undertaking manufacture of intermediate goods can establish from records that subject goods are consumed for specified purpose directly or indirectly, benefit of concessional rate of duty can be claimed by such importers.
Topics for Review of Existing Customs laws and Procedures			
1	Quantum of Bank Guarantee/ Cash security requirement of Surety- Circular No. 48/2017	As per the Circular No. 48/2017, importers have to provide Bank Guarantee @25% of duty forgone amount in case if the annual turnover in the preceding year is less than Rs. 1 crore. For computation of Turnover limit, jurisdictional officers are considering turnover of individual registration (GSTN wise) instead PAN based/ IEC based turnover of the Importer. Where a particular GSTN turnover is below Rs. 1 crore, the Importer has to provide for BG, which results the blockage of fund.	Suitable clarification is required issued to state that, for the purpose of Circular no. 48/2017, annual turnover of the Importer for the preceding year should include the turnover of the legal entity a single PAN, for all GSTINs, across India.
2	Time Limit for consumption of Imported Goods for manufacture of specified goods under Custom (Import of Goods at Concessional Rate of Duty) Rules, 2017- Notification 68/2017- Customs dt. 30th June 2017	As per Rule 7(2) of Customs (IGCRD), 2017, Good Imported under concessional rate of duty should be Re-exported or consumed within six months from the date of imports. In case, the goods are not consumed within stipulated time period, authorities are insisting on payment of differential duty along with interest.	<p>It should be clarified that Customs (IGCRD), 2017, would apply to demand differential duty/interest only in cases where goods are cleared from factory to other locations instead of using them in the manufacture of specified goods. Where the importer has not cleared the goods to other location but used them ultimately in the manufacturing operations of specified goods, the time limit of six months under the said rule should not be applied</p> <p>Alternatively, time limit in such a case should be prescribed for twelve months instead of six months.</p>



CUSTOMS

Sr. No.	Reference	Challenges	Suggestion
Topics for Review of Existing Customs laws and Procedures			
3	Data integration between ICEGATE and GSTN Portal for expediting refunds under GST law	<p>As per Section 54(3) of the CGST Act, 2017, a registered person may claim refund of unutilised input tax credit at the end of any tax period where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies.</p> <p>In terms of the guidelines issued by the CBIC vide Circular No.135/05/2020-GST dated 31st March 2020, refund of ITC related to imports can be claimed while filing application under inverted duty structure.</p> <p>However, unlike supplies received from domestic vendors, the information pertaining to ITC available against BoE's is not auto populated in the GSTN portal.</p> <p>Therefore, Taxpayers have to painstakingly upload copies of all Bills of Entry along with payment challan to claim refund of unutilised ITC.</p>	It is suggested that the issue may be jointly studied by Customs & GSTN team and requisite IT infrastructure is created for flow of information like BoE/IGST Amount, Qty & Challan details in the GSTN portal to enable the Taxpayer to claim refund.
4	Changes in Icegate interface for fetching Shipping Bill details.	Currently, Exporters are required to Select information like Port Location, Shipping Bill Number & Date etc to obtain details of Export against their specific invoices. For large units, this process turns into a bottle neck as data of each shipping bill is required to be manually keyed in the portal.	It is suggested that the interface be suitably modified by providing a separate login id/ password for each exporter on the basis of "Import Export Code" so as to facilitate availability of export details for a specific period (without updating the Shipping Bill) which will ease out the efforts put in by each exporter.
5	Duty-free Import of goods under EPCG license/Advance authorization: Tax costs in case of failure to meet export obligations in respect of goods imported in pre-GST regime	<p>Since pre-GST regime, EPCG Scheme / Advance Authorisation allowed import of capital goods/inputs, without payment of customs duties, subject to fulfilment of export obligation prescribed under relevant notifications. If the Importer failed to discharge export obligation within stipulated period, he is directed to pay customs duties foregone at the time of imports, along with interest as prescribed.</p> <p>Prior to GST regime, differential duty paid in lieu of duty of Excise i.e., CVD and that paid in lieu of duty of Sales Tax (SAD), was allowed as CENVAT Credit and hence, these were not considered as tax costs for business.</p> <p>However, in GST regime, although CVD and SAD are subsumed in IGST, however, for any amount paid as CVD or SAD, GST law does not allow Input Tax Credit (ITC). Such ITC can be taken only if such differential duty is paid as "IGST".</p> <p>Given that Customs law requires duty foregone in procurement of imported goods to paid as per Customs duty in force at the time of imports, Importer is left with no option but to pay differential Customs duty as CVD & SAD (instead of IGST) on one hand, but with no recourse of claiming any Credit of such duty paid on the other. Hence, the Importer is put to grave financial hardships in such cases</p>	<p>In case of duty free imports made under EPCG & Advance Authorisations, Customs law should be suitably amended to allow importers to pay the CVD and SAD foregone, in the event of failure to discharge export obligations, as "IGST" to enable Importers to claim ITC of the same under GST law.</p> <p>In the alternative, Customs laws should be amended suitably to allow refund of CVD and SAD so paid, to the manufacturer-Importers, who are duly registered under GST law.</p>





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IT & ITES

1. ISSUE: INCOME TAX RETURN AND ASSESSMENTS

Challenge:

Considering the new regime of faceless assessments, it seems difficult to explain and make understand the factual issues of the company and industry specific issues to the assessing officer in the new regime.

Recommendations:

- Exemption to companies with huge turnovers / complex issues from the faceless regime. (e.g. To begin with T/O above INR 500 Crore).
- Further, in case the faceless regime is adopted, to have provisions in relation to video conferencing / face-to-face meetings to address specific issues at the request of the Assessee.

2. ISSUE: INCOME TAX-OTHER PROCEEDINGS

Challenge:

Long pending matters with the tax department in terms of rectifications and order giving effect.

Recommendations:

Issuance and adherence to the strict guidelines and time limits for clearing rectification applications and passing orders giving effect to CIT(A) and ITAT orders.

3. ISSUE: SEZS

Challenge:

Investment in Plant & Machinery using the investment reserve within the time limit specified in the Act (within 3 years).

Recommendations:

- Considering the current COVID-19 scenario, extension of the time limit for investment in Plant & Machinery from the investment reserves created (from current limit of three years). Further, inclusion of other assets as well (E.g. Buildings, Furniture etc.)
- More Clarity in terms of utilisation of investment reserves created during 11-15 years of SEZ deduction. Whether the reserve is to be utilised.
 - for any of the SEZ
 - for the specific SEZ or
 - at company level
- Require more clarity, guidelines through circulars for SEZ operations and work from home scenario in the current COVID-19 situation, and there should be no denial of 10AA deduction due to COVID-19 and Work from home.

4. ISSUE: CAPITAL GAINS

Recommendations:

Long term capital gains tax on listed shares and securities should be removed.



5. ISSUE: TRANSFER PRICING ASSESSMENTS

Challenge:

No clarity on who will conduct the assessment in the faceless regime.

Recommendations:

Transfer Pricing is a complicated and business specific and it is important that the Assessing Officer understands the transaction before applying any benchmarking. Adjustments could be substantial.

6. ISSUE: DIGITAL ECONOMY – EQUALISATION LEVY

Challenge:

Introduction and revision of equalization levy rates.

Recommendations:

Harsh consequences on tax payers – more clarity required on what qualifies as 'e-commerce transactions – lease line charges, software development charges, internet charges, etc.

7. ISSUE: TRANSFER PRICING RELATED COMPLIANCES

Challenge:

Form 3CEB deadline – bring forward by 1 month;

Master file filing deadline – Different than that of forms 3CEB and CbCR: the three separate deadlines are leading to confusion.

Recommendations:

All filing deadlines to be aligned so that there is no confusion.

8. ISSUE: POEM

Challenge:

Clarity on applicability.

Recommendations:

Simplification of regulation and clarity in law to exclude Indian MNCs and where there is substance in transactions.

9. ISSUE: ALLOWANCES/BENEFITS GIVEN TO EMPLOYEES

Challenge:

Whether the benefits such as HRA, LTA, Car Allowance, etc , will be challenged since Work From Home is allowed.

Recommendations:

LTA claim should be non-taxable for an additional number of years as it will not be claimed in the current year.



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**AGRICULTURE AND
FARM EQUIPMENT**

LOW LEVEL OF MECHANIZATION IN THE FARM SECTOR

1. ISSUE: HIGH COSTS OF MECHANIZATION

Challenge:

The custom hiring centres with the project cost of more than cost more than Rs. 25 Lakh will be established under the model of credit linked back-end financial assistance.

The bank will lock the financial assistance released to them for a period of 4 years. The beneficiary will repay the complete bank loan within the period of not less than 4 years. The beneficiary will not be allowed to transfer/ sell/ mortgage the CHC to any one before the completion of 6 years.

Recommendations:

- a. Subsidy on Custom Hiring Centres and Farm Machinery Banks would be provided over a period of 4 years, in 4 equal instalments, i.e. 25% each year immediately on completion of 600 hrs of operation of CHC/FMB in a year.
- b. The beneficiary would indicate at the time of applying for CHC/FMB on-line, the option of subsidy disbursement, either:
 - i. to be disbursed to beneficiary account, in case he/she has paid the full amounts for procurement of Tractors & equipment.
 - ii. to be disbursed to Financer's account, as the amount paid / financed for procurement of Tractors and equipment is paid by the beneficiary deducting the eligible subsidy amount.
- c. The beneficiary can obtain financial assistance from any PSU bank, Private Bank or NBFC (Non-Banking Finance Company) based on his / her ease and choice with a minimum tenure of 4 years. Details of the beneficiary's Loan account with financer, shall be shared on the portal post purchase of Tractors & equipment.
- d. The manufacturers will organise to introduce a 'digital platform' for monitoring the operation and usage of CHC / FMB.
- e. Empanelment of the 'digital platform' service providers shall be done separately by the DAC. The beneficiary will have to register on the DAC empanelled 'digital platform'.
- f. The 'digital platform' operator shall help the beneficiary in sourcing the hiring work and will have to submit a usage report on-line to DAO on a quarterly basis. For this, Agri Dept of state shall reimburse an amount per hour as 'digital platform service charges' agreed by DAC, to the empanelled digital platform service provider.
- g. A promotional incentive of Rs.200/- per hour shall be paid to the CHC / FMB based on the on-line report of the digital platform service provider. This is to ensure availability of Custom Hiring services to the desiring farmers at economical hiring charges as compared to the local charges. The disbursement shall be made to financer's account as per details in clause (iii) or to the beneficiary account (if financer's account details are not available on portal).
- h. The beneficiary will not be allowed to transfer the CHC to any one before the completion of 4 years.
 - Increase the number of Tractors & Farm machinery targets for CHC with subsidy support.
 - Frame up policy to fix up Rental charges payable by farmers to CHC service providers.
 - Thrust on promotion of High-end machines which are usually unaffordable for farmers but crucial to address farm labour scarcity concerns.



2. ISSUE: DUMPING OF OVERSEAS FARM MECHANIZATION EQUIPMENT IN INDIA

Recommendations:

For categories like combine harvesters - we are seeing dumping from China and South East Asia.

- Subsidy support on imported Agri Machinery to be withdrawn & all subsidy Supports should be available only to those machines which have at least 50% localization.
- Levy Import duties on non-essential goods from China and reduce customs duty on plant and machinery from countries other than China.
- Creation of Smart Villages - concept adopted by the national, state and local govts focused on holistic rural development.

3. ISSUE: LOW TECHNOLOGY IMPLEMENTS LEADING TO LOW FARM INCOMES AND HIGHER FARMING COSTS

Challenge:

The farm machinery industry in India has till date been largely focused on low technology implements mainly manufactured by the unorganised workshops in rural areas. The industry needs to grow rapidly like the tractor industry and farmers need to have access to the latest farm machinery. This will drive manufacturing employment, technology development in India and farm incomes.

Recommendations:

To promote the use of new types of farm machinery like, rotatory tillers, mulchers, ploughs, rice transplanters, horticulture planters, combine harvesters, tractor mounted and self-propelled sprayers, specialised harvesters for sugarcane, potato, balers and rakes etc.

Government should:

- Provide consistent and adequate support to farmers to purchase these types of products through DBT schemes.
- Have uniformity across states and time period for subsidies.
- Announce subsidy schemes that remain consistent and uniform across states for at least three years. Today there is inconsistency in subsidies across states, and subsidies start and stop without notice thus creating huge uncertainty for farmers, equipment dealers and manufacturers.
- Usage of Square Baler & Hay Rake in In Situ Operations to address smog issue in Punjab/Haryana due to stubble burning. A Hay Rake and Square Baler in conjunction can make Bales of the straw which can later be used by thermal power plants, refineries and other industries requiring fuel for fire.

The reduction in subsidy disbursed in various states in financial year 2019-20 has seen a large drop in farmers purchasing farm machinery products this year.



4. ISSUE: OUTDATED PRODUCTS & AGRI PRACTICES

Recommendations:

Initiatives to realise the Govt. of India's vision of "Doubling Farmer's Income by 2022"

- a. **Crop Value Chain Solution & not standalone product solutions:** Focusing on product-based subsidy is creating challenges for the crop value chain mechanization (Mechanizing only a part of the crop) which does not lead to desirable farmer income growth and impairing the soil quality. We, therefore, recommend investing in Crop Based solutions rather than product-based solutions. E.g. Paddy Value Chain, Sugarcane Value Chain, Potato value chain etc.
- b. **Horticulture Value Chain:** Horticulture crops' production has surpassed food-grain production for 7 years (Output growing double that of food-grains). However, most of horticulture uses manual practices from Sowing to Harvesting. We strongly recommend government to invest in providing subsidies in this field e.g. Subsidise Precision Horticulture Transplanters.
- c. **Focus on Dairy Value Chain:** India has the highest cattle population in the world (1.26 Cr) but the lowest yield (2042 Litres/annum per cow). Key reason of low yield is lack of quality feed through-out the year. Support this section of farmers / dairy operators by subsidising 500Kg, 1000Kg Silage Balers.
- d. **Employment Generation through Subsidy:** Tractor though primarily an agricultural product is highly versatile and can be used in commercial applications as well. With the recent thrust across India in infrastructure projects/Swachh Bharat projects, the use of tractor with commercial implements is increasing. Subsidy should also be allowed in commercial applications as it can generate employment for small entrepreneurs. Government should look at subsidizing the first-time commercial equipment buyers e.g. Tractor + Loader.
- e. **Focus on Crop Residue Management:** The Crop Residue has found several uses in Sustainable Farming practices in solutions in stubble burning, production of ethanol or biofuel (for mixing 25% with Diesel), Use of Briquettes for burning etc. Products like Square Baler is essential to familiarize the farmers on options for crop residue burning and provide new means for revenue generation, while protecting the environment.
- f. **Subsidy or Investment in developing Environment Friendly Solutions:** With the ever-complicating challenge of growing food on the same land mass (or lesser) for more people, the resources are always going to be of dearer value. Focus on implements like Rice Transplanter is imperative for Short Term to Long Term scenario. Rice Transplanter saves approximately 40% water required for sowing paddy (India has highest acreage in the world).

5. ISSUE: LACK OF GOVERNMENT FOCUS ON SILAGE INDUSTRY WHICH IS AN ESSENTIAL PART OF THE AGRICULTURAL VALUE CHAIN

Recommendations

Promote the dairy industry and farmer income by establishing the concept of "silage" for animal feed. Despite being the world's largest milk producer, India's milk productivity is 1600kg/animal and is amongst the lowest in the world compared with the global average of 2700kg/animal. Leading countries like Israel and USA are at 13000 and 10500 kg/animal respectively.

A primary reason for this is the Animal feed quality. The concept of silage industry needs to be developed and established. Farmers will be the opportunity to grow silage crops on a large scale. Large silage balers of 500 kgs and 100 kgs are needed to process and convert the silage into a form where it can be stored for many months. These balers are expensive and need government subsidy that may be provided to dairy farms and entrepreneurs to set up silage business.



6. ISSUE: CROP BURNING STILL CONTINUES DUE TO NO ECONOMIC VALUE OF CROP RESIDUE

Challenges

The crop burning problem is an economic one and not a technical issue. There are various methods that can be used to remove crop residue from the farms. The key cause of crop burning is that there is no economic value for the crop residue.

Recommendations

Through creation of economic value for Crop Residue, crop burning can be stopped. To discourage crop burning, the government must create facilities where the crop residue can be purchased and converted to fuel by either the public sector oil companies power companies. These companies must put out long term guaranteed purchase contracts for crop residue. On the basis of this, farmers and entrepreneurs can get into the business of cutting and baling the crop residue and selling it to companies. If this is done at a mass scale, the issue of crop burning maybe solved in a few years.

OPERATIONAL ISSUES IN ROLLOUT OF SUBSIDY SCHEMES

1. ISSUE: LACK OF TRANSPARENCY IN INFORMATION

Recommendations:

- Single portal or a section on any of the current websites dedicated to live updated information of the various (State + Central) schemes with all its details mentioned therein.
- Central level product empanelment, price fixation, scheme activation and subsidy amount.
- Mechanization for small and marginal farmers (Gujarat Model): Restrict subsidy amount to ~ Rs.50,000/- per farmer. This helps to take the subsidy benefit to higher number of small landholding farmers.
- Also, the entire subsidy disbursement process online and is directly transferred to the farmers or to his loan account in case he has taken a loan.

2. ISSUE: LARGE AMOUNT OF DOCUMENTATION

Recommendations

- Central Documentation of Schemes: Most schemes currently are managed by states and each scheme has different or duplicate documentation requirement. This makes the entire process time consuming for applicants. The documentation/empanelment should be done centrally.
- State wise variation of subsidy amounts need to be standardised.



AGRICULTURE AND FARM EQUIPMENT

3. ISSUE: CENTRAL SCHEMES VS STATE ALIGNMENT

Challenge:

Eligibility criteria for subsidy for tractors & farm machinery varies between states (for eg.: product and price empanelment). Subsidy amount also varies between states.

Recommendations:

In-Situ Subsidy Scheme, a Central Govt promoted scheme having provision of 50-80% subsidy on select 8 implements for Punjab/Haryana & UP farmers. The scheme should not be truncated / altered by any states (like UP removed Rotavators from the list in 2019).

5. ISSUE: LACK OF INFORMATION ON THE TIMING OF RELEASE OF SUBSIDY FOR KEY ADVANCE FARMING IMPLEMENTS

Recommendations:

- a. **Release of permits needs to be made in time as per crop season:** for e.g. for Rice Transplanter in Odisha. June-August is the key season for Paddy planting but the permits for subsidy were not released till September'19; impacting the use for the end customer.

CAPACITY DEVELOPMENT

1. ISSUE: VARIOUS STRUCTURAL ISSUES CAUSING EROSION OF THE “FARMER”

Challenge:

- a. Ageing farmers and age-old farming practices will certainly not be able to sustain the ever-growing food grain requirements.
- b. Growing population & hence ever-increasing demand for food grains needs innovative and explorative approach.
- c. Recent reverse migration of labour has pushed additional manpower into village economy (clubbed with additional consumption) which need to be productively deployed.
- d. Age old farming practices prevailed with very low penetration of technology / crop rotation culture.
- e. Farming not considered as 'profitable' profession.
- f. Youth avoiding adopting farming as career.
- g. Slow pace of reach of Development plans to the farmers' end.

Recommendations:

Farmer Education - Initiative to improve Current farming practices and deployment of state of the art trends in agriculture

- a. Encourage & Promote establishment of “Farming Transformation & Technology Deployment Centres” with P-P-P.
- b. Project ARYA needs to be strengthened through modernised farming practices along with exposure to innovative cropping pattern in agriculturally advanced countries.
- c. Farm produce processing units at local level.
- d. Create a separate cell with separate fund allocation for Advanced Farming Skill Development.



AGRICULTURE AND FARM EQUIPMENT

2. ISSUE: SYSTEMIC ISSUES IN PROMOTING MODERN AGRICULTURE

Challenge:

- a. Large markets available outside but untapped due to Quality issues and poor connectivity / communication linkage with the farmers.
- b. Precision Farming & digitisation of agriculture is largely limited to board rooms and books as of now.
- c. Agri export is limited to a few produces and a handful of entrepreneurs.
- d. Low volume of exports of Tractors and Farm Machinery.
- e. Utilisation of Drone still not liberalised.
- f. Precision farming / digital practices yet to come to use.

Recommendations:

- a. Quality upliftment program and Agri export - seed, fruit etc policies to be farmer friendly to enable easy engagement of common farmers.
- b. Promote development potential for Export of Agricultural Tractors & Farm Machinery.
- c. Liberalise commercial Utilisation of Drones and AI.
- d. Special promotion required for Precision farming practices / digital platforms.

3. ISSUE: LACK OF TESTING AND CERTIFICATION INFRASTRUCTURE

Challenge:

There is only one certification institute at Budni which has slowed development. Research and upgradation also take longer to reach farmers. Time taken in process - about 1 year.

Recommendations:

- a. Increase the number of Tractor testing & certification centres.
- b. Invite private establishments to set-up duly accredited test facilities to reduce the test cycle by partially off-loading some tests.

REVIEW OF EXISTING CUSTOMS EXEMPTION NOTIFICATION

1. ISSUE: LACK OF DATA INTEGRATION BETWEEN ICEGATE AND GSTN PORTAL FOR EXPEDITING REFUNDS UNDER GST LAW

Challenge:

- a. As per Section 54(3) of the CGST Act, 2017, a registered person may claim refund of unutilised input tax credit at the end of any tax period where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies.
- b. In terms of the guidelines issued by the CBIC vide Circular No.135/05/2020-GST dated 31st March 2020, refund of ITC related to imports can be claimed while filing application under inverted duty structure.
- c. However, unlike supplies received from domestic vendors, the information pertaining to ITC available against BoE's is not auto populated in the GSTN portal.
- d. Therefore, Taxpayers have to painstakingly upload copies of all Bills of Entry along with payment challan to claim refund of unutilised ITC.

Recommendations:

Joint study by Customs & GSTN team and requisite IT infrastructure be done to create a work flow of information like BoE/IGST Amount, Qty & Challan details in the GSTN portal to enable the Taxpayer to claim refund.



2. ISSUE: IMPORT RELATED PROCEDURE

Challenge:

- Since pre-GST regime, EPCG Scheme / Advance Authorisation allowed import of capital goods/inputs, without payment of customs duties, subject to fulfilment of export obligation prescribed under relevant notifications. If the Importer failed to discharge export obligation within stipulated period, they are directed to pay customs duties foregone at the time of imports, along with interest as prescribed.
- Prior to GST regime, differential duty paid in lieu of duty of Excise (i.e. CVD) and that paid in lieu of duty of Sales Tax (SAD), was allowed as CENVAT Credit. Hence, these were not considered as tax costs for business.
- In GST regime, although CVD and SAD are subsumed in IGST, however, for any amount paid as CVD or SAD, GST law does not allow Input Tax Credit (ITC). Such ITC can be taken only if such differential duty is paid as "IGST". given that Customs law requires duty foregone in procurement of imported goods to be paid as per Customs duty in force at the time of imports. The importer is thus left with no option but to pay differential Customs duty as CVD & SAD (instead of IGST) on one hand, with no recourse to claim any credit of such duty paid on the other. Hence, the Importer is put through grave financial hardships in such cases.

Recommendations:

- In case of duty-free imports made under EPCG & Advance Authorisations, Customs law should be suitably amended to allow importers to pay the CVD and SAD foregone, in the event of failure to discharge export obligations, as "IGST" to enable Importers to claim ITC of the same under GST law.
- In the alternative, Customs laws should be amended suitably to allow refund of CVD and SAD so paid, to the manufacturer-Importers, who are duly registered under GST law.

ECONOMIC RECOMMENDATIONS

1. ISSUE: LOW AVAILABILITY OF CREDIT IN FARM SECTOR

Challenge:

- Recent Farm Amendment Bills increases the farmer's dependency on PSU banks that have a dismal record in extending financial assistance for Farm Mechanisation.
- Currently, approximately 75% of tractor industry is financed by NBFC & private banks. PSU banks fund approximately 5% of the tractor finance.
- PSU Banks struggle due to NPAs arising out of non-repayment followed by ad-hoc loan waiver schemes. This makes way for farmers to get into traps of local lenders / private financiers. This weakens the PSU banking structure and also puts farmers at a disadvantage.
- Ad-hoc loan waivers discourage genuine borrowers who intend to repay the loans in-time. This further weakens the PSU banking structure and also puts farmers at a disadvantage.
- Financing through Nationalized Banks is currently complicated due to documentation requirements. Farmers prefer private banks & NBFCs though the rate of interest charged by them is exorbitant.

Recommendations:

Revival & strengthening of Agriculture financing support through PSU Banks (both Farm Mechanisation financing and credit extension program).

- Promote initiatives to encourage timely repayment by farmers instead of Ad-hoc loan waivers.
- Revitalise NABARD linkage - Run that extra mile with interest subvention - Encourage financial discipline at borrowers' end
- RBI should give specific targets, higher than the current level of funding, to PSU banks for financing tractors & farm implements.
- Documentation and process of financing through PSU Banks to be made simpler.



AGRICULTURE AND FARM EQUIPMENT

2. ISSUE: LOW LEVEL OF SUSTAINED CAPITAL SUPPORT TO FINANCIAL ENTITIES – NABARD, SFAC, SIDBI

Recommendations:

To ease the flow of credit in the rural sector, RBI should increase the capital limit to all financial entities providing loans for all agricultural activities, like, NABARD, SFAC etc.

3. ISSUE: LACK OF FINANCIAL SUPPORT TO FINANCING FARMER PRODUCER ORGANISATION (FPO)

Challenge:

During the COVID19 crisis, the role of FPOs have increased manifold. (Providing inputs, extension and advisory services to farmers, procurement, post-harvest operations, etc). State governments are promoting direct marketing by FPOs as it is the best mechanism to aggregate the produce of a large number of farmers and to sell it collectively in urban centres. However, infrastructure bottlenecks, lack of funds etc have limited the operations of the FPOs. Many FPOs are at a nascent stage.

Recommendations:

Accordingly, there is clearly a need to support the FPOs in terms of income and moratorium on loans and making available working capital to the members. Easing working capital to FPOs will be the key requirement.

4. ISSUE: REQUIREMENT/CREATION OF SMALL WAREHOUSES AT THE FARM-GATE

Recommendations:

- Access to standardised ware housing facilities.
- Financial assistance enabled by the e-NWR , i.e., Electronic Negotiable Warehouse Receipts, a legal document that enables the holder to further trade.

5. ISSUE: ENHANCING COMPETITIVENESS OF FISHERIES SECTOR

Recommendations:

- Investment in fishing harbours, value addition and promotion of Mariculture.
- Development of efficient supply-chain, controlling wastages and building strong traceability mechanism in partnership with private sector.
- New age innovations connecting fishermen with the markets can help in way in transforming the sector.



6. ISSUE: LACK OF INFRASTRUCTURE FACILITIES

Recommendations:

- a. For recent Farm Amendment Bill to be a success, the Standing Committee has noted the following pre-requisites:
 - I. availability of a transparent, easily accessible, and efficient marketing platform is needed.
 - II. Gramin Haats (small rural markets) can emerge as a viable alternative for agricultural marketing if they are provided with adequate infrastructure facilities.
- b. **Increase allocation to Gramin Haats:** The Central Government has proposed development of basic infrastructure in Gramin Haats through the National Rural Employment Guarantee Scheme and of marketing infrastructure through the Agri-Market Infrastructure Fund. The Fund has already been set up by NABARD to provide Rs 1,000 crore to states at a concessional interest rate for development of marketing infrastructure in Gramin Haats.

7. ISSUE: CUSTOM HIRING OF SPECIALISED FARM MACHINERY

Challenges

Given the small farm sizes in India, the practical way to increase farmer access to specialised farm machinery is by rentals or custom hiring. Previous subsidy attempts for custom hiring were directed at subsidising the equipment. This is useful but, not enough to scale up.

Recommendations:

A DBT type subsidy scheme should be initiated for farmers that enable them to hire specialised equipment like harvesters, planters, sprayers, etc to work on their farm. The government should empanel authorised hiring agencies and then subsidise farmer expenditure for the use of rental services through authorised agencies. The accounting of subsidy can be done through an app. The authorised agency can provide verification to government using technology like GPS and maps that the work has actually been done. This will prevent the misuse of the subsidy.





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AUTOMOTIVE

POLICY MEASURES FOR REVIVING AUTO INDUSTRY

1. ISSUE: LACK OF INCENTIVES IN SCRAPPAGE POLICY

Challenge:

Old Vehicles plying on roads (Registered before the year 2000 when the first emission norms were introduced) need to be scrapped.

Recommendations:

Introduce Incentive based vehicle Scrappage scheme to generate demand. The incentives can be in the form of 50% rebate in GST, Road tax and registration charges.

2. ISSUE: LOW DEPRECIATION RATE FOR VEHICLES

Rationale:

We are thankful to the Government for recently increasing the depreciation rate by 15% for all types of vehicles purchased before 31st March 2020 as a temporary measure to revive growth.

Recommendations:

Introduce the effective depreciation rate as 25% (WDV) from 1st April 2020 on a permanent basis to have depreciation equal to real useful life of the vehicle.

3. ISSUE: LACK OF CLARITY ON THIRD PARTY INSURANCE

Challenge:

Third party insurance premium were set to increase from 5% to 15% from 1st Apr 2020. This proposed hike was put on hold till further notice.

Recommendations:

Continue with FY'19 premium rates for Third party insurance till F'22.

HIGH INCIDENCE OF TAX ON AUTO INDUSTRY

1. ISSUE: HIGH RATE OF GST ON AUTOMOBILES

Challenge:

Automobiles are one of the highest taxed manufactured products in India.

GST Rate for IC engines -Passenger Vehicles /Commercial Vehicles/ Three Wheelers /Two-wheelers is at 28%. GST Rate for Electric Vehicles is 5%. State Compensation Cess levied over and above GST takes net taxes from 29% to 50% of Assessable value.

Recommendations:

- a. Passenger Vehicles:
 - i. BS6 price increase should be made GST free.
 - ii. With BS6 emission norms, there is no difference between Petrol and Diesel vehicle emissions. Cess on sub4m diesel vehicles should be equal to that of petrol vehicles, i.e. 1%, or make cess on petrol and diesel vehicles the same.
- b. Commercial Vehicles: Reduce GST from 28% to 18% as CVs are the backbone of trade movement and Indian economy.
- c. 2-Wheeler: Reduce GST from 28% to 18%.



2. ISSUE: LACK OF UNIFORMITY IN ROAD TAX ACROSS STATES

Challenge:

Currently, each state has a different formula for calculating the tax rate, which leads to anomaly in the final amount.

Recommendations:

Uniform road tax structure for vehicles across states and that tax be charged based on the invoice price of a vehicle.

3. ISSUE: PROPOSED HIKE IN THE VEHICLE REGISTRATION FEE

Challenge:

The deferment in revision of one-time registration fee until June 2020 is welcomed by the industry.

Recommendations:

Request to kindly withdraw the proposed hike in the vehicle registration fee.

EXPORTS AND CUSTOM DUTY

1. ISSUE: REQUIREMENT OF BENEFIT OF 2% MEIS IN THE FORM OF SCRIPS

Challenge:

MEIS scrips are not being issued for exports that have taken place from April 1, 2020 onwards. Government has already announced that the MEIS scheme will continue until December 2020. Hence, the prices offered to the Export market for the orders until December 2020, have taken into consideration the MEIS benefit.

Recommendations:

Automobile are provided the lowest MEIS at 2% and we request that the benefit of 2% MEIS in the form of scrips should continue till December 2020 as announced, so that we do not lose long-term business to competing countries.

2. ISSUE: HIGH CUSTOM DUTY ON EMERGING TECHNOLOGIES SUCH AS - LITHIUM ION CELLS AND BATTERY PACK

Challenge:

The basic import duty on lithium ion cells used in manufacturing of lithium ion accumulator for EVs will be doubled to 10 per cent from April 2021. Cell/battery pack manufacturing in India is at a nascent stage of development and the current practice of importing cells is expected to continue. Hence, the change will lead to increase in cost of manufacturing of the battery packs for electric/hybrid vehicles.

Recommendations:

NIL customs duty on import of Lithium ion cells and battery pack for manufacturing of electric/hybrid vehicles with a sunset clause, till cell/battery pack manufacturing base is established in the country.



3. ISSUE: HIGH BASIC CUSTOM DUTY RATES ON AUTO COMPONENTS CH 87 & 84, 85

Challenge:

Automobiles are one of the highest taxed products imported to India. The industry has to depend on overseas suppliers for high quality, reliable & cost-effective products. Many of the electronic components are not produced in India.

This is also resulting in unnecessary disputes by assessing officers at ports.

Recommendations:

Reset BCD Rates to 7.5% - 10% for all categories of auto components.

4. ISSUE: LACK OF PARITY WITH FOREIGN OEMS W.R.T VEHICLES IMPORTED FOR R&D

Challenge:

Indian OEMs have to spend huge money on R&D. Which also includes benchmark vehicle import which attracts duty @100%. While other MNCs in India do this bench marking in their overseas R&D workshops. There is a need to provide level playing field for Indian origin OEMs. This is also resulting in unnecessary disputes by assessing officers at ports.

Recommendations:

Import of bench-mark vehicles for R&D may be allowed duty free under EPCG.

5. ISSUE: HIGH CUSTOMS DUTY ON STAINLESS STEEL FOIL

Challenge:

With implementation of BS6 norms, stainless steel foil is used in manufacturing of catalytic converter.

Recommendations:

Duty to reduce to 5 per cent.

6. ISSUE: DELAY IN FILING BOE / DEMURRAGE

Challenge:

Importers have to make significant efforts to obtain waivers when instances of delay in filing BOE / Demurrage happen because of Customs EDI failures.

Recommendations:

The Port Customs commissioner should publish a circular of waiver for every instance of EDI failure period.



LOW OFFTAKE IN AUTO INDUSTRY DUE TO VARIOUS ECONOMIC FACTORS

1. ISSUE: LOW OFFTAKE OF AUTOMOTIVE SECTOR IN RURAL INDIA

Challenge:

Auto industry is facing various demand challenges. Higher purchase power support of rural markets would support demand.

Recommendations:

Under the NABARD financing scheme, special low interest rates can be given for purchase of 2W/LCV by rural business owners/entrepreneurs.

2. ISSUE: SHORT TERM VALIDITY OF MSME CREDIT GUARANTEE SCHEME

Challenge:

MSME support has been put on priority by the government under the Covid-19 Relief Package and Atmanirbhar Bharat vision. Most transporters/fleet owners are small businesses (MSME category) and have been impacted by the pandemic with the low demand and disruption to logistics.

Recommendations:

The MSME Credit Guarantee Scheme that was announced in May 2020 should be extended to all commercial transporters (PV and CV) for FY'21.

3. ISSUE: LACK OF SUBVENTION TO SMALL ENTREPRENEURS (AS IDENTIFIED IN STIMULUS PACKAGE) ON PURCHASE OF VEHICLE (2W/LCV)

Challenge:

Small businesses have been most impacted due to Covid-19. Govt has announced interest subvention to small vendors in urban areas under the Covid-19 package.

Recommendations:

It is suggested to extend the same benefit to these entrepreneurs to cover their purchases of 2W/LCV.

4. ISSUE: HIGH RATE OF INTEREST ON AUTO LOANS

Challenge:

Transportation has been a key contributor to the economy and, under the current circumstances automotive industry is struggling to revive the demand.

Recommendations:

Priority sector lending rates should be considered for automotive loans.



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REAL ESTATE

DIRECT TAX

1. ISSUE: DISCHARGING TAX LIABILITY AS PERCENTAGE OF COMPLETION METHOD (POCM)

Challenges

We are following Completed Contracts Method (CCM) as per Ind AS-115 (Revenue from Contracts). Revenue from project will be recognised in books in the year of completion. But, for Income tax purposes we are discharging tax liability as per Percentage of Completion Method (POCM). Thus, in the Year of completion we will be subjected to MAT u/s 115JB though we have paid full tax on part revenue. At the moment, Sec 115JB for Minimum Alternate Tax (MAT) does not have provision for the netting Income Tax paid in prior year(s).

Recommendations:

- Sec 115JB for MAT may be amended to provide netting of tax paid under POCM in earlier years when due to Completed Contract Method (CCM) the Company has to pay MAT.
- If this amendment is not made, then on same income there will be Double Taxation.

2. ISSUE: ANNUAL VALUE OF UNSOLD FLATS FOR A DEVELOPER - SEC 23(5)

Challenges

Annual value of unsold flats are taxed under "Income from House Property", if unsold even two years from end of Financial Year after which Completion Certificate is obtained.

Recommendations:

- Huge Tax burden under "Income from House Property" on developers for the unsold flats. Secondly when the flat is sold again there is tax under "Profits and Gains from House Property". Therefore, the provision needs to be deleted.

3. ISSUE: INTEREST DEDUCTION ON HOUSING LOANS U/S 24(B) IS VERY LOW (I.E.) 2 LACS.

Recommendations:

- Interest Deduction in case of first flat may be 3 Lacs. This will ensure a house for an individual.
- Deduction of interest for first house may be restricted to Rs 3 Lacs. But deduction of interest may be limited to Rs 2.5 Lacs for any subsequent flat purchased by him. This will also be helpful for flat sale.

4. ISSUE: APPLICABILITY OF MAT ON SEZ DEVELOPERS - PROVISIO TO SEC 115JB (6)

Recommendations:

- SEZs should be exempted from MAT.
- SEZ as a concept has to be free of any tax. Secondly there are remote chances of utilisation of MAT Credit by SEZ.



5. ISSUE: SEC 43CA

Challenges

Sec 43CA levies income tax on difference between stamp duty value and consideration increased by 10% on sale of assets other than capital assets. In case a developer wishes to sell flats below stamp duty value then he has to pay tax on difference.

Recommendations:

- Sec 43CA may be made inapplicable to Real Estate developers.
- Real Estate developer will not be taxed for reducing selling price of flats below stamp duty value.

OTHERS

1. ISSUE: INPUT TAX CREDIT FOR CONSTRUCTION BUSINESS

Recommendations:

Availability of Input Tax Credit for Construction Business.

2. ISSUE: SINGLE WINDOW CLEARANCE FOR AFFORDABLE HOUSING PROJECTS

Challenges

Current projects take anywhere from 6-18 months for all approvals given the number of agencies and departments involved.

Recommendations:

- There is a need for an integrated approach (A single nodal authority or a Single window) that cuts across all departmental (Urban Development, Environment & Forests etc.) requirements that will significantly reduce time.
- This will also ensure basic utilities – water, electricity, sanitation, road connectivity.

3. ISSUE: RE-INTRODUCTION OF SUBVENTION SCHEMES TO AID HOME OWNERSHIP

Challenges

Re-introduction of subvention schemes to aid affordable home ownership – however introduce strict measures in terms of developer pre-requisites/penalties to ensure such schemes are not misused by developers.

Recommendations:

Re-introduce subvention schemes. It will boost the ownership of affordable housing.





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LOGISTICS

INFRASTRUCTURE CREATION

1. ISSUE: LACK OF A CLEAR POLICY FRAMEWORK ENCOURAGING INVESTMENTS IN MULTI-MODAL INFRASTRUCTURE

Challenges

India's logistics cost - around 14% of GDP, or USD 2.5 trillion is way too high. The corresponding figure for the US and Europe is around 10%, while in Japan and China it is 11% and 8% respectively. The high cost of transporting goods is making Indian products less competitive in domestic and international markets. Reducing India's high dependence on roads for transport and achieving the right multi-modal mix will give India the cost advantage. Currently, roads account for 60% of traffic, rail 31%, and waterways 9%. The international benchmarks are 25%- 30% road, 50%- 55% railways and 20%- 25% waterways.

Recommendations:

- Budget allocation and actualization of the Draft Logistics Policy.
- Prioritise creation of inland waterways infrastructure.
- Facilitate Investments in rail infrastructure to improve hinterland connectivity.
- Investments to improve rail connectivity from ports, especially for double containers.
- Government charges for PPP be rationalized.

2. ISSUE: LACK OF COLD INFRASTRUCTURE (COLD CHAIN INFRASTRUCTURE, ETC.) TO DISSEMINATE COVID-19 VACCINES

Challenges

Safe delivery of doses for mass vaccination will be the biggest challenge for any country, especially India. This will involve tapping all available cold chain and warehouse operators in the country. Since there is not much capacity available, in each city, the Government will have to look at private players who have cold storage facilities and who can take care of distribution under the Centre's directives. Maintaining optimum temperature for vaccines will be critical and will pose the biggest hurdle in transportation. While most cold chains in the private sector support temperatures of up to -30 degree Celsius, some of the vaccine candidates require storage at -70 degree Celsius.

Recommendations:

Incentivise the creation of supply chain infrastructure (cold chain infrastructure, etc.) to disseminate Covid-19 vaccines.

HIGH COSTS OF TRANSPORTATION

1. ISSUE: HIGH ODC CHARGES AND LACK OF CENTRALIZED DIGITAL PLATFORM TO PAY THESE CHARGES ELECTRONICALLY

Challenges

ODC charges are significantly higher than normal cargo. Absence of a digital platform to pay these charges causes delay and leaves room for corruption at checkpoints.

Recommendations:

Reduction in ODC charges.



2. ISSUE: HIGH COST OF CAPITAL - DIFFICULTY IN MAINTAINING FINANCIAL STABILITY, ESPECIALLY IN THE CASE OF SMALL TRANSPORTERS

Challenges

Small transporters have been significantly distressed on account of the ongoing pandemic due to reduced business and the fixed cost structure of maintaining the fleet.

Recommendations:

Interest waivers should be provided to small transporters owning less than 100 trucks.

3. ISSUE: PROCEDURAL CHALLENGES IN ISSUANCE OF FITNESS CERTIFICATE

Challenges

In case of Commercial vehicles, the fitness certificate is issued for a new vehicle for only 2 years and subsequently renewed for one year.

Recommendations

- Fitness certificate for trucks norms to be changed to once every 3 years for trucks less than 6 years old; and once in two years thereafter.
- For new vehicles, fitness certificate should be issued by OEM, not RTO.

LACK OF WAREHOUSING INFRASTRUCTURE

1. ISSUE: LACK OF STANDARDIZATION OF WAREHOUSING OPERATIONS AND NORMS ACROSS INDIA

Recommendations

- Standardisation of warehousing operations and norms is required especially for elements like Fire NOC, MHE standards.
- Requirement of Amendment of labour policy to introduce standards for warehousing-based services and solutions.

PROMOTING GREEN LOGISTICS AND SUPPLY CHAIN

1. ISSUE: HIGH COST OF EVS (ELECTRIC VEHICLES) FOR COMMERCIAL APPLICATIONS

Recommendation:

Extension of subsidy on EVs (electric vehicles) for commercial applications to drive EV adoption.



TAXATION

1. ISSUE: LACK OF CLARITY OF GST ON TRANSPORTATION

Recommendation:

GST on transportation should be only on reverse charge mechanism at 5%. Either no option of forward charge mechanism or that should also be at 5%.

2. ISSUE: NO GST ON FUEL

Challenges

Taxes (VAT, excise, dealer commission) comprise over 69% of the pump price, the highest in any part of the world.

Recommendation:

Include Fuel under GST.

3. ISSUE: FACTORY LICENSING NORMS

Recommendation:

Factory licensing norms to be eased. Post GST, manufacturing footprint is expected to change, but procedural delays impact the process.

USE OF DIGITAL TECHNOLOGY IN VARIOUS PROCEDURES

1. ISSUE: LACK OF AVAILABILITY OF DIGITAL TOOLS / PLATFORMS

Recommendation:

- In case of theft or accident of National Permit vehicles, the provision of an online FIR mechanism, which Central government can then forward to respective police station will be helpful.
- Electronic POD will be helpful. It will remove the requirement of paperwork and optimise the process.
- Standardization and enforcement of digital tracking systems through GPS.

MOBILITY

1. ISSUE: RESTRICTIONS ON PRIVATE PARTICIPATION IN INTRACITY TRANSPORT

Recommendations:

Change the stage carriage law to allow private participation in intracity transport.



2. ISSUE: NO PRIVATE VEHICLES BEING UTILISED FOR SHARED OR ENTERPRISE MOBILITY

Recommendations:

Allow private vehicles (non-yellow number plate) for shared mobility on platforms or enterprise mobility service providers like Mahindra Logistics.

3. ISSUE: LACK OF EV INFRASTRUCTURE SUPPORT

Challenges

Implementation of charging infrastructure needs significant impetus.

Recommendations:

Incentives for charging stations and other EV infrastructure to be expanded under FAME II with specific allocation.





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RENEWABLE ENERGY

1. ISSUE: REGULATORY HURDLES FOR PRIVATE PLAYERS IN THE POWER / RE SECTOR IN INDIA

Challenge:

The Ministry of Power ("MoP"), Government of India, released the draft Electricity (Amendment) Bill, 2020 (the "Amendment Bill") on April 17, 2020 to amend the Electricity Act in order to address some recurring issues, and to promote further commercial incentive for private players to enter the market in the generation, distribution and transmission of electricity, with some policy modifications. The proposed Bill has been welcomed across the industry for its reformatory tone starting with the strengthening of the Institutional structure. It has laid emphasis on the Regulatory discipline which is the cornerstone of a well-functioning infrastructure market. Proposed amendments seek to strengthen Regulatory Commissions by empowering them to levy appropriate penalties in case of contravention of any order. Framework for time bound approval of electricity tariffs has been proposed, with a mandate to calculate tariffs without considering any subsidies.

Recommendations:

We would like to see it introduced in Parliament and passed so that Distribution reforms can take place and structural problems plaguing investments in RE sector can be addressed.

2. ISSUE: REGULATORY HURDLES PERTAINING TO TARIFF IN THE POWER SECTOR

Challenge:

The new National Tariff Policy has many reformatory provisions. It is being awaited as a major reform by the stressed power sector but being opposed by state governments and discoms due to clauses like penalties for load shedding. It has proposed that state electricity regulators shall not allow discoms to pass through transmission and commercial losses beyond 15% in consumer tariffs. It has also called for simplification of tariff categories and rationalisation of retail electricity tariffs.

Recommendations:

It has been pending since 3 years and will give fillip to DISCOMs health and in turn make the sector viable.

3. ISSUE: BCD GRANDFATHERING

Challenge:

MNRE is of the view that BCD, unlike safeguard duty which is limited to two years, would be enforced for an extended period of time. Ministry of Finance is reluctant to offer Grandfathering. Ministry of Power is working out a formula in-line with Coal Cess/Surcharge calculation to pass on the additional burden to the end customer while giving relief to generators. Formula to come out soon. This formula will facilitate generators to be compensated from Day - 1 with post-facto approval for regulators.

Recommendations:

Developers are wary of Such steps as "Change in Law" will be applicable and it's a time taking and tedious process. Further, financing of such duties post bidding is not done by Lenders which is why the industry has been asking for grandfathering for already bid out Projects.



A vibrant photograph of a tropical resort. In the foreground, a row of wooden lounge chairs with white cushions sits on a terracotta-tiled deck. Large white patio umbrellas are open over the chairs. To the right, a clear blue swimming pool stretches into the distance, with a small white bridge crossing it. The background is filled with lush green palm trees and a clear blue sky with a few wispy clouds. The overall atmosphere is one of relaxation and luxury.

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TOURISM & HOSPITALITY

DIRECT TAXES

1. ISSUE: DEDUCTION IN RESPECT OF PROFITS AND GAINS FROM BUSINESS OF HOTELS AND CONVENTION CENTRES IN SPECIFIED AREA

Challenges

Section 80-ID of the Income-tax Act provides for a five-year tax holiday to new hotels of two, three- and four-star categories and convention centres. It is a requirement that such hotel must be constructed and has started or starts functioning at any time during the period; 1st April 2007 to 31st March 2010.

Recommendations:

To re-introduce the profit link deduction with a view to promoting tourism and to attract tourists to certain World Heritage Sites in India.

2. ISSUE: SECTION 56 (X) OF THE INCOME TAX ACT, 1961

Challenges

If any person receives immovable property for inadequate consideration, and the difference between the stamp duty value and actual consideration exceeds Rs.50,000, the difference would be subject to tax in the hands of the recipient under the head "Income from other sources".

Recommendation:

While the provisions of section 56(2)(x) are meant to curb tax evasion or aggressive tax planning strategies, the practical fallout is that genuine transactions not involving black money or tax evasion could also be covered unintentionally and face irrational tax consequences. As a result, genuine hardships are faced. It would go a long way if some of the above aspects are addressed and effective carve-outs are provided to the applicability of section 56(2)(x) to genuine transactions in the upcoming union budget.

INDIRECT TAXES

1. ISSUE: RATIONALIZATION IN GST RATE FOR F&B SERVICES

Challenge:

The Current GST rate for F&B service is as follows:

1. GST Rate for stand- alone restaurants – 5% (without ITC).
2. For restaurants located in the premises of a hotel, club, guest house or any other places meant for residential or lodging purpose having declared tariff of any unit of accommodation of INR 7,500 and above, per unit per day – 18% (with ITC).

Recommendations:

Single rate of GST with respect to F&B service with Input Tax credit. GST rate could be 5% or 12% with full Input Tax Credit.



2. ISSUE: INCLUSION OF ALCOHOL & ELECTRICITY IN GST

Challenges

Alcohol and electricity are out of the purview of GST net. The taxation on alcohol is different across states. The hotel industry consumes a lot of electricity as a prime consumable and the levy of electricity duty would also not be covered in GST. Thus, the hotel industry would not be able to avail the input credit on the two items which will have a negative impact on this sector.

Recommendation:

Including Alcohol and Electricity in GST would result in avoiding cascading tax impact as GST input would be set off against the liability.

3. ISSUE: CENTRALISED REGISTRATIONS

Challenge:

Contrary to erstwhile service tax regime of Centralized registration, the GST regime requires multiple Registrations at state level. This leads to multiple return filing and tax payment at state level on monthly basis.

Recommendations:

Centralized GST Registration is proposed to avoid any Cenvat Credit loss to the business at State level and ease in compliance.



TAX

P O R

NBFC

DIRECT TAX

1. ISSUE: TDS ON INTEREST (SEC 194A)

Challenges

As per section 194A of the Act, any person making payment of interest is required to deduct tax at source ('TDS') at of 10%. There are certain exemptions given under this section wherein the person making payment to various institutions like Banking Company, Life Insurance Companies and UTI etc., is not required to deduct TDS. Accordingly, any person making payment of interest to Banks is not required to deduct tax.

However, no such exemption has been provided to NBFCs from the applicability of section 194A. Accordingly, tax is required to be deducted at the rate of 10 percent from interest paid to NBFCs. This creates severe cash flow constraints since NBFCs operate on a thin spread/ margin on interest which at times is even lesser than the TDS on the gross interest. Further, due to enormous transactions, NBFCs have to face severe administrative hardship in terms of collection of TDS certificates from their thousands of customers.

Recommendations:

Based on the above said facts, it is hereby requested to exempt those NBFCs which are registered with RBI and classified by RBI as Deposit Taking NBFC (NBFCs-D) and Non-Deposit taking systemically important NBFC (NBFCs-ND-SI) from the provisions of TDS on Interest Income. The same may be granted by issuance of Notification u/s 194A(3)(iii)(f) of The Income Tax Act, 1961. Exemption from TDS provisions shall also be contributing to ease liquidity for NBFCs.

2. ISSUE: TAX BENEFITS FOR INCOME DEFERRAL U/S.43D OF THE INCOME TAX ACT

Challenge:

Section 43D of the Income Tax Act recognises the principle of taxing income on NPAs only in the year in which they are received. It is also logical to recognise income on NPAs on receipt basis and not on accrual basis in order to present the correct picture. In accordance with the directions issued by the RBI, NBFCs like banks and FIs, follow prudential norms and are required to defer income in respect of their non-performing accounts.

However, the provision of Section 43D are only applicable to scheduled banks, public financial institutions, state financial corporations, state industrial corporations and housing finance companies (which are also non-bank entities). Union budget 2017 has extended the coverage of this section to cooperative banks also.

Recommendations:

Extend scope of Sec 43D to RBI registered NBFCs also.

3. ISSUE: HIGHER DEPRECIATION RATES FOR CONSTRUCTION EQUIPMENT

Challenges

The I. T. Act allows depreciation at the rate of 100% in case of certain equipment meant for pollution control, solid waste control, mineral oil concerns, mines and quarries, energy saving devices and renewable energy devices. The Act also allows high rate of depreciation (30%) to motorcars, buses, lorries and taxis used in the business of running them on hire.

However, construction equipment which contribute immensely to infrastructure development are not given this benefit of higher depreciation rate when they are financed, instead the depreciation rate for such vehicles is only 15%. For other plant and machinery too, the rate is 15%. This acts as a roadblock to infrastructure development.

Recommendations:

The depreciation rate should be at par with commercial vehicles ie; 30%. This will also give an impetus to the infrastructure spend and will incentivize such investments.



INDIRECT TAX: GST

1. ISSUE: HIGH COST OF CAPITAL IN INDIA DISINCENTIVIZING LEASING

Challenge:

World over “Leasing” has been promoted as an important tool for capital formation. “Leasing” in India has suffered a body blow due to imprudent taxation. GST on rentals of lease of any movable asset is equal to the rate of GST levied on normal sales/purchase of that asset, which does not give any incentive to lease.

Recommendations:

1. The interest component of the lease rental may be exempt from the levy of GST on the lines of the exemption given to the interest on loans.
2. The rate of GST on lease rentals should be reduced to 5% in order to promote and encourage lease as a tool of capital formation.

STRUCTURAL FINANCIAL REFORMS

1. ISSUE: PERMIT SUBSIDIARY COMPANY TO PROMOTE INSURANCE COMPANY

Challenge:

When a financial services company is a subsidiary of another company then it's not possible to diversify into insurance sector as subsidiary companies are not allowed to promote an Insurance company. Hence financial service company is not able to meet the insurance needs of its customers.

Recommendations:

Insurance act to be amended so as to permit subsidiary company to promote Insurance company.

2. ISSUE: FUNDING SUPPORT TO NBFCs TO ENSURE LIQUIDITY

Challenge:

NBFC sector has been heavily impacted by the flow of credit to the key sectors of the economy like Automobiles, MSMEs and Consumer Goods, which have suffered heavily. Asset liability mismatch is practically a non-issue for NBFCs in these sectors.

Recommendations:

- I. Setup up a Permanent Refinance Window for NBFCs

A dedicated “Refinance window for NBFCs”, on the lines of National Housing Bank (which provides refinance to Housing Finance Companies) has been a long-standing demand of the NBFC sector. The Parliamentary Standing Committee on Finance in their 45th Report dated June 2003 (relating to The Financial Companies Regulation Bill, 2000) had recommended setting up of a new refinance institution for NBFCs.

- II. Establishment of Alternate Investment Fund

An Alternate Investment Fund (AIF) may be established to channelize institutional funds to NBFCs. Non-convertible debentures (secured by hypothecation of business receivables of NBFCs) could be subscribed to by the AIF for onward lending by NBFCs. These NCDs could be administered by investor trustees who could take care of the interests of the AIF and its constituents and would be subject to all extant guidelines in this regard. The manner of constitution of the AIF and the sources of its funds could be discussed further.



2. ISSUE: FUNDING SUPPORT TO NBFCs TO ENSURE LIQUIDITY

III. "On Tap" Issuance of Secured Bonds/NCDs

NBFCs have access to Non-Convertible Debentures ("NCDs") having flexible tenure and rates, both through the private placement (with restrictions) and public issue. While private placements have severe restrictions on the number of investors, the frequency of issue etc., public issue of bonds tends to be very expensive, laborious and inflexible.

It is proposed that NBFCs be allowed an on-tap facility for issuance of NCDs to the retail market by making the offering of NCDs through an easy to operate and less costly procedure, but with proper governance to provide investor protection and comfort.

IV. Establishing a Refinance Mechanism to reduce the overdependence on banks. This will establish a dedicated non-bank channel for NBFCs to avail long-term finance for on-lending to the under-served sectors of the economy. For this:

- MUDRA norms on cap on interest rate spread and minimum prescribed credit rating need to be tweaked.
- SIDBI and NABARD (including its subsidiaries NAB-SAMRUDHHI and NAB-KISAN) may be allocated funds specifically for this purpose.

V. Role of National Housing Bank may be expanded to refinance all NBFCs and not only HFCs

VI. Establishing a SPV with initial capital infused by the Government and this SPV may then raise debt through issue of bonds. This SPV may use the funds exclusively for funding of small and medium sized NBFCs. The SPV should be allowed to leverage about 4 times thus providing Rs. 5000 crs of fresh funds to the NBFCs.

3. ISSUE: RECOVERY - ENFORCEMENT OF SECURITY INTEREST UNDER THE SARFAESI ACT COMES WITH A RIDER OF MINIMUM LOAN TICKET SIZE OF RS. 1.0 CRORE

Challenges:

The prime objective of giving NBFCs coverage under the SARFAESI Act was to bring parity with banks, HFCs and other FIs, and providing NBFCs with an all important tool of recovery. This has been done in the light of the Revised Regulatory Framework for NBFCs, issued by RBI which is aimed to "address regulatory gaps and arbitrage arising from differential regulations, both within the NBFC sector as well as vis a vis other financial institutions". As a result, the Asset Classification (NPA classification norms) were brought at par with banks.

Hence on par with banks there shall not be any restriction in respect of size of loans for enforcement of SARFAESI.

Recommendations:

- I. We hereby request you to kindly do full justice by bringing complete parity with banks, housing finance companies and FIs in matters relating to recovery.
- II. For this, kindly delete the following words from the Notification dated 5th August 2016: ".....with the exception that the provisions of Sections 13-19 shall apply only to such security interest which is obtained for securing repayment of secured debt with principal amount of Rs 1crore and above".



4. ISSUE: DECRIMINALISATION OF CHEQUE BOUNCING SECTION – 138 OF NEGOTIABLE INSTRUMENTS ACT 1881

Challenges:

Decriminalization of Section 138 of the NI Act, would lead to surge in contract enforcement disputes, which would clog the civil courts thereby shifting the nature of the legal battle from 'criminal' to 'civil' defeating and acting against the prime objective of ease of doing business and unclogging the court system.

The prosecution for the cheque dishonour is an important source of collection mechanism for Finance industry and if the same is decriminalised, it would increase the stress on already battered industry besides increasing the operating cost notwithstanding the delay in disposal of Section 138 cases.

Recommendations:

Request the Government to reconsider the proposal of decriminalisation of offence under Sec.138 of NI Act as it may impact the efficacy of banking transactions and may instil a sense of fear and insecurity in the traders who use to transact on the strength of cheques. As the industry is always willing to collaborate and work along with the Government in finding ways to reduce the litigation, the decriminalisation of offence of Sec. 138 of NI Act may not be a step in a right direction.

5. ISSUE: RELAXATION ON APPLICABILITY OF CLAUSE 2.1.2 AND 2.2.1.2 OF MASTER CIRCULAR- LOANS AND ADVANCES – STATUTORY AND OTHER RESTRICTIONS FOR DIRECTORS WHO ARE INDEPENDENT DIRECTORS OF AN NBFC

Challenges:

The Master Circular – “Non-Bank Finance Companies – Corporate Governance (Reserve Bank) Direction 2015” on Corporate Governance mandates every SI – NBFC to ascertain the suitability for the post of Directors by way of qualifications, technical expertise, track record and integrity and follow the guidelines which have been provided to Banks in June 2004.

This essentially means that NBFCs should select persons as Directors (especially Independent Directors) who have the qualification, technical expertise, track record and integrity in Banking & Financial Services. NBFCs which desire to adhere to the highest level of Corporate Governance would appoint Independent Directors who invariably may be on the Board of different banks.

However, there is an anomaly between the Master Circular on Corporate Governance and the captioned Master Circular – Loans and Advances. The latter not only restricts the ability of NBFC to have highly qualified professionals on their Board, but also restricts their fund-raising ability.

In terms of Clauses 2.1.2 and 2.2.1.2 of Master Circular – Loans and Advances – Statutory and Other Restrictions dated July 1, 2015, following restrictions have been imposed on Scheduled Commercial Banks:

- I. Clause 2.1.2 : Banks are prohibited from entering into any commitment for granting any loans or advances to or on behalf of any of its directors, or any firm in which any of its directors is interested as partner, manager, employee or guarantor, or any company (not being a subsidiary of the banking company or a company registered under Section 8 of the Companies Act, 2013, or a Government company) of which, or the subsidiary or the holding company of which any of the directors of the bank is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or any individual in respect of whom any of its directors is a partner or guarantor.



5. ISSUE: RELAXATION ON APPLICABILITY OF CLAUSE 2.1.2 AND 2.2.1.2 OF MASTER CIRCULAR- LOANS AND ADVANCES – STATUTORY AND OTHER RESTRICTIONS FOR DIRECTORS WHO ARE INDEPENDENT DIRECTORS OF AN NBFC

- II. Clause 2.2.1.2: Unless sanctioned by the Board of Directors/Management Committee, banks should not grant loans and advances aggregating Rs. 25 lakhs and above to - (a) directors (including the Chairman/ Managing Director) of other banks; (b) any firm in which any of the directors of other banks is interested as a partner or guarantor; and (c) any company in which any of the directors of other banks holds substantial interest or is interested as a director or as a guarantor.

Therefore, from a regulatory perspective:

- i. A Bank cannot lend to an entity where one of its Director is also a Director (common directorship); and
- ii. If the borrower entity has a Director on its Board who is also on the Board of any Bank (not being the lending Bank) then such proposals must be sanctioned only by the Board of Directors/Management Committee of such lending bank.

Further, currently number of banks even expand the definition and apply it to even common IDs who are on the boards of the banks' subsidiaries. For example, if an ID is on the board of bank promoted Insurance company or investment banking arm and also on the board of NBFC, then also the similar restrictions or escalated approvals are imposed. It really narrows down the choice for appointment of IDs.

In view of the above restrictions, NBFCs have generally been avoiding appointment of Independent Directors who are on the Boards of Banks and thus, unable to avail of the services of a pool of highly acclaimed professionals who otherwise would serve the purpose of increasing the levels of corporate governance of NBFCs.

Recommendations:

While the intent of the prohibition provided in the Master Circular on Loans & Advances is well appreciated but it does not differentiate between a Director and Independent Director and restrict NBFCs in selecting Independent Directors who otherwise can help improving governance of NBFC as a sector.

Exempt independent directors from the purview of Clauses 2.1.2 and 2.2.1.2 of Master Circular – Loans and Advances – Statutory and Other Restrictions dated July 1, 2015.





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