equaliFi ACADEMY

CPF

CERTIFICATE IN
PROJECT FINANCE

Session 6- Taxation & Incentives

Objectives

- Understand tax in respect of Infrastructure sector
- Understand different benefits in taxation available to the entrepreneurs
- Understand the concept of Capital Subsidy
- Categories in Infrastructure Finance eligible for tax rebate
- Understand RFCTLLARR, as a revised law in land acquisition
- Understand some change in FDI policy in Infrastructure Sector
- Understand some other benefits for the players in Infrastructure Sector

What is tax?

- Tax is defined as a compulsory contribution levied on persons, property, or businesses for the support of government for economic and social operations. In other words, it is money paid to a government to fund its programs and services.

Objectives of taxes

1. To raise (collect) money to pay for government spending :- government needs money for providing different goods & services to people such as education, medical, housing etc. Taxation is the main source of collecting money for such purpose.
2. To discourage people from buying harmful goods :- government look after the welfare of the people. Hence many countries impose taxes to discourage people from consuming those goods which are harmful to their health for example alcohol, cigarettes etc.
3. To influence the level of total demand in the economy :- when government wants to increase demand in the economy, it can reduce taxes, so the goods are cheaper and more goods are purchased.
4. To redistribute income from the rich to the poor :- when rich are taxed, this money is collected by the government and spend on services such as education, medical, housing etc. for the welfare of the general public of the country.


Taxes
Direct Taxes
Indirect Taxes

GST is new inclusion

Tax Incentive Schemes…..

Industry Specific	Tax Incentives
Profit & Gain derived by eligible start up from specified business on or after April 1st, 2017 (subject to certain conditions)	100% of the profit for three consecutive assessment years out of seven years beginning from the year the eligible start up was incorporated
Business of Processing, preservation and packaging of fruits & vegetables, handling, storage & transportation of food grains. Processing, preservation and packaging of meat & meat products or poultry, marine & dairy products	100% tax holiday for first five years and a deduction of 30% (25% if the assesse is not a company) of profits for the subsequent five years

Tax Incentive Schemes…..

Export Linked	Tax Incentives
Employment of new workers. All taxpayers whose total sales, turnover or gross receipts exceed INR 10 million	Additional deduction of 30% on the cost incurred on a new employee
Start up Business engaged in innovation, development, deployment or commercialization of new technology-or intellectual property-driven products, process or service	100% deduction on profits & gains for three consecutive years out of seven years, starting from the year company was incorporated

Tax Incentive Schemes…..

Activity Based	Tax Incentives
Expenditure on skill development project	Deduction of 150% on expense incurred on a notified skill development program by company
Scientific R&D	Deduction of 150% on the R&D expense incurred by the company for development of technology and new products

Tax Incentive Schemes…..

Location-based	Tax Incentives
Units set up in SEZs	100% tax holiday in five years & 50% for the next ten years out of profits
Companies located in International Financial Service Centres (IFSCs)	i) Exemption from paying dividend distribution tax, ii) Relaxation on levy of Minimum Alternative Tax (MAT) from 18.5% to 9%, iii) Specific relaxation in security transaction tax, LTCG & commodity tax

Tax Benefits U/S 80 IA

- Section 80-IA of the Income-tax Act, 1961 provides exemption from income tax on infrastructure projects subject to specified conditions in order to encourage investment in these areas.

- Sub-section (12) provides that in case of demerger or amalgamation, the benefits to the undertaking under Section 80-IA will continue in the hands of the transferee company and will cease in the hands of the transferor company.

Eligible Categories for deduction U/S 80 (IA)

Category I	Carrying on the business of a) Developing b) Operating and maintaining, or c) Developing, operating and maintaining any infrastructure facility [Simply stated **Infrastructure facility**]
Category II	Providing telecommunication services [Simply stated **Telecommunication services**]
Category III	Developing, operating or maintaining an industrial park or special economic zone (SEZ) notified by the Central Govt. [Simply stated **Industrial park**]
Category IV	a) Generation b) Generation and Distribution of power c) Laying of new transmission lines for power distribution d) Undertakes substantial renovation and modernisation of the existing transmission or distribution lines [Simply stated **Power Generation**]
Category V	Undertaking set up for reconstruction or revival of power generating plant

Right to fair compensation & Transparency in Land Acquisition, Rehabilitation & Resettlement Act, 2013

RFCTLAR & R Act replaced the old land acquisition Act 1894.

What is new in this Act?

- Social Impact Assessment Study (SIA) (Irrigation projects for which Environmental Impact Assessment has been done under any other law are exempted/ if under emergency provisions u/s 40, then exempted)
  Public hearing mandatory
  consent of majority

- Special Provision to safeguard food security –Sec-10- No irrigated multi-cropped land shall be acquired. (linear projects exempted)

What is new in this Act?

- Special protection to SC &ST u/s 41- No land to be acquired, if acquired as demonstrable last resort- Special R&R Plan

- Direct purchase of private land allowed with restriction u/s 46

- Higher rate of compensation with solatium and multiplying factor

- Compensation for livelihood loss

- If the land acquired not utilized within 5 years, then the land be reverted to the original owner u/a 101

FDI in India…few key points

- The Foreign Investment Promotion Board (FIPB) has been created to approve FDI proposals speedily in most sectors specially infrastructure
- The RBI gives quick approval for investment
- Currently 100% FDI is allowed in Infrastructure Sector

Capital Subsidy…

A subsidy that covers the share of capital invested in a project is capital subsidy

Central Capital Investment Subsidy @ 15% of the investment in plant and machinery with a ceiling of Rs. 30 lakh for establishing new units or substantial expansion (for MSMEs the ceiling is Rs. 50 lakh)

Few important benefits for infrastructure

- Reduced custom duty in import of renewable energy equipment & road construction equipment
- LTCG relief in investment in Bonds issued by NHAI & Rural Electricity Board (REB)
- Benefits for Real Estate Development

Thank You