

# India Union Budget 2019-20

## Point of View

### Transport and Logistics



#UnionBudget2019 #KPMGBudgetLIVE

## Key announcements for the sector

### Electric Vehicles (EVs)

- INR10,000 crore allocated to the Faster Adoption and Manufacturing of Electric Vehicles (FAME II) scheme over three years

### Metro Rail and Railways

- More Public Private Partnerships (PPP) initiatives to develop railway infrastructure. Continued focus on expanding metro rail networks
- Investment of INR50 lakh crore between 2018 and 2030 required in railway infrastructure and increased investment in suburban railway network through special purpose vehicles (SPVs)
- To launch massive railway station modernisation programme.

### Roads and highways

- INR80,250 crore allocated for upgradation of 1.25 lakh kms of roads over five years
- Comprehensive restructuring of National Highways Programme
- Phase 2 of Bharatmala to focus on aiding states to develop state road networks.

### Aviation

- Suggestions to increase FDI in aviation to be examined
- Develop suitable policy interventions for development of Maintenance, Repair and Overhaul (MRO) industry and aircraft financing & leasing.

### Others

- National Common Mobility Card (NCMC) early this year to enable payment for multiple transport charges across India.

### Direct tax

With the income-tax law overhaul around the corner, no major amendments were announced. Some of the significant changes are as under:

- To reduce the corporate tax rate of a domestic company with turnover of INR400 crore or less in FY 2017-18 to 25 per cent
- To provide investment linked deduction to companies setting up mega-manufacturing plants for solar photovoltaic cells, lithium storage batteries, solar electric charging infrastructure, etc.
- Envisioning a leap-frogging launch for E-mobility, the Government has announced that a deduction shall be allowed in respect of interest up to INR150,000 on loan taken for purchase of electric vehicle
- To remove restriction on carry forward of losses on account of change in shareholding of a closely held company, its subsidiary and the subsidiary of such subsidiary, where:
  - the National Company Law Tribunal (NCLT), on a petition moved by the Central Government, has suspended the Board of Directors of such company and has appointed new directors: and
  - a change in shareholding of such company, and its subsidiaries and the subsidiary of such subsidiary, has taken place in a previous year pursuant to a resolution plan approved by NCLT.
- For calculating book profits for computation of minimum alternate tax, the aggregate amount of unabsorbed depreciation and loss (excluding depreciation) brought forward shall also be allowed to be reduced in cases of the above mentioned companies.
- Secondary adjustment provisions rationalised retrospectively – option to pay 18 per cent (plus 12 per cent surcharge) 'on excess money or part thereof' (instead of getting money to India)

#### **Goods and Services Tax**

- To encourage the Electric Vehicle segment, Government has extended exemption on import of specified parts of electric vehicles such as E-Drive assembly, On board charger, E-Compressor and Charging Gun
- Legacy Dispute Resolution Scheme has been introduced to promote quick liquidation of pending pre-GST litigations
- Amendments are proposed in the Customs Act incorporating stringent provisions for arrest, penalty and prosecution
- Following GST Council recommendations have been re-emphasised:
  - Simplification of GST compliance by introduction of single monthly return and quarterly return for less than INR5 crore turnover assesses
  - Automate GST refunds for services
  - Implementation of E-invoicing system from January 2020 onwards
  - Phasing out of e-way bill
- Government has recommended reduction of GST from 12% to 5% on EVs to the GST Council

## Implications for the sector

Transport infrastructure stands out among the priorities outlined in the Union Budget. Emphasis on schemes such as Pradhan Mantri Gram Sadak Yojana, Bharatmala, Sagarmala, UDAN and Dedicated Freight Corridors continues with a focus on improving overall transport infrastructure giving huge impetus to connectivity and bridging the rural-urban divide.

Upon completion, these initiatives will improve logistics, reduce transportation cost and increase competitiveness of domestic goods.

Key focus of the budget from a transport and logistics sector perspective has been to

- continue significant investments in creating transport infrastructure

- provide a thrust to the EV industry
- adopt PPP for developing rail infrastructure to ensure faster development and delivery of passenger freight services
- create a self-reliant aviation industry through indigenisation of MRO activities, aircraft financing and leasing.

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