

**GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION**

Rajya Sabha

UNSTARRED QUESTION NO. : 1786

TO BE ANSWERED ON THE 10th March 2021

RATIONALIZATION OF TAXES IN AVIATION SECTOR

1786. SHRI SUSHIL KUMAR GUPTA

Will the Minister of CIVIL AVIATION be pleased to state:-

(a) whether Government has any plan for rationalization of various taxes in the aviation sector, which is among the hardest hit by the COVID-19 induced economic meltdown; and

(b) if so, the steps being taken to work on a long-term plan to help the sector by rationalizing various taxes making the sector more efficient and able to sustain itself?

ANSWER

**Minister of State (IC) in the Ministry of CIVIL AVIATION
(Shri Hardeep Singh Puri)**

(a) and (b): Over the last few years since the coming into force of the Goods and Services Tax Act with effect from 01 July 2017, the Government has substantially rationalised the tax regimes for the aviation sector in order to ensure the overall cost-competitiveness of the sector. These tax measures coupled with various other policy reforms have enabled the Indian aviation sector to remain resilient to some extent through adversities emanating from the Covid-19 pandemic and to begin a robust path towards full recovery. Notable measures taken since 01 January 2020 by the Government to address industry concerns regarding various taxes and charges applicable for the aviation sector include the following:

- (i) Fuel Throughput (Airport Operator) Charge levied by Airport Operators on Aviation Turbine Fuel (ATF) was eliminated w.e.f. 15 January 2020 at all airports, airstrips and heliports across India.**
- (ii) Besides reducing Sales Tax/VAT on ATF drawn by airlines at RCS airports to 1% or less for a period of 10 years, various State Governments have reduced the applicable tax on ATF on non-RCS-UDAN operations also to within 5% {e.g., Andhra Pradesh, Assam, Chandigarh, Chhattisgarh, Goa, Gujarat (at some airports), Haryana, Jharkhand, Karnataka, Kerala, Maharashtra, Nagaland, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh (at some airports), and West Bengal}.**
- (iii) GST on direct Maintenance, Repair and Overhaul (MRO) contracts of domestic organisations has been reduced from 18% to 5% with full Input Tax Credit w.e.f. 1 April 2020.**
- (iv) Transactions sub-contracted by foreign Original Equipment Manufacturers (OEMs)/ MRO to domestic MRO are treated as 'exports' with zero-rated GST w.e.f. 1 April 2020.**
- (v) GST at the rate of 18% applicable on air cargo export services has been waived off to until 30 September 2021.**
- (vi) It has been decided on 01 January 2021 to abolish royalty (revenue share payment) by MRO to Airports Authority of India (AAI) at AAI airports, aerodromes, airstrips, heliports, and water aerodromes.**
- (vii) Vide the Finance Bill 2021, the following amendments of section 80LA of the Income Tax Act have been announced for a unit that has commenced operation on or before 31st of March 2024: (a) exemption of any income of a non-resident by way of royalty on account of lease of aircraft in a previous year paid by a unit in the International Financial Services Centre (IFSC) if the unit is eligible for deduction under sector 80LA for the previous year**
- and (b) provide that income arising from transfer of an aircraft or aircraft engine, which was leased by a unit of the IFSC to a domestic airline company before such transfer, shall be eligible for 100% deduction.**
