

**GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
RAJYA SABHA
UNSTARRED QUESTION NO : 966
(TO BE ANSWERED ON THE 28th July 2021)**

DOMESTIC AIRCRAFT MANUFACTURING

966. SHRI PRABHAKAR REDDY VEMIREDDY

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

- (a) the efforts being made by the Ministry to make India a hub for aircraft leasing and financing
- (b) what plans Ministry has to push aviation ecosystem in domestic aircraft manufacturing
- (c) whether any tax incentives, duties, etc. has been proposed in the budget by the Ministry and
- (d) if so, the details of such proposals and details of proposal accepted by the Finance Minister in the budget for 2021-22, proposal-wise?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF CIVIL AVIATION

(GEN. (DR) V. K. SINGH (RETD))

- (a) Efforts have been made to make India a hub for aircraft leasing and financing through various means, which, inter alia, include the following:
- i) exemption from corporate tax for a block period of 10 years within the first 15 years for leasing units
 - ii) exemption from Stamp Duty on documents for such transactions carried out from International Financial Services Centres (IFSC) at GIFT-City
 - iii) enactment of the International Financial Services Centres Authority (IFSCA) Act providing for a Unified Regulator for the IFSC in India, followed by the announcement of the Unified Regulator for IFSC
 - iv) lease of aircraft or helicopter or engines or any other parts thereof designated as financial product under the IFSC Act
 - v) permission to insurance companies to undertake aircraft insurance and invest in leasing and financing business
 - vi) enabling pension funds and alternate investment funds to participate in aircraft financing
 - vii) enabling re-leasing of aircraft and engines within India at the end of expiry or termination of an existing lease without physical re-export of aircraft, and
 - viii) granting waivers from Importer Exporter Code (IEC) and from General

Remittances (GR) for overseas lessors and financiers.

(b) The Ministry is engaging with leading aircraft and component manufacturers and encouraging them to enhance their design, manufacturing, maintenance and warehousing footprint in India. The ministry is also encouraging the manufacturing of aircraft, including regional transport aircraft, trainer aircraft and associated equipment by public and private enterprises in India.

(c) and (d) Yes Sir. The Ministry sent the following proposals to Ministry of Finance with regard to tax incentives and duties, etc., for Union Budget 2021-22:

i) MAT credit to be allowed to be set off against the amount of tax payable even in those cases where option u/s. 115BAA is exercised

ii) Deduction under Section 80-IA of the Income Tax Act to major expansions creating a new facility like a new runway or terminal at airports

iii) Request to issue a circular clarifying that the activities like air cargo terminal, fuel farm etc. (that are essential for functioning of an airport) are part of an airport mentioned in section 80IA of the Income Tax Act, 1961, whether these operations are carried out by the airport operator or by the person authorized by the airport operator

iv) Reduction of Minimum Alternate Tax (MAT) Rate from 17.47% to 5% for infrastructure companies

v) Deduction u/s 80G to be allowed towards Swachh Bharat Abhiyan and Clean Ganga Mission as part of CSR initiatives

vi) Non-consideration of FY 2020-21 and FY 2021-22 (being Covid-affected years) for computing eligible years for tax holiday for eligible entities

vii) Exemption from withholding tax on payment of interest by airports on overseas bonds having maturity period more than 5 years

The key announcements made for aviation sector in the Budget Speech 2021-22 by Hon'ble Finance Minister, inter alia, include the following:

i) The Government would support the development of a world class Fin-Tech hub at the GIFT-IFSC

ii) In order to promote IFSC, it is proposed to provide more tax incentives which includes tax holiday for capital gains incomes of aircraft leasing company, tax exemptions for aircraft lease rental paid to foreign lessor, tax incentive for re-location of foreign funds in IFSC and tax exemptions to investment division of the foreign banks located in IFSC

iii) Duty reduced from 2.5% to 0% on components or parts, including engines, for manufacture of aircraft by Public Sector Units of Ministry of Defence

iv) The next lot of Airports will be monetised for operations and management concession.
