

# GST relief likely for highway concessions, shipping lines

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The Goods and Services Tax (GST) Council is likely to consider a plan to make contracts for monetising highway assets more business friendly by explicitly clarifying that such concessions do not attract GST, two persons aware of the development said.

Since the toll paid by a road user is exempt from GST, this exemption is also applicable to the arrangements by which highway assets are monetised, they said.

If the toll itself bears no tax, the right to collect that toll cannot bear tax either, said one of the persons cited above.

The grant of the right to collect toll by a public authority is thus exempted, whether the concessionaire pays upfront or over time, and the two kinds of contract are to be treated alike, the person

explained.

This will not be a new exemption but what is sought to be removed is a charge that has come to sit on a stream of revenue that is exempt, the person added.

According to Kuljit Singh, partner and infrastructure leader at Ernst and Young, the move, if it materialises, could lead to a rise in bid values by highway developers which routinely participate in monetisation opportunities. Deals under the toll operate transfer (TOT) model typically run in thousands of crores.

"There used to be an issue of GST applicability as it was not clear. Of late, authorities have started clarifying the tax liability at the outset. To price in the tax burden, players reduced bid values. This may change if the concession value itself is exempt from GST," said Singh.

The Council is also likely to

consider bringing e-commerce goods delivery to a single rate – a five per cent tax without credit in every case.

"Platforms had been arranging delivery in different ways, some engaging the delivery partner themselves and some leaving the seller to arrange it, and the tax on the same delivery varied with the arrangement," said the person.

Should the consideration materialise, it will now be the same whichever way it is routed, which settles the position for the platforms and for the delivery partners alike.

The Council may also consider exemptions for shipping lines, which operate across borders and in multiple nations. Services received by the Indian office of a foreign shipping line from its own head office abroad, for which nothing is paid, may be exempted by the council.