

Solar Imports Excluded from Duty Scheme to Plug Loophole

Developers say move a setback to solar capacity addition plan, may consider legal options

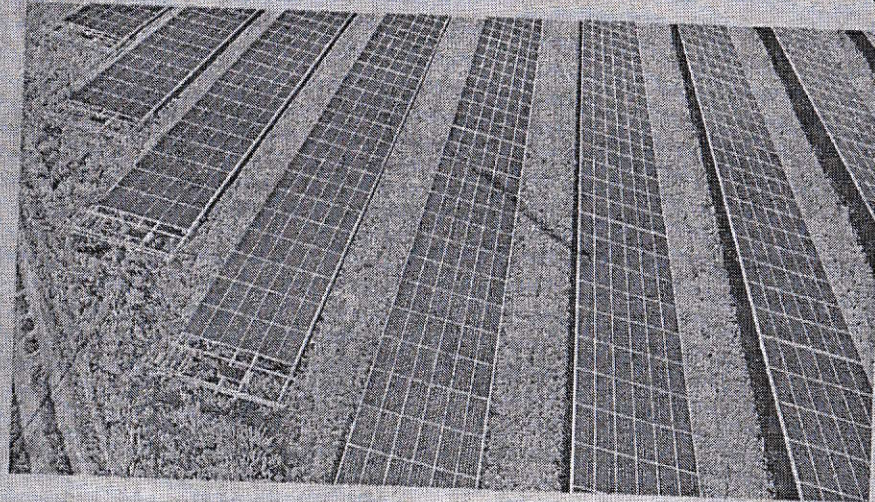
Sarita.Singh@timesgroup.com

New Delhi: The government has excluded solar power projects from the list of goods that can avail of a concessional 7.5% import duty under the project imports scheme, a move criticised by solar power developers. The government said the exclusion plugged a loophole that allowed developers to bypass the 40% import duty imposed on solar projects to encourage local manufacturing.

Solar power developers said the decision is a major setback to the country's solar power capacity addition plan and they might consider legal options opposing the differential treatment as only solar power plants have been excluded.

"MNRE (Ministry of New and Renewable Energy) is working on measures to provide relief to the industry. It is hopeful of relief in the near future," a government official told ET.

The 40% duty on solar power projects came into effect in April



this year.

People aware of the issue said the government is considering giving a one-year extension for commissioning solar projects affected by the non-availability of modules after the imposition of duty and costly imports. It is also exploring ways to exempt solar projects bid out before the announcement of the higher customs duty.

On Wednesday, the Central Board

of Indirect Taxes and Customs issued the Project Imports (Amendment) Regulations, 2022 that excluded solar plants from the concessional import duty scheme.

The scheme allows the import of equipment for new industrial units at a concessional rate of 7.5%, revised upwards from 5% from October 1.

"This is a big setback to the solar industry. There have been advance

rulings that solar is also a power generation project like other generation projects and falls under the same bracket. This specific exclusion is arbitrary," said an industry official.

A government official countered saying solar power developers were resorting to Project Imports Regulations, 1986, to avoid Basic Customs Duty on the import of solar photovoltaic cells and modules, defeating the government's target to raise indigenous manufacturing.

"In past many solar power producers have been taking the benefit of concessional rate of customs duty under the Project Import scheme. With the exclusion of solar power projects from the Project Import scheme the cost of modules would likely increase by approximately 33%-34%," said Saurabh Agarwal, Tax Partner, EY, adding it would push domestic manufacture.

"The step taken by the government is showcasing the intent to promote 'Make in India' which will be a good push for the solar PLI scheme Tranche 2," he said.