

Govt considers cutting solar panel import tax

SARITA CHAGANTI SINGH
& NIKUNJ OHRI
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THE GOVERNMENT IS considering cutting import tax on solar panels by half and is seeking a rollback in goods and services taxes on the devices to make up a shortfall in local output amid rising demand for renewable energy, three official sources said.

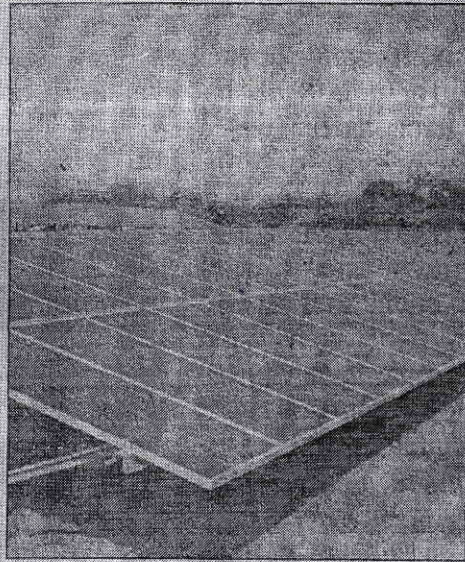
Renewable energy ministry has held talks with the finance ministry to approve its request to cut the import tax on solar panels from 40% to 20%, said the three sources, who declined to be identified as the decision has not yet been finalised.

Also, the two ministries may make a recommendation to the Goods and Services Tax Council to lower the GST on solar panels to 5%, from the 12% imposed in 2021, the sources said.

Finance ministry did not respond to a request for comment. A spokesperson for the renewable energy ministry said via a text message "there is no such proposal". He did not elaborate further or comment on the internal discussions.

The change will come as a boost for Indian solar power giants such as Tata Power, Adani Green and Vikram Solar which won solar power supply contracts by quoting aggressive tariffs but face shortage of local equipment to complete the contracts.

The country imposed the 40% solar panel import tax in April 2022 and a 25% tax on solar cells to discourage Chinese imports, in line with Prime Minister Narendra Modi's plan to become more self-reliant and cut emissions by scaling up renewable energy generation.



However, domestic capacity is falling short... imports are required to fill in the gap," said one of the sources.

The proposal comes as the central government looks at achieving a target of 365 gigawatts (GW) of installed solar capacity by 2031-32, part of a green energy push that extends from promoting electric cars to sustainable aviation fuel.

The country's current annual solar panel manufacturing capacity is 32 GW per annum but the requirement is of 52 GW as demand for green, cheaper energy is rising rapidly from corporate offices, industrial units and big factories.

Though solar currently makes up over half of the country's renewable energy capacity, domestic component supplies have been slow to pick up, and the industry was also spooked by higher import taxes.

One of the government officials, who highlighted the necessity of changes in taxes, said the country's reliance on solar panel imports in the next two years was "expected to be heavy at nearly 8-10 gigawatts per annum."

—REUTERS