2nd Workshop on

Impact of GST on the Power Sector

June 5, 2017, Grand Hyatt, Mumbai
IMPACT OF GST ON THE POWER SECTOR

Background and Mission

- With the Rajya Sabha passing the Constitutional Amendment Bill for the Goods and Services Tax (GST) in August 2016, the ball has been set in motion for the introduction of the biggest tax reform in India.

- The cabinet also notified the Goods and Services Tax Council in September 2016, which will decide on the tax rate, exempted goods and the threshold under the new taxation regime. The Council has had several meetings since, though the progress has been uneven. A revised draft of the GST legislation is expected in the last week of November.

- GST is expected to have an impact on all industries, and the power sector is no exception. But the sector is different in one important respect. While most or all of its inputs are subject to and will be covered by the GST regime, the end-product (electricity) will not be. So, many firms may not be fully able to offset or take credit for taxes on inputs.

- Under the current indirect tax regime, there are many concessions and exemptions available to power projects. Under the GST regime, it is not clear whether they will continue to be available. This is especially true for renewable energy projects, which receive many such concessions.

- There is a concept of deemed exports in the Model GST law, which may be used to continue some of the concessions, but it is not clear whether that will happen. Even if it does, the Interstate trade of Goods and Services Tax (IGST) on deemed exports will be payable and can only later be claimed as a refund.

- Most PPAs provide for pass-through of indirect taxes. However, most also call for an adjustment of the contract price in the event of a “change in law” or “force majeure”. GST may be deemed such an event. But in the absence of such adjustments, the cost of power may rise for discoms.

- The new regime may make things simpler for EPC firms engaged in both manufacturing of goods and rendering of services. Currently, they pay both excise duty and service tax but will now pay a single tax because of the uniform treatment of all aspects of “works contracts”. In some cases, the new regime will mean avoidance of double taxation, because of the single tax structure and tax credit being available at each stage of production. So GST could mean a significant lowering of total tax costs.

- It could thus also reduce tax disputes and litigation. Further, under the new regime, both interstate and intra-state sales would be subject to a creditable system. This was not the case earlier, when interstate sales were not creditable, so the contractors sought to structure “in-transit” sales, which was questioned by the tax authorities.

- Transmission and distribution is currently exempt from service tax but it is unclear if that exemption will stay or go.

- The government wants to introduce GST from April 1, 2017. However, it remains to be seen whether this deadline can be met. At present, there is a lot of uncertainty regarding the rates of taxation, the issue of registration threshold for states, taxation of interstate trade, nature of dual control by the centre and states, and compensation to states for revenue loss. There is a need for a clear understanding of the various aspects for a smooth transition to GST.

- Power sector firms must begin preparing for GST implementation, if they have not done so already. They need to analyse the provisions of the draft law in detail, conduct impact assessment studies, review contracts, renegotiate where needed, upgrade their systems and make representations.

- In this context, Power Line is organising a workshop to examine the impact of the GST on different segments of the sector. The workshop will also highlight the key unresolved issues and discuss the way forward. It will provide an opportunity for the industry to interact with legal/tax experts, seek their opinion and discuss strategies.

Organisers

The conference is being organised by India Infrastructure Publishing, the leading provider of information on the infrastructure sectors through magazines, newsletters, reports and conferences. The company publishes Power Line (India’s premier power magazine) and Renewable Watch (covers the entire spectrum of renewable energy), Power News (a weekly newsletter), and a series of research reports including Coal-Based Power Generation in India, Electricity Market in India, Power Distribution in India, Power Transmission in India, Solar Power in India, Wind Power in India and Power Equipment Market in India.

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AGENDA/STRUCTURE

GST BASICS
- What are the key features of GST?
- What are the key positives and potential benefits?
- What will be the areas of greatest impact?
- What are the key concerns and challenges?
- What are the unresolved issues? Etc., etc.

IMPACT ON RENEWABLE ENERGY PROJECTS
- What will be the impact of GST on renewable energy projects?
- Will any of the concessions continue?
- Will there be an increase in taxes on inputs?
- Will they be able to pass through any of the increased taxation costs?

GST TIMELINES
- What are the key steps in the GST regime implementation process?
- What are the key milestones?
- What is a realistic deadline for its implementation?

IMPACT ON EPC FIRMS AND EQUIPMENT MANUFACTURERS
- What will be the impact of GST on EPC firms?
- What will be the changes needed in structuring contracts?
- What is the likely impact on equipment manufacturers as well as technology providers?

GETTING READY FOR GST
- What should be the key elements of an impact assessment study?
- Which contracts need to be reviewed?
- What are the new compliance requirements?
- Which systems need to be upgraded?

IMPACT ON TRANSMISSION COMPANIES
- What will be the impact of GST on transmission companies?
- Will they be exempt from GST?
- What will be the change in project and equipment costs?
- Will any contracts need restructuring?

IMPACT ON GENCOS
- What will be the impact of GST on power generation companies?
- Will there be an increase in taxes on inputs?
- Will existing PPAs need to be adjusted?
- Will some concessions continue?
- Is deemed export a possibility?

IMPACT ON DISCOMS
- What will be the impact of GST on distribution companies?
- Will they be exempt from GST?
- Will PPAs need to be adjusted?
- What will be the change in project and equipment costs?

Target Audience
- The conference is primarily targeted at managers handling the functions of taxation, legal, commercial and finance from:
  - Conventional power producers
  - Renewable power producers
  - Power equipment manufacturers
  - Power distribution companies
  - Power transmission companies
  - EPC firms

- The conference will also be useful for:
  - Tax advisory firms
  - Legal firms
  - Management consultants
  - Industry analysts
  - Financial institutions
  - Commercial banks

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