

News monitored for: Air Works

## Industry mixed on MRO concessions

**BS REPORTER**

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The concessions extended to Maintenance Repair and Overhaul industry has evinced mixed reactions from the industry. The Budget of 2013-14 has given extension of time period from three months to one year to impose custom duty for consumption/installation of parts and testing equipments imported for maintenance, repair and overhaul (MRO) of aircrafts by units engaged in such activities.

Indian MRO units are already mired in huge taxation owing to service tax, airport royalty and customs duty. However, neighboring countries like Singapore, Sri Lanka and Dubai are MRO hubs as they have competitive advantage vis-à-vis India.

Right now, the MRO industry has to

pay custom duty at 19 per cent for all the imported parts of the aircraft if it is used within 3 months after delivery. Last year then finance minister Pranab Mukherjee had offered waiver in custom duty for import of spares and testing equipment by MROs. However there was a rider - the duty waiver could be availed only if the spares were utilised in three months. Now that condition has been modified and duty waiver is applicable for a year.

The announcement is going to benefit GMR Infrastructure and Air India.

While GMR runs an MRO facility at Hyderabad airport, Air India has similar facilities at the Delhi and Mumbai airports.

Dhiraj Chhabra, Associate Vice President Marketing of Air Works told

Business standard, "This is a positive step from the Finance ministry. Earlier,

there was a lot of uncertainty if the imported part would be used within 3 months time period or not. If we could not use it, either we had to pay custom duty at 19 per cent for that or spend on transportation of that part back to its country. We are hopeful that this move will make India much more competitive with respect to its neighbors."

However, others believe that this extension of concession period is too small a thing and the basic issues regarding infrastructure etc are not even touched upon.

Rohit Kapur, President of Business Aircraft Operators Association said, "The extension of concession period for MRO is not adequate. Granting this small concession won't solve the structural issues that the industry is mired into. They should have done away with custom duty totally"