

News monitored for: Air Works

Tax sop for MROs; equity for AI



AVIATION

Expectations of tax relief for fuel, funding support for regional airports dashed

Finance Minister P Chidambaram offered little to the aviation sector except for a tax waiver to maintenance, repair and overhaul (MRO) units and ₹5,000 crore equity support to Air India.

"It has been a disappointing Budget for aviation. There were expectations of relief in aviation turbine fuel and MRO taxes and funding support for regional airports. All dashed except for a minor correction in the duty-free period for import of spares and test equipment for MRO. Aviation sector would continue to struggle till fundamental poli-

cy changes on the taxation front are brought in," said Amber Dubey, partner and head-aviation at KPMG.

Last year, the then finance minister, Pranab Mukherjee, had offered a 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 the condition has been modified and the duty waiver is applicable for a year.

"It only brings partial relief. The condition stipulating time limit of one year is impractical



and should be done away with. However, the positive thing is that MRO has got mention in the Budget," said Ravi Menon, executive director of Air Works. The MRO owners have been demanding sops for the sector to make the industry more competitive. Samir Kanabar, tax partner of infrastructure practice at Ernst & Young, said the amendment

in rules will encourage foreign investment in the MRO business, but said the government had failed to address demands related to service tax, and this could lead to prolonged litigation.

Air India will receive an equity infusion of ₹5,000 crore in the current fiscal, civil aviation ministry sources said. As a part of the turnaround plan approved by the government last year, Air India will receive ₹30,000 crore over eight years. In the first year, it was expected to get ₹10,600 crore in equity, but now the airline is only expected to receive ₹6,000 crore in the current fiscal. Air India has put its asset monetisation drive on the fast track in the wake of anticipated delay in equity infusion by government.