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Link: Budget 2022 | No word on electricity to be brought under GST disappoints sector players

Power producing companies were left wanting as the **Union Budget** did not acknowledge their wish for including electricity under the purview of the goods and services tax (GST).
The industry had been demanding the inclusion of electricity in GST as it could bring down the cost of electricity and subsequently benefit consumers. Bringing electricity under GST would have meant reduction of tax revenue of both the central and state governments.

The final decision on GST is taken by the Council, which is a joint forum of the Centre and the states. But power sector players had hoped for a recommendation in the Budget from Finance Minister **Nirmala Sitharaman**, who heads the council.
"The one thing that the power and renewable industry had specifically requested for was GST and that doesn't find place in the Budget; that obviously is disappointing. But one has to be realistic, every industry has needs and the government has to strike a balance," said Rajiv Ranjan Mishra, Managing Director, Apraava Energy Private Ltd (formerly, CLP India). He is also Co-Chairman, Confederation of Indian Industry (CII) National Committee on Power.

Power companies had earlier made representations to the government to include electricity in the GST list as it would reduce the cost of power generation by around 17 paise a unit, which would eventually benefit consumers. The power ministry was also in favour of the move and was believed to have recommended it to the finance minister.

Green energy producers had also been demanding that electricity be brought under GST, especially after the Central Board of Indirect Taxes and Customs notified in October a higher rate on renewable energy equipment like solar panels and modules, biogas plants, solar power generators, windmills, solar lamps, tidal wave energy devices or plants and their parts. The GST rate was increased to 12 percent against 5 percent earlier, triggering concerns over the financial viability of these projects.

“PLI on solar module is a positive for the sector. The speech focused on the commitment to green energy growth, climate issues, low emission public transportation in cities, and battery swapping programme. We will have to wait for the details,” Mishra said.

Sitharaman on Tuesday said that the funding under the production linked investment (PLI) scheme for domestic solar cells and module manufacturing will be increased to Rs 24,000 crore from the existing Rs 4,500 crore that could help India emerge as an exporting nation. This augurs well with India’s ambitious target of installing 500 gigawatts (GW) of non-fossil energy capacity by 2030.

Thermal sources of energy account for 61.42 percent share of total installed capacity in utilities followed by renewable energy with 24.7 percent and hydro at 12.09 percent.

While industry players said that the focus on infrastructure will drive growth opportunities for the power sector, the budget did not say much on power sector reforms, unlike previous Budgets.

“The annual budget should have focused on facilitating and providing solutions via deep-rooted reforms in the power sector across the value chain. For instance, while there were incentives for module manufacturing which will provide an incentive to invest in the solar manufacturing sector, the pathways to address the structural reforms seems to be missing in the budget speech. While there were is a target of 500 GW of solar and wind power, and a need to establish a green bond market for funding these projects, we were left desiring for specifics," said Harsh Shah, chief executive officer, IndiGrid Trust.

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