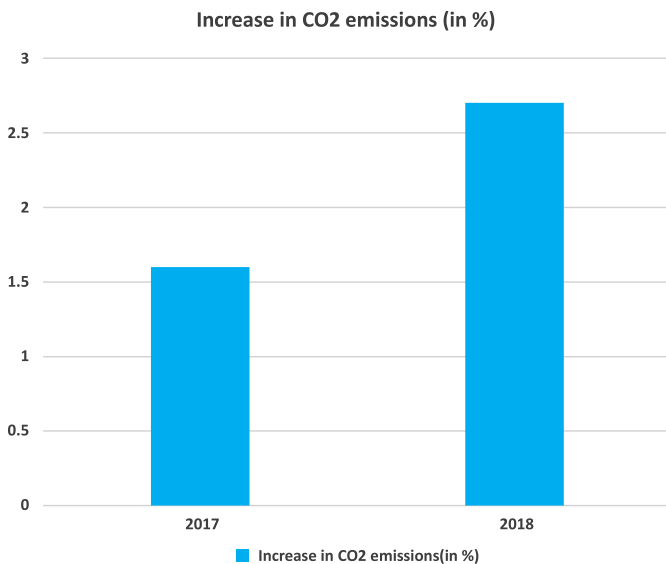


The Economy

E Mobility and Climate Change

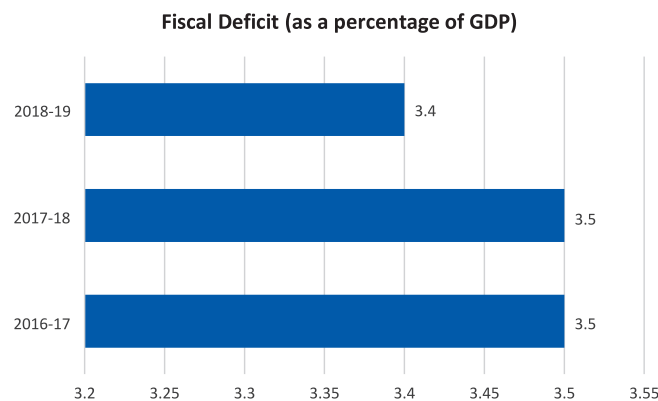
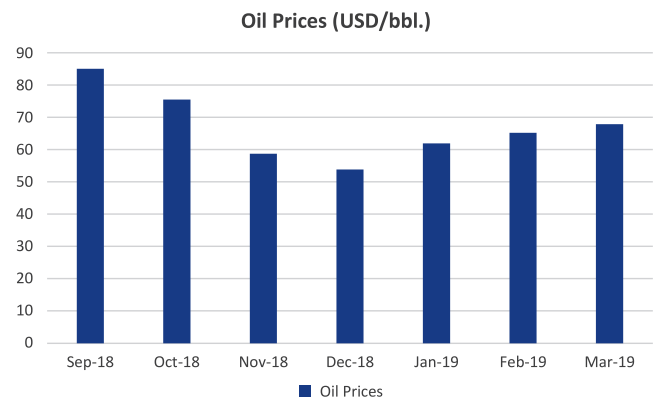
Transport accounts for about a quarter of the global energy related carbon emissions, rising faster than any other energy end-use sector, and having considerable impact on changing climate worldwide. The subject of Climate Change is, therefore, being discussed at length at various forums by all world leaders and other Stakeholders.



UN climate summit

India is deeply committed to contribute to the global efforts towards creating a better and livable world for generations to come, be it through the reduction in carbon emissions, dependence on exhaustible fuels thereby providing avenues for energy security, looking for clean energy sources and reworking the transport system. India has made commitments under the Paris Agreement to increase the share of non-fossil fuels to 40% of the total electricity generation capacity; reduce the emission intensity of the economy by 33 to 35% by 2030 from 2005 level, and to create additional carbon sink of 2.5 -3 billion tonnes of CO2 equivalent through additional forest and tree cover.

Besides the global concerns on climate change, our dependence on oil can have a significant budgetary implications. India currently imports about 80 % of its oil requirements and had to face major financial impact when oil prices touched the US \$ 86 a barrel in October 2018. It is estimated that every \$ 10 per barrel increase can worsen India's fiscal balance by 0.1 % and current account balance by 0.4 % of GDP.



We, therefore, need to rework our priorities, especially shifting to new technologies and newer and more energy efficient modes of transport.

This note attempts to analyze the current scenario of the Indian automobile sector and various measures initiated by the Government to reduce its dependence on traditional fuels by replacing it with newer technologies, especially Electrical Vehicles.

Current Scenario

To curb the rising pollution through automobiles, India had planned to be an all-electric car nation by 2030. However, as the goal is too ambitious in absence of charging infrastructure and electric vehicles, the Government is now focusing on creating charging infrastructure and policy framework so that by 2030, India has more than 30% of vehicles as electric vehicles.

In order to promote the manufacture and use of E vehicles, the Government has announced various incentives which inter alia include:

Demand Incentives available under the Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME-II) for EVs w.e.f 1 April 2019.

Union Cabinet approved on 28 February 2019 FAME-II with an outlay of Rs 10,000 crore which will come into effect from 1st April 2019 for a period of three years. The FAME-II is aimed at demand generation through Demand Incentives. As per Operational guidelines for the scheme, the following categories of vehicles will be eligible for Demand Incentives:

- I. Buses (Only Electric Buses)(e-Bus);
- II. Four Wheelers (Electric, Plug in Hybrid and Strong Hybrid) e-4W);
- III. Three Wheelers (Electric) –e-3 including Registered E-Rickshaws/e-Carts;
- IV. Two wheelers (Electric)—2W.

In the e-3W, e-4W and e-Bus segment, incentives will be applicable mainly to vehicles used for PUBLIC transport or those registered for COMMERCIAL purposes. However, for e-2W segment, incentives are also applicable on privately owned vehicles in addition to those used for public transport or for commercial purposes.

- FAME-II will support 10 lakh two-wheelers, 5 lakh three-wheelers, 50000 electric cars (only for taxi aggregators) with demand incentives upto Rs. 1.5 lakhs; 20000 hybrid cars will be offered incentive of Rs. 20,000 and upto Rs. 50 Lakhs for 7090 buses. The scheme will also cap ex-factory price of the vehicles ranging from Rs 1.5 lakhs to Rs 2 crores for different categories of vehicles.
- The benefits of the incentives will be extended only to those vehicles which are fitted with advanced battery (they will be defined separately but they are likely to be lithium-ion battery and other new technology battery.
- The scheme also proposes establishment of charging infrastructure, whereby close to 2700 charging stations will be installed in metros, other million plus cities, smart cities and cities of hilly states across the country.
- For charging of electric buses, one slow charger per e-bus and one fast charge for every 10 e-Buses will be funded under the scheme.
- Flexibility of funding for establishment of charging infrastructure to the extent of 100% of cost depending upon the project proposal shall be available.
- Projects for charging infrastructure will also include infrastructure projects required for extending electrification for running of vehicles like pantograph charging, flash charging etc.
- Inter-linking of renewable energy sources with charging infrastructure, smart grid, use of ICT etc. shall also be encouraged.
- The Department of Revenue has reduced customs duty on electric vehicle components.
- Ministry of Power has issued guidelines for facilitating setting up of charging stations across cities and highways.
- Ministry of Housing and Urban Affairs has notified an amendment to building code and town planning rules for provisioning of EV charging stations in private and commercial buildings.

- Government has adopted global standards for charging stations. The Charging stations do not need any permit. The guidelines for the Charging stations in residential complexes and public places have been laid out.

Challenges and Suggestions:

The EV sector needed support from the Government to take off as the switch over from fossil fuelled-ICE vehicles to EV is faced with several challenges outlined below:

- (i) I. Consumer awareness and acceptance for switch over from ICE to EVs is very important in view of the price differential and lack of charging infrastructure.
- II. It is to be seen whether the cost of Li-Ion batteries, which are sourced mainly from China and is around 40% of the cost of vehicles, will be reduced with time or increase. Further with a large automobile market of the size in India, the country cannot remain import dependent. The manufacturing of Li-Ion batteries doesn't exist in India and it is not only capital-intensive but needs Lithium, cobalt, which are not available in India. Serious efforts by the Government will be required to set up manufacturing by PSU/big players. It would also help if all chemistry for batteries including lead-acid should be allowed to be used in the initial stages as is currently being done for 2W and 3W vehicles.
- III. Indian companies have also realised the importance of having a local ecosystem of battery cell and pack manufacturers. Some Indian companies are tying up with overseas manufacturers of Li-Ion batteries to manufacture Li-Ion locally. Some auto majors and battery manufacturers will be setting up manufacturing facilities for Li-Ion soon.
- IV. The long-term challenge is the excessive use of fossil fuel used for electricity negating the use of EVs for reduction of carbon foot print. The renewable sources of energy (solar/wind) would be required for energy generation.
- V. There may be excessive strain on grid with the use of electricity for EVs. The grid would need to be strengthened.
- VI. Government also needs to encourage Hybrid vehicles, which may help in creating the complete ecosystem for electrical vehicles incrementally with setting up of charging stations and manufacturing of electrical vehicles. Both will take time and there may be gap in equalizing the sufficient number of electrical vehicles and setting up of charging stations for smooth switch over from ICE to EV.

Opportunities

- (i) EVs are disruptors but are here to stay whether cruising at slow speed or gain momentum in the next couple of years. The replacement of ICE vehicles with EV will happen over a period of time. There is big opportunity for the existing players or new players for assembly/manufacturing in this sector. The duties for some of the components for EV has been reduced.
- (ii) For charging infrastructure, major players have already entered the arena, in view of the need for charging infrastructure on highways, there is huge business opportunity for small and medium size companies for setting up charging stations and manufacturing of ancillary parts of EVs.

RERA ACT, 2016 – A STEP IN THE RIGHT DIRECTION

Introduction

The Real Estate (Regulation and Development) Act, 2016 (RERA), intends to protect the interests of home buyers and enhance transparency in the real estate sector. For long, home buyers have complained that real estate transactions were lopsided and heavily in favour of the developers. RERA and the government's model code aim to create a more equitable and fair transaction between the seller and the buyer of properties, especially in the primary market. 59 out of its 92 sections were notified on May 1, 2016 and the remaining provisions came into force from May 1, 2017. Under the Act, the Central and State governments are required to notify their own rules on the basis of the model rules framed under the Central Act.

Insolvency and Bankruptcy Code and RERA are pitted with each other. One recognizes the lender rights and other recognizes the Homebuyer rights. This contradiction can be resolved when both are synced together to recognize the legitimate claim of Home buyers. Each State and UT have its own Regulatory Authority which will frame regulations and rules according to the Act. In reality, not all the states have actually notified the rules in their state. Only 21 states have notified the act and many have not yet established a Regulatory Authority too. Some of the States have even diluted some of the provisions of the Act. Where the regulatory authority has not been established, the State Government is required to designate any officer, preferably the Secretary of the department dealing with housing, as the regulatory authority. The RERA Act holds promises for the existing buyers of real estate properties, both residential and commercial, who have still not got possession of their properties.

Salient features

- Establish the Real Estate regulatory authority for regulation and promotion of the Real Estate Sector.
- Ensure sale of plot, apartment of building, as the case may be, or sale of Real Estate project in an efficient and transparent manner.
- Ensure protection of the interest of consumers in the Real Estate sector.
- Establishing an adjudicating mechanism for speedy dispute redressal and also to establish the appellate tribunal to hear appeals from the decisions, directions on orders of the Real Estate Regulatory Authority.
- Regulates transactions between buyers and promoters of residential Real Estate projects.
- Establishes State level regulatory authorities called Real Estate Regulatory Authorities.
- Residential real estate projects with some exceptions need to be registered with RERA's.
- Promoters can't book or offer these projects for sale without registering them. Real Estate agents dealing in these projects also need to register with RERA's.
- Registration: The promoter must upload details of the project on the website of the RERA. These include the site and layout plan, and schedule for completion of the Real Estate project.

- Imposes stringent penalty on promoter's Real Estate agent and also prescribes imprisonment.

Projects covered under RERA

- I. Commercial and residential projects including plotted development.
- II. Projects measuring more than 500 sq. meters or 8 units.
- III. Projects without Completion Certificate, before commencement of the Act.
- IV. The project is only for the purpose of renovation / repair / re-development which does not involve re-allotment and marketing, advertising, selling or new allotment of any apartments, plot or building in the real estate project, will not come under RERA.
- V. Each phase is to be treated as standalone real estate project requiring fresh registration.

Although the RERA has been implemented throughout the Country, there are some issues which have come to the fore and need to be addressed to achieve the desired objective. The procedure and processes to be established by the State RERAs should be transparent and in conformity with the law passed by the Central Government. The touch stone on which these procedure and processes are to be checked is whether interests of the consumer are being protected? There is need for closer co-operation between the State RERA Authority, the Municipal Corporations, State Development Authorities and the Urban Development Bodies. A time has come to seriously think about having an independent legislation dealing with the Construction Industry as a whole.

With a view to achieve the objective of RERA, it is imperative that State Authorities should come together and frame a common set of standard operating procedures.

The objective of regulating the Real Estate developers and Real Estate agents has been achieved by RERA. However, no regulatory mechanism can be effective unless the regulatory body is empowered to take preventive measures. Advocacy thereby informing all concerned about their rights and obligations and empowering the regulator to take preventive measures are important aspects on which provisions of the Act need to be strengthened. Till the time the Parliament take steps in this direction, it is appropriate for the Authorities to take benefit of the existing provisions and work for a common platform for the benefit of the Construction Industry as a whole.

By Mr. P K Malhotra, Senior Legal Consultant, VJA Legal and Former Law Secretary, Govt. of India

Taxation Matters

Income Tax

- I. **SC: AO's power to suo moto extend special audit time-limit, applicable retrospectively**

SC rules in favour of Revenue in a batch of appeals, holds that AO was empowered to extend time limit for submission of the audit report u/s. 142(2A), on his own accord and without an application from assessee, even prior to insertion of the expression 'suo motu' with effect from April 1, 2008 in Sec. 142(2C), consequently grants benefit of extended limitation period u/s. 153B

Explanation(ii); Approves Revenue's stand that the 2008 amendment to Sec. 142(2C) only intended to remove an ambiguity and was clarificatory in nature and thereby dismisses assessee's plea that the amendment was prospective in nature; Rejects assessee's stand that pre-2008 AO may extend the period specified u/s. 142(2C), only on an application made by the assessee and for good and sufficient reason

[CIT v. Ram Kishan Dass (Civil Appeal No. 3211 of 2019) Supreme Court]

II. ITAT Mumbai rules that compensation received by assessee in the capacity of a 'sub-tenant' towards surrender of occupancy rights, taxable as 'capital gains' and not 'income from other sources'.

Mumbai ITAT dismisses Revenue's appeal for AY 2014-15, rules that compensation received by assessee-individual (a doctor by profession) in the capacity of a 'sub-tenant' towards surrender of occupancy rights, taxable as 'capital gains' and not 'income from other sources' (IFOS); Accepts assessee's plea that the sub tenancy interest/rights in the property amounted to capital asset u/s 2(14) and was a bundle of rights, remarks that, "we do not find any reasons that when tenancy is recognized as capital asset within meaning of Sec 55(2), as to why sub-tenancy in favour of the assessee cannot be treated as capital asset" more so when capital asset is so widely defined u/s 2(14).

[ACIT v. Jayesh Keshrichand Shah (ITA No.6743/Mum/2017) – ITAT Mumbai]

International Taxation & Transfer Pricing

I. SC: Dismisses Revenue's SLP; HC had upheld ITAT's comparables selection following Soft brands ratio

SC dismisses Revenue's SLP against HC-order upholding ITAT's exclusion of 3 comparables (Bodh tree Consulting, Tata Elxsi & Infosys Technology) and grant of working capital adjustment on actual basis for assessee for AY 2009-10; HC had relied on Soft brands HC ruling wherein it was held that "appeals of the present tenor as to whether the comparable have been rightly picked up or not, Filters for arriving at the correct list of comparables have been rightly applied or not, do not in our considered opinion, give rise to any substantial question of law" and further held that "unless the finding of the Tribunal is found ex facie perverse, the Appeal u/s. 260-A of the Act, is not maintainable"

[Pr. CIT v. M/s Citrix R & D India Pvt. Ltd. {SLP (Civil) Dairy No.6045/2019}]

Goods and Services Tax

I. Madras HC's notice to Revenue in writ challenging Rule 89(5) on refund of inverted duties

In a recent case, assessee argued by filing a writ petition to Madras HC that Rule 89(5) of CGST Rules, 2017 is contrary to section 54 of CGST Act, 2017. Rule 89(5) provides that "Net ITC" for purpose of

granting refund of inverted duties, excludes input tax on services. On the other hand, section 54 provides refund of ITC accumulated on account of rate of tax on inputs being higher than rate of tax on output supplies (other than nil rated or fully exempt supplies), except supplies of goods or services or both as may be notified by Government. Considering the above petition, HC has directed authorities to take on record the refund application of the petitioner by including input tax on services and has granted three weeks' time to respondent State and Central Government to file reply.

[Tvl. Transtonnelstroy Afcons Joint Venture vs. Union of India and Ors]

II. Maharashtra AAR: Activities creating sanitation awareness relates to environment preservation, exempt as charitable activity

In a recent advance ruling, Maharashtra AAR holds that services provided by applicant for various entities inducing NGO would be considered as activities relating to 'Preservation of environment' within the scope of 'Charitable activities' defined under Sr. No.1 of Exemption Notification No. 12/2017 - Central Tax (Rate). The said authority notes that applicant is registered u/s 12AA of Income Tax Act, 1961 and his activities are categorized into sanitation, capacity building, dissemination of knowledge in sustainable sanitation, survey and research in field of natural wastewater treatment technologies etc. and holds that it is a well-recognised fact that one of the key areas for preventive healthcare is sanitation and applicant's activity relating to creation of awareness of sanitation is an essential ingredient of preventive healthcare and are squarely covered by activities specified under Para 2(r)(iv) of Notification relating to 'preservation of environment'.

[In the matter of Ecosan Services Foundation]

III. West Bengal AAR: Repair and Servicing of Transformers owned by another person, not a 'job work', but service of 'repairs'

West Bengal AAR holds that repairing and servicing of transformers owned by WBSEDCL is classifiable as service of repair of transformers. The said authority notes that in course of repairing the defective transformers, applicant replaces the worn out or burnt materials, which involves transfer of property in goods and thus applicant's contribution is not limited to labour and skill done with tools, gadgets or machinery. Elucidates that, "repairing was treated as works contract under both Service Tax and Value Added Tax, and the treatment under the GST Act differs only so far as the movable properties are excluded from the domain of works contract". The AAR further clarifies that, "It is composite supply unless the contract specifies that the goods and services are to be separately charged" and shall be treated as supply of repair services.

[In the matter of Bhanuka Enterprises]

News Roundup

Economy

[India to grow at 7.3% in 2019, 2020 \(The Economic Times\)](#)

Indian economy is expected to grow at 7.3 per cent in calendar year 2019 and 2020, and the government spending announced ahead of elections this year which will support near-term growth, Moody's said on Friday, March 1. The US-based rating agency said that the country is less exposed to a slowdown in global manufacturing trade growth than other major Asian economies and emerging markets and is poised to grow at a relatively stable pace in the two years.

[Electronics policy sets eyes on Sovereign Patent Fund \(The Hindu Business Line\)](#)

The National Electronics Policy (NEP) 2019 aims to create a Sovereign Patent Fund (SPF) — a State-led investment fund that will acquire Intellectual Property (IP) assets important to national economic objectives.

[Software policy's new registry to be integrated with govt's e-marketplace \(Business Standard\)](#)

The National Policy on Software Products has proposed setting up a registry for such companies that will be integrated with the government's e-marketplace (GeM).

[Suresh Prabhu confident of meeting \\$100-billion FDI target by 2020 \(The Economic Times\)](#)

Commerce and Industry minister Suresh Prabhu said on Saturday, March 9 the government has set a target of attracting USD 100 billion in foreign direct investments over the next two years.

[India's exports to touch all-time high of \\$330 billion in FY19 \(Financial Express\)](#)

Notwithstanding global challenges like protectionist measures by some countries, India is projected to achieve exports of \$330 billion, a record, in 2018-19, with a major contribution coming from the engineering sector, commerce secretary Anup Wadhawan said on Thursday, March 14.

[India's forex reserves up \\$259 million to \\$402 billion \(Financial Express\)](#)

India's foreign exchange reserves increased by \$258.8 million to \$402.035 billion as on March 8, data from the RBI show.

Sectoral

Agriculture

[Expect \\$28-bn FDI in food processing this year \(Business Standard\)](#)

Union Food Processing Minister Harsimrat Kaur Badal expects more than \$28 billion worth of foreign direct investments (FDI) in the food processing sector in 2019. The ministry is eyeing the next edition of its flagship investment show World Food India, set to take place in November, 2019, to reach that level.

Automobiles

[Cabinet okays 5-year plan for 'phased manufacturing' of EV batteries \(Business Standard\)](#)

The government on Thursday, March 7 announced a plan to set up a National Mission on Transformative Mobility and Battery Storage to "drive clean, connected and shared mobility" initiatives. The mission would draw up a five-year phased manufacturing programme (PMP) till 2024 for a few large-scale, export-competitive integrated batteries and cell-manufacturing Giga plants in India.

Banking & Finance

[RBI inks \\$75-billion bilateral swap arrangement with Bank of Japan \(Business Standard\)](#)

The Reserve Bank of India (RBI) and Bank of Japan have signed a bilateral swap arrangement (BSA) for an amount up to \$75 billion, effective on Thursday, February 28. The facility will allow India to have additional resources to manage exchange rate fluctuations, and will give Indian companies better negotiating power overseas when the exchange rate remains stable.

[SEBI proposes dual voting rights plan \(The Times of India\)](#)

SEBI has issued a draft framework, which would allow home-grown companies to issue shares with differential voting rights (DVRs), and kept it open for public comments till April 20. If approved as proposed, companies will be able to issue shares with either superior or fractional voting rights.

Ecommerce

[Global ecommerce talks strike at roots of WTO, says India \(The Economic Times\)](#)

India has told the World Trade Organization (WTO) that it will not join the negotiations to develop trade rules on ecommerce, arguing that it is an idea whose time has not yet come.

[E-commerce to play major role in India's growth, says NITI Aayog CEO \(Business Standard\)](#)

E-commerce has revolutionised the retail sector in India and will play a major role in the country's growth story going forward, NITI Aayog CEO Amitabh Kant said on Tuesday, March 5.

Energy

[Rs 3 lakh crore private power investment at risk as discoms delay payments \(The Economic Times\)](#)

As much as Rs 3 lakh crore of investment in a dozen power plants of the private sector is at risk of turning into NPA as states buying power have not been making payment for months, official data and sources said.

[Safeguard duty, auction woes hit solar projects \(The Economic Times\)](#)

India's solar energy success story is showing signs of slowing down, with capacity addition this fiscal falling short of target at a three-year low. Developers added 6,500

mw of solar capacity in the financial year 2018-19, as against a target of 10,000 mw for the year.

Health

["Ayushman Bharat on way to become world's largest free healthcare scheme" \(The Hindu Business Line\)](#)

Finance Minister Arun Jaitley on Wednesday, March 6 said the Pradhan Mantri Jan Arogya Yojana (Ayushman Bharat) is on its way to become the world's largest free healthcare scheme in just over five months of launch. Billed as the world's largest government healthcare programme, Ayushman Bharat is funded with 60 per cent contribution coming from the Centre and remaining from the states.

IBC

[Govt says trustees too can approach IBC against corporate debtors \(Financial Express\)](#)

The government has allowed trustees, estate administrators, persons authorised by a company's board of directors etc to initiate corporate insolvency resolution process (CIRP) against a corporate debtor before the NCLT, on behalf of financial creditors under the Insolvency and Bankruptcy Code (IBC), 2016.

[SEBI, IBBI ink deal for better IBC implementation \(Financial Express\)](#)

The Insolvency and Bankruptcy Board of India (IBBI) on Tuesday, March 19 signed a memorandum of understanding (MoU) with capital markets regulator SEBI for an effective implementation of the Insolvency and Bankruptcy Code, 2016.

Realty

[PEs invest \\$1 billion in Indian real estate in January-March \(The Economic Times\)](#)

Institutional investors' appetite for Indian real estate, particularly the commercial segment, has maintained its robust momentum since one year. Private equity (PE) investment in the sector has touched nearly \$1 billion during January-March, showed data from Anarock Property Consultants.

Retail

[Retail ahead of industrial sector in credit growth \(The Hindu Business Line\)](#)

There has been a structural shift in bank credit from the industrial sector to the retail sector, according to CARE Ratings. This shift, according to CARE, can be attributed to the change in focus of banks to lend to the retail sector, where the probability of delinquency is lower, compared to the industrial

sector, which has relatively higher levels of non-performing assets (NPAs).

Textiles

[Cabinet approval for scheme for rebate on state and central taxes to help boost textile exports \(Financial Express\)](#)

The Union Cabinet's approval for a scheme for rebate on all state and central embedded taxes to support the textile sector has been welcomed by the industry.

Telecom

[Telecom sector needs \\$50-60 billion to achieve policy goals by 2022 \(The Economic Times\)](#)

The telecom sector would require somewhere between \$50-60 billion to operationalise the National Digital Communications Policy 2018 objectives by 2022, according to a preliminary finding. In October 2018, the Narendra Modi government has come out with a national policy that aims to attract as much as \$100 billion worth of investments and create 4 million new employment opportunities. "\$50-60 billion is required to achieve policy targets by 2022," EY telecommunication leader Prashant Singhal said, adding that there was a need to come up with recommendations on annual gross revenue (AGR) as well as Goods and Service Tax (GST) to unlock more than Rs 25,000 crore.

International News

[Global economic growth forecasts cut again by OECD \(Reuters\)](#)

The OECD cut forecasts again for the global economy in 2019 and 2020, following on from previous downgrades in November, as it warned that trade disputes and uncertainty over Brexit would hit world commerce and businesses. The Organization for Economic Co-Operation & Development forecast in its interim outlook report that the world economy would grow 3.3 percent in 2019 and 3.4 percent in 2020.

[India preparing to tackle Japan on proposed e-comm rules at G-20 meet \(The Hindu Business Line\)](#)

India is preparing its arguments against framing of global rules on e-commerce and digital economy that Japan would want to be included in the G-20 declaration in Osaka in June. "Japan has already indicated its intention to push for framing of global rules on e-commerce. Since it is the chair of the G-20, it is likely that Japanese Prime Minister Shinzo Abe will try hard to ensure that the declaration adopted at the end of the meet articulates the intention of all members to work towards a multilateral agreement on e-commerce," a government official told Business Line.

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