SOLAR POWER DEVELOPERS ASSOCIATION

910, 9th Floor, Surya Kiran Building,
19, Kasturba Gandhi Marg, New Delhi- 110001
Website: www.solarpda.com
Email: dg@solarpda.com, duttshekhar@hotmail.com

Shekhar Dutt, SM, IAS (Retd.)
Director General, SPDA
Former Governor of Chhattisgarh State
Phone: +91-9810222250 / +91-8750394442

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Sub: Expectation of Solar Power Developers from the Union Budget 2021.

Hon'ble Smt Sitharaman ji,

Greetings from Solar Power Developers Association.

The Central Government has been very proactive in its approach of bringing progressive policies to promote the Solar Sector. Currently, the investor sentiment remains all-timehigh. To achieve 175 GW of target by 2022,there is around 50 GW of RE capacity which is under implementation and there is a fund requirement of Rs1,75,000 crores for a balance capacity of 35 GW which is under bid stage. Some of the suggestions which can accelerate the pace further, are provided below:

1. Relaxation in GST rate on Solar PV Projects.

The Government has intended to simplify the tax structure for the Renewable Energy sector, however, under the current tax regime for solar power projects, the breakup considers 70% of gross consideration as 'value of supply of goods' attracting 5% of GST and remaining 30% as 'value of services' attracting 18% GST. The effective tax rate thus comes out to be around 8.9%.

The deemed ratio of 70:30 reflects only the industry average which is incorrect as the proportion of the Solar Power project's goods is almost 90%. It is pertinent to mention that any taxes, duties like GST that is imposed by the Government in fact increasesthe generation cost of electricity. This in turn causes a cascading increase in the manufacturing or cost of living. And therefore is counter-productive to national growth. Hence, we request for rationalization of tax rate and the imposition of 5% tax across the board.

2. Postponement of Basis Custom Duty on Solar modules till domestic manufacturers get matured.

Considering the present disruption of the supply chain due to the COVID-19 pandemic, dependence on importing modules must be reduced, precisely targeted through Govt. of India through its Aatmanirbhar initiative.

However, developing sufficient R&D in Solar and manufacturing efficient modules domestically at competitive prices, which are at par with imported modules, needs adequate time. Imposing Basic Custom Duty in the intervening period will be counterproductive. Solar power developers will have to import modules to meet contractual obligations at a much higher price in the absence of necessary domestic capacity.

Former
• Deputy National Security Advisor, Govt. of India • Defence Secretary, Govt. of India • Secretary Defence Production, Govt. of India
• Secretary Ministry of Health, Govt. of India • Director General, Sports Authority of India

3. An abrupt increase is in the unforeseen prices of metal and alloys, making the project unviable.

The global market's steel prices have increased significantly due to the trade war between China and Australia. The Indian Government has always protected domestic Indian steel producers' interest from importing steel through tariff barriers and other States concessions. However, given the increased global price realization, the Indian steel producers have resorted to profiteering and taking advantage of the situation through cartelization, which can be noticed by the alarming increase in the domestic steel prices for HRC and Galvalume steel (used in Module Mounting Structures (MMS) structures).

It is recommended that a suitable mechanism like export restrictions be devised to dissuade the firms from indulging in such behavior.

4. Release of Tranche-II of Rs. 90,000 Cr scheme to Discoms.

The Govt. of India has released around Rs. 45,000 Cr to various State Discoms under Rs.90,000 Cr scheme to provide liquidity to them. While it did give some relief to developers, there is still a significant quantum of invoices pending clearance. Hence, it is suggested that the second tranche of the scheme is also released as soon as possible and a mechanism so that pending due are given directly to Generators by the Government.

Therefore,werequest you to use your good office and advise the concerned authoritiesfor expeditious resolution of the issue.

Thanking you.

With warm regards

Yours Sincerely,

To,
Smt. Nirmala Sitharaman
Hon'ble Minister of Finance
Ministry of Finance
North Block, New Delhi

Shekhar Dutt