

# Budget

2020

2021

2022


 2023

2024

## Roadmap for energy transition and security



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India witnessed an increase in import of petroleum crude & products by 45.6% in value, from US\$112.6 billion in April-December 2021 to US\$163.9 billion in April-December 2022 and continues to be the highest imported commodity. The increase in oil prices was mainly on account of unprecedented cuts in crude oil supply by the OPEC and supply disruptions amid rising tensions in eastern Europe. With this backdrop, the Government in this Budget has laid down a vision to spur a movement of environmentally conscious lifestyle. Its aim is to move towards an ambitious target of net-zero carbon emission by 2070 to usher in a green industrial and economic transition.

Some key highlights of the Union Budget 2023 are as under:

- ▶ In addition to Green Hydrogen Mission, the Budget provides INR35,000 crore allocation towards energy transition, net-zero objectives and energy security by Ministry of Petroleum & Natural Gas
- ▶ 500 new waste-to-wealth (biogas) plants at an investment of INR10,000 crore to be established. Additionally, 5% CBG mandate to be introduced for all organizations marketing natural and biogas
- ▶ The government will return 95% of the forfeited amount relating to bid or performance security to MSMEs where there was failure to execute contracts during the covid period. This will provide relief to MSMEs operating in oil and gas sector
- ▶ MSMEs can further take benefit of the revamped credit guarantee scheme which will enable additional collateral-free guarantee of INR2 lakh crore and cost of credit will be reduced by about 1%
- ▶ A Green Credit Programme will be notified which will incentivize environmentally sustainable and responsive actions
- ▶ Custom duty is exempted on denatured ethyl alcohol which will facilitate Ethanol Blending Programme

# How does the budget impact Oil & Gas sector?

## Key amendments

### Direct Tax

#### Tax Rates

- ▶ No changes in basic tax rates, surcharge and cess for corporates.

#### Curb on set off of unabsorbed depreciation and brought forward loss against deemed income of foreign oil & gas service providers

- ▶ Non-resident's taxpayers engaged in rendering services/ facilities in connection with prospecting, extraction or production of mineral oil have an option to offer income to tax on presumptive basis or offer income/ claim losses under normal provisions.
- ▶ Under the existing provision, foreign service provider could claim loss/ unabsorbed depreciation by offering income on net basis and subsequently could have set off aforesaid loss/ unabsorbed depreciation against deemed income.
- ▶ Aforesaid set off of loss/ unabsorbed depreciation has now been curbed for foreign service providers to oil & gas majors in upstream segment. This amendment is effective from 1 April 2023.

#### Tax Incentive for start-ups

- ▶ Sunset date for incorporating start-ups extended from 31 March 2023 to 31 March 2024 to claim tax holiday.
- ▶ Period of carry forward and set-off of losses on change of shareholding of eligible start-ups increased from 7 to 10 years from the date of incorporation. This amendment is effective from 1 April 2023.

#### Clarification on benefits and perquisites in cash

- ▶ Benefits or perquisites arising from business or exercise of profession in cash or in kind or partly in cash and partly in kind will be taxable. This amendment is applicable from 1 April 2023.
- ▶ It has also been clarified that TDS on benefits or perquisites arising from business or exercise of profession shall apply to benefit or perquisite whether in cash or in kind or partly in cash and partly in kind.

#### Claim of TDS pertaining to income offered in previous year

- ▶ Taxpayers can file application in prescribed form within two years in which tax was deducted at source and claim such TDS pertaining to income which has already been offered to tax in earlier previous year.
- ▶ Credit for such TDS shall be available in the year in which income was offered to tax.
- ▶ Interest on income tax refund, if any, on account of aforesaid application shall be computed from date of application till the date of grant of refund. Aforesaid amendment is effective from 1 October 2023.

#### Deduction in respect of payment to MSME

- ▶ Payment to MSME beyond time limits specified in MSMED Act will be allowed as deduction only on actual payment. Deduction allowed on accrual basis only if payment is within due date of MSMED Act. This amendment is applicable from 1 April 2023.

## Highlights



Curb on set-off of losses or unabsorbed depreciation against deemed income



Benefit or perquisite in cash taxable and subject to TDS



Excise duty exemption on CNG blended with GST paid biogas/CNG

## Indirect Tax

### Customs duty

- ▶ Rationalisation of BCD rate structure with exemption from levy of Social Welfare Surcharge and Agriculture Infrastructure and Development Cess on specified goods to maintain total effective import duty.
- ▶ BCD on naphtha increased from 1% to 2.5%. This amendment is effective from 2 February 2023.

### Excise Duty

- ▶ In order to avoid cascading of taxes on CNG (with a view to promote green fuel), exemption given from central excise duty on blended CNG equivalent to GST paid on biogas /compressed biogas contained in such blended CNG. This amendment is effective from 2 February 2023.

### GST

- ▶ Additional restrictions introduced for availing ITC on goods and services towards CSR activity under Companies Act.
- ▶ Filing of GST returns, and Annual statements will not be allowed after three years from the relevant due dates.
- ▶ Legislative changes decriminalising certain offences and reducing the compounding amount.
- ▶ GSTN portal authorized to share consent-based information to other notified systems.

## Impact analysis

Oil and gas continues to be one of the core industries of the country. As pandemic ebbed, India witnessed revival in domestic demand resulting in increase in India's import for fuel in the previous year. Increased capital expenditure by the government in infrastructure and other core sectors will lead to increased demand for fuel and hence oil and gas sector will continue to act as backbone for the economy. Government is also encouraging start-ups, MSMEs and biogas which can provide fillip to the sector.

## Glossary

**BCD** - Basic Customs Duty

**CBG** - Compressed Biogas

**CNG** - Compressed Natural Gas

**CSR** - Corporate Social Responsibility

**GST** - Goods and Services Tax

**GSTN** - Goods and Services Tax Number

**ITC** - Input Tax Credit

**MSME** - Micro, Small and Medium Enterprises

**MSMED** - Micro, Small and Medium Enterprises Development Act, 2006

**OPEC** - Organisation of the Petroleum Exporting Countries

**TDS** - Tax Deducted at Source



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