



Evolve. Emerge. Establish.

UNION BUDGET 2024-25

Budget Expectations - Sustainable Energy Sector

The Interim Budget 2024 was announced in February 2024. It was an inclusive budget focusing on all the major sectors of the economy. In the Interim Budget, the government highlighted environment protection and green energy sectors to lead to a Vikasit Bharat by 2047.

Most nations are focusing on achieving a net zero carbon emission milestone. In that direction, our government has introduced low carbon/clean energy interventions, including the "Rooftop solarization" scheme offering

free electricity, enhancing offshore wind energy, coal gasification, compressed bio-gas, biomanufacturing, and bio foundry to produce bio-degradable environmentally friendly polymers and products, scale up plans for electric vehicles and charging infrastructure for the clean environment, etc. The government also focuses on expanding the use of more electric buses for public transport, leading to significant investments in the electric vehicle sector. Green Growth is one of the top priorities of the Modi-led Government.

As we wait for the Budget 2024 to be announced, we hope for some tax incentives for the sustainability sector to encourage investments. The government has been consciously reducing the deduction-based tax regime; however, income tax has a direct impact on the assessee's income and hence affects investment decisions. Incentives in taxation and tax benefits in investments will lead to an inclination toward these sectors and thus help achieve the 'Net zero' vision.

Some incentives that may be considered

Rooftop solar scheme

This scheme was introduced earlier this year to encourage the use of solar energy for electricity generation. The obvious intention is to reduce the load on electricity distribution companies. 300 free units of electricity have been promised, and a subsidy has also been given.

The scheme is aimed at individuals who use their rooftops for solar electricity generation. The cost of solar electricity panels is relatively high, and installing them is an additional capital cost that an individual is required to bear. The total investment may be a couple of lakh rupees. The pay back starts only after 4-5 years. The high investment and a delayed return on investment deter many individuals from investing. A capital investment-based deduction from the gross total income may be considered for individuals who install rooftop solar panels.

Specific Benefits to Industries in Solar Energy

The government is focusing on the industries that would lead to growth and development and keeping an eye on the environment, i.e., sustainable development. In this direction, even amongst households, steps are taken to promote solar energy. The government should bring out some specific provisions related to the solar energy sector. Such provisions may be associated with deducting the capital expenditure on the plant and machinery manufacturing solar panels. The government may also provide some profit-linked deductions or benefits corresponding to the number of installations done or panels sold. Tax holiday for initial years may also be provided.

'Net zero' related investments

The government intends to work towards net zero emissions, Incentives or tax deductions may be considered for companies who have invested and achieved net zero emissions.

Further, industrial waste contributes largely to carbon emissions and pollution. Companies may be given higher depreciation or investment allowances for investing in machinery for effective management of industrial waste, including pollution. These may be linked to companies' ESG reporting.

Hydrogen fuel manufacturing and EV industry

The Hon'ble Minister for Road Transport & Highways has recently driven a hydrogen-fueled vehicle. The government aims to use Hydrogen fuel for public transport. Further, there is a significant push for electric vehicles. This is to reduce India's dependency on petrol and diesel, which need to be imported.

However, both the Hydrogen fuel industry and Electric vehicle segment require a lot to be spent on research and development to make them attractive, safe, and sustainable. Deductions related to R&D for this sector will help immensely. Further, the technology for this industry is largely outside India. Set up related incentives could help encourage 'Make in India' in this sector.

80JAA Liberalization

To boost employment in the industry, the government introduced an additional deduction of employee costs over a period of 3 years, subject to certain conditions. One condition to avail of the deduction is that the employee should have worked for at least 240 days in a year. This condition has been relaxed for a few specific sectors. The relaxation may be extended to sustainable energy sector industries. Further, the current salary limit of INR 25,000 for being eligible for deduction may be increased in line with the market trend.

All in all, the incentives will help to achieve the vision of net zero emissions.

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