

## Priority Fiscal Issues pertaining to Civil Aviation Sector

### 1. Airports

- Allow private airport operators to issue tax free infrastructure bonds to the public. Investments in these bonds should be allowed for deduction under section 80CCF of the Income Tax Act.
- Allow Section 80IA benefits for up-gradation of existing airports. Essential airport infrastructure like ground handling, fuel facilities, etc. should also be covered under the same.
- Allocate funds for modernization of Air Navigation Services (ANS).
- Goods imported for development of Airports should be eligible for basic concessional customs duty @ 5%.
- Deposit against leasing of land should not be subjected to Tax and Airport operator should be specifically exempted from such provisions of taxing refundable security deposit.
- Exemption from Custom Duty for X-ray baggage inspection system and parts thereof and other airport security systems required by Airport Operator, upon certification of MoCA.

### 2. Airlines

- Classify ATF as 'Declared Goods' that carries a uniform tax of 4% across the country. ATF for aircraft weighing less than 40 tons is already a 'declared good'.
- Infrastructure status to airlines.
- Essential Air Services Fund (EASF) for providing VGF funding for no-frills-airports and air connectivity in remote & regional locations based on a thorough feasibility analysis.
- Liberalized bilateral and codeshare policy should be adopted to enable airlines from India to get larger share of the outbound market.

### 3. MRO/ Manufacturing

- Provide a 10 year tax holiday (covering all taxes and duties – Customs, Excise, Service Tax and Corporate Tax) to aeronautical manufacturing and MRO sector. Treat the domestic MRO as deemed export.
- Encourage states to extend the tax holiday to local VAT.
- Hassle free process for importing aircraft, engines or spare parts for MRO. Green Channel for clearance of spare parts in 1-2 hours is required like Dubai, Singapore, etc. Random sampling checks may be conducted on importers and penalties may be imposed on any violators.
- Abolish royalty charges and regulate lease rentals levied by airports.

- Allocate INR 5000 crores to kick-start the ambitious NCAD. Create an independent Aeronautics commission on the lines of the space and nuclear energy commission to develop the NCAD and other cutting edge research in aerospace manufacturing.
- DGCA needs to be more pragmatic on its shop certification requirements. Currently even the OEM MRO shops certified by FAA and EASA need to get their shop audited and certified by DGCA. The process is prolonged (> 1 year) and consumes precious DGCA resources. This can be avoided by modifying CAR 145 and DGCA allowing self-certification for FAA/EASA certified OEM shops
- Encourage JVs with global players for aerospace manufacturing by providing tax incentives / grants and other incentives.
- Abolish all import duties & taxes both at Central and State level to promote indigenous manufacturing

#### **4. Air Cargo**

- Express/ cargo airlines must be accorded the status of separate industry and existing OMDA must be modified to include them.
- Abolish royalty charges, levied by AAI/ airport operators, which is making the whole proposition very expensive to the tune of 32% beside Service Tax of 12.36%.
- Landing charges should be reviewed and should be based on actual weight handled per flight rather than fix charges.

#### **5. General Aviation (GA) including Helicopters**

- Relax taxes, surcharges, and enabling fuel concessions through tax holidays for NSOP operators (say five years), subsidy on fuel (4% taxation), import tax subsidies for aircraft & spares, etc.
- Devise a separate and clear cut regulatory framework for general aviation to facilitate the establishment of Fixed Base Operations (FBO) & MRO facilities for GA, adequate parking & hangar space, developing ATC procedures capable of accommodating increased small aircraft movement, etc.
- Create infrastructure (FBOs and Maintenance Hangars) for Scheduled Commuter Airlines (SCA) in partnership with State Governments at different regional clusters across the country for direct connectivity on CAT II routes.
- Allocate funds (with support from state governments and private operators) to establish 20-25 heliports at important tourist, port and mining locations.

#### **6. Manpower/ Skill Development**

- Encourage private participants to create world class skills development centers by providing investment incentives and tax holiday for a period of 5 years.