

GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
Rajya Sabha
UNSTARRED QUESTION NO. : 31
TO BE ANSWERED ON THE 25th November 2024
CHALLENGES IN THE INDIAN AVIATION INDUSTRY

31. SHRI RAJEEV SHUKLA

Will the Minister of CIVIL AVIATION be pleased to state:-

- (a) whether Government is taking cognisance of the rising challenges relating to the financial viability of the Indian Aviation Industry;**
- (b) if so, the details of measures being taken to address the same;**
- (c) whether Government is considering to modify the tax being levied on the Aviation Turbine Fuel which make shorter flight routes unprofitable for smaller airlines in the country;**
- (d) if so, the details thereof and if not, the reasons therefor; and**
- (e) the proposed measures to be taken in this respect?**

ANSWER

**Minister of State in the Ministry of CIVIL AVIATION
(Shri Murlidhar Mohol)**

(a) and (b) The Government proactively responds to the needs and challenges faced by Indian civil aviation sector in order to provide a conducive ecosystem for overall growth of the sector through various initiatives to support the industry. The initiatives taken include:

i. In a major boost to the domestic Maintenance, Repair and Overhaul (MRO) industry and thereby to the aviation sector, the Government has announced that a uniform rate of 5% IGST will apply to imports of parts, components, testing equipment, tools and tool-kits of aircraft, irrespective of their Harmonized System of Nomenclature (HSN) classification subject to specified conditions.

ii. As part of the announcements made in Union Budget 2024-25, the period for export of goods, imported for repairs has been extended from six months to one year. Also, the time-limit for re-import of goods for repairs under warranty has been extended from three to five years.

iii. Government of India (GoI) has accorded 'In-Principle' approval for setting up of 21 new Greenfield Airports. Out of these, 12 Greenfield airports viz. Durgapur, Shirdi, Kannur, Pakyong, Kalaburagi, Orvakal (Kurnool), Sindhudurg, Kushinagar, Itanagar, Mopa, Shivamogga and Hirasar (Rajkot) have been operationalised.

iv. To promote regional equity, the "Ude Desh Ka Aam Nagrik" (UDAN) scheme launched in 2016 has facilitated the travel of over 146 lakh domestic passengers across various 609 Regional Connectivity Scheme (RCS) routes connecting 86 unserved and underserved airports since its inception.

v. A conducive aircraft leasing and financing environment has been enabled through Budget incentives for India's lone International Financial Services Centre (IFSC) in GIFT CITY.

vi. New MRO Guidelines announced on 1st September, 2021 inter alia abolish royalties and build in transparency and certainty in land allotments for MROs.

(c) to (e) Presently, Aviation Turbine Fuel (ATF) attracts a lower rate of 11% central excise duty as compared to diesel and petrol. Moreover, the central excise duty is only 2% for Regional Connectivity Scheme (RCS) flights while it is Nil for foreign going vessels. More importantly, different rates of value added tax (VAT) are levied on ATF by the States/Union Territories (UTs). The issue of high VAT on ATF has been taken up with the States/ UTs resulting in reduction of VAT by 19 States/ UTs. So far 28 States/UTs have VAT on ATF at 5% or less.
