

Tax Hotline

November 27, 2001

NO TO TONNAGE TAX ON LNG IMPORTS

The Finance Ministry of India has not considered a proposal for tonnage tax on liquefied natural gas (**LNG**) imports in place of the existing taxation regime on the shipping industry. They are however considering a tax holiday for a period of 10 years for the LNG business. The Petroleum Ministry has proposed that the rate of custom duty on import of capital equipment for the construction of LNG terminals be brought down to 22.38 per cent as against 52.82 per cent applicable on other industrial units. The Finance Ministry did not support that the customs duty on the import of capital goods for the construction of LNG terminals, should be at par with the power projects.

Further, the Petroleum Ministry' noted that all LNG imports be on freight-on-board (**FOB**) basis with a mandatory 26 per cent minimum participation by Indian shipping companies during the entire LNG contract period. The note proposes "The Indian shipping partner either on its own or with an Indian company/investors as collaborator will have 50 per cent equity participation."

Source: Asia Plus, November 27, 2001.

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