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SBI BANKS ON WIND POWER

Projects to be set up in three states for captive consumptionIndia's largest lender State Bank of India (SBI) has financed many wind power projects in the country: Now it is setting up a few of them as well. The country's largest lender will set up wind power projects in Maharashtra (9 Mw), Tamil Nadu (5 Mw) and Gujarat (1.5 Mw) — with a combined capacity of 15.5 Mw — for its captive consumption at various SBI offices and branches in these three states.

A senior SBI official said the board of directors wanted the bank to explore the use of non-conventional energy resources, including solar and bio mass. "The power from such plants should help us to substitute thermal power," he said. In the process, SBI also wants to project itself as a green organisation — the buzzword these days — and a bank that promotes clean energy initiatives.

SBI has called for competitive bids for establishing captive wind power projects on turnkey basis, including land, infrastructure and permissions. The operations and maintenance would also be handled by the project contractors. The plants are expected to be commissioned by the middle of March next year.

AUTOMAKERS PUT BRAKES ON PRICES

Auto manufacturers have usually hiked car prices in the range of Rs 5,000 to Rs 25,000 in January. But industry analysts feel that the decision not to hike prices next month is a strategic move, as—counter-intuitively--no further reduction in excise duty in Budget 2010-11 is expected. "Since 2006, car companies have always resorted to price increases in the range of 1.5-2% in January to compensate for any reduction in excise duty in the Budget that is always passed on to consumers," explained a Mumbai-based analyst. But this time around, there could in fact be an increase in excise duty. If that happens, car companies will have to pass the duty hike on to the consumer.

DIRECT TAX CODE MAY SPARE HOME LOANS

THE government may modify the draft direct tax code to retain tax shelters on interest and principal repayments for home loans to make the proposed new code more attractive for the average Indian, a finance ministry official told ET. The proposed direct taxes code, which has been unveiled for public debate and is due to become operational from April 2011, does not provide tax incentives to loan-funded house purchases that are for personal use.

At present, taxpayers are allowed to deduct from their income the interest paid on home loans to a maximum of Rs 1.5 lakh every year. In addition, the repayment of the principal amount is also allowed to be included within the rebate available under section 80C, which has a maximum limit of Rs 1 lakh.

The draft code, billed as a comprehensive reform of the direct taxes regime, has suggested increasing the exemption limit under section 80C to Rs 3 lakh, but the list of eligible expenditure/savings does not include the principal payment.

