

→ **MRO Regulation Update**

Market and Regulatory Landscape in Southeast Asia

JVs with established global firms

Singapore's 21 joint ventures and subsidiaries across 8 countries fosters partnerships between global firms and local enterprises.

For e.g., ->Airbus and SIAEC established HMS Services in Singapore

->Cambodia Airport Investment Co., Ltd (CAIC) and SIAEC inked a joint venture for MRO services in Cambodia

-> ST Engineering & Vietnam Airlines Engineering Company (VAECO) form Vietnam Singapore Technologies Engineering Aerospace Co. Ltd. in Vietnam

Govt. incentives – subsidies & grants

Singapore, Malaysia, and even Indonesia identified crucial investment drivers

- Singapore's EDB provides DEI incentives with tax rates at 5% or 10% to companies
- Substantial tax incentives, allowing 30% to 50% of CapEx to qualify for rebates. Dividend and capital gains taxes were eliminated for foreign OEMs and MRO investors
- Govt. support, including zero royalties and discounted land rates for MRO technology levels

Pool of native talent

Forward-looking policies and local talent bolstered the MRO sectors in Malaysia and Singapore

- Malaysia Airlines Berhad got EASA Design Organization Approval (DOA) in 2017, enabling significant MRO services in Avionics, Structures, and Cabin Interiors.
- CAAS, in collaboration with key partners, works to revive Singapore's global air hub status. "OneAviation Careers" with NTUC, e2i, and WSG seeks to attract talent and revitalize the aviation sector.

Tax Ecosystem

Malaysia

- Import duty and sales tax exemption on spares, components and consumables
- Sales and Service tax on **aircraft maintenance** (upto 25%) exempt for foreign aircraft
- Sales and Service tax on **aircraft parts** (upto 28%) exempt for registered MROs
- Customs duty exemption for registered MROs

Singapore

- Import GST suspension scheme
- No GST on maintenance services and aircraft (qualifying) parts
- No import duties
- Zero-rating the supply of stores, fuel and goods used as merchandise for sale by retail to persons carried on an aircraft

India

GST of 5% on maintenance services

GST of 5–28% on aircraft parts

Customs duty on parts from 5%–28% subject to qualification (HSN codes)

GST applicable on redelivery checks

IGST across parts, tools and toolkits

MRO Growth Drivers in India

Favourable policies– govt priority

- Collaborative central and state government incentive program for MRO components.
- Reduced lease rentals. Tax free zones
- 5–6 years CapEx reinvestment tax incentives for existing MRO players. Focus on component manufacturing and stocking
- DGCA and EASA have signed an MoU which is expected to result in harmonized standards and accelerated growth.
- **Switching costs ?**

Tilt towards JVs and OEM partnerships

Policy favours 100% FDI and JVs

Domestic carriers now do a majority of C –checks in India

Largest fleet order in the region opens up the opportunity for strategic investments

SIA’s successful operating models in SEA will make sense for India as well

Streamlining of customs duties and GST for exported services will open up the floodgates for new investments

Harmonization of DGCA and EASA/ FAA standards

Talented workforce

Huge pool of experienced engineering, design, and technical talent – most working for MROs abroad

Highest number of engineering and technical training institutes in the region

New investments in training infrastructure



Source: 1) [NITI Aayog MRO Report](#), Oct 2022

2) <https://aviationworld.in/mro-the-missing-pieces/>

3) <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7415336/>

The real opportunity in India

- Estimated \$ 10 billion after-sales market
- GA and Defence MROs can add to growth significantly
- Redelivery business
- Upgraded aerodromes and state-of-the infrastructure
- Technology driven transformation
- Commitments from OEMs and carriers – first private engine shop in India
- AIESL privatization
- More reliefs in ease of doing business

→ **Thank You**