

# India, Tesla in 'weird stalemate' on tax cut demands with no investment pledge-sources

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NEW DELHI: Talks between India and Tesla Inc over potential tax benefits are deadlocked as the government is not keen to give the company any breaks without a commitment to manufacture locally, people familiar with the discussions told Reuters.

Tesla is desperate to import and sell its electric vehicles in India and has for nearly a year lobbied officials in New Delhi to reduce tariffs, which the company's billionaire CEO Elon Musk says are among the highest in the world.

But Indian official sources said they have been unconvinced by Tesla's lobbying as the company has not yet shared any firm plan to invest in the country, something that would be in line with Prime Minister Narendra Modi's "Make in India" vision to boost local manufacturing and create jobs.

A third person with direct knowledge of Tesla's thinking said the discussions with the Indian government have reached a "weird stalemate situation".

"Things are not moving ahead (for Tesla)," said the person.

The sources declined to be identified as the discussions are private.

The apparent deadlock could upset the electric carmaker's ambitions for the South Asian country as it was pinning hopes on lower import taxes to make its cars more affordable and the business viable.

Currently, India levies an import tax of as high as 100% on electric vehicles which have a so-called landing cost -- a car's price plus inbound shipping charges -- of \$40,000 or more.

This would make India the most expensive market for Tesla cars in the world, putting them well out of reach for most Indian consumers.

The third source said Tesla has told officials it is open to sourcing more auto components locally and eventually moving towards manufacturing, but the government sources have indicated they want firm commitments.

"If they do not want to invest anything here, how is that model going to work," said one senior Indian government official, who added that a cut in the import duty was "highly unlikely" anytime soon.

Tesla did not respond to a request for comment.

Modi's office and India's ministries of finance and industries, which are all reviewing Tesla's demands, did not respond to a request for comment.

## HARDLINE APPROACH

Tesla, though, has pinned its hopes on the upcoming federal budget on Feb. 1 - when such tax changes are typically announced - to see if its lobbying yields any result, or then rethink how it wants to approach the Indian market, the third source and a fourth person aware of the company's plans said.

In its latest push, Tesla recently met officials from India's tax and customs department, the fourth source said. It has previously met Modi's office <https://reut.rs/3GLpudL> and sought a meeting for Musk with the prime minister to discuss its plans for India.

Modi's government has in the past taken a hardline approach against demands by foreign companies as it focuses on boosting local production. In 2017, Apple sought tax concessions, including lower import duties, to make iPhones locally, but many of its demands were rejected by Modi's officials.

Musk has previously said on Twitter that Tesla could consider building cars in India if it succeeds in selling imported ones. He tweeted last week <https://reut.rs/33pXP3H> the company was "still working through a lot of challenges with the government."