RELIEF FOR GLOBAL AUTOMAKERS

15% duty likely for existing EV investments too

Cut-off date, investment breakup may be finalised on a case-by-case basis

MUKESH JAGOTA & ROHIT VAID
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GLOBAL AUTOMAKERS ARE likely to get relief as the government may consider existing investments in electric vehicle (EV) manufacturing for import concessions. Under a new EV policy, these companies may qualify for a lower import duty of 15% for a three-year period.

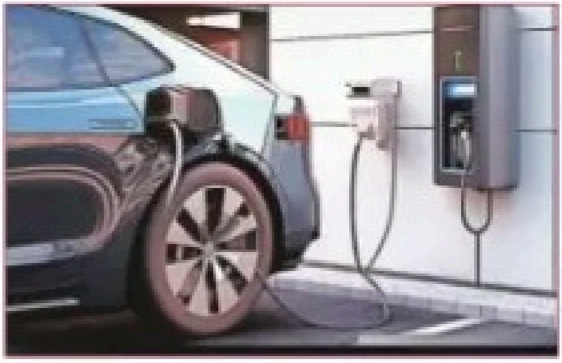
However, officials said the decision would be taken on a case-by-case basis after the companies concerned submit their plans, show investment break-up and flow. For instance, Vinfast, a Vietnamese EV manufacturer, had announced in January its plans to invest $500 million in India over a span of five years. But the EV policy allowing concessional imports was announced later in March and hasn't been operationalised yet. In this case, the company can avail the benefits though it started making investments before the policy was announced and operationlised, said the officials.

"Even companies who had begun investing in EV factories before the policy was notified would be eligible for incentives under the policy. It is not that they would have invested much so far. Whatever they invest theoretically is legit," officials said.

Similarly, several existing auto firms have announced huge capex for several years. They can divert part of it towards EVs to avail the benefits of this policy. "How much they have invested, till when and by what time-frame the balance amount needs to be invested will be assessed on a case-by-case basis," officials said.

Existing multinational companies like BMW, Volkswagen Group, Mercedes Benz, along with Korean manufacturers like Hyundai and Kia, and some domestic players, had raised the issue with the government about their earlier investments in the EV space, urging that that these should be counted retrospectively.

Continued on Page 10



ON TRACK

- Completely built-up units priced $35,000 and above to attract lower **15%** import duty for a period of five years
- However, it's must to set up manufacturing facilities in the country within 3 years under the new policy
- They need to achieve 25% localisation by the third year, 50% by the fifth year
- For others, CBUs priced over $40,000 to continue to attract 100% duty, 70% for those priced below

EV policy: Lower 15% duty likely for early movers

THEY POINTED OUT that they should not be penalised for being early investors in this space. Officials said that the details of the cut-off date for taking into account the break-up of investments would be finalised once the rules are made. The process is on and it will take a couple of months. "A portal will be created where details need to be filled, which can then be examined. Going ahead, imports and investments will also be tracked through it," officials said.

Under the EV policy, global automakers will be allowed to import completely built-up units (CBUs) at a concessional import duty of 15% for vehicles which are priced $35,000 and above for a period of five years. However, they will be required to set up manufacturing facilities in the country within a three-year period. Further, they will need to achieve 25% localisation by the third year and 50% by the fifth year.

For companies which are not opting for this route, CBUs priced more than $40,000 will continue to attract 100% duty and at 70% for those below it.

The 15% concessional import duty is the same which is applicable for completely knocked down (CKD) units, which are assembled in the country.

Companies availing this benefit will have to commit a minimum investment of ₹4,150 crore ($500 million) in India – there's no upper limit on investments.

The duty foregone on the total number of EVs permitted for import will be capped at the investment made or ₹6,484 crore (equal to incentive under the production-linked incentive scheme). Additionally, a maximum of 40,000 EVs at a rate not exceeding 8,000 per year will be allowed if the investment crosses $800 million. The scheme also requires companies to back their commitments with a bank guarantee in lieu of the custom duty forgone, which will be encashed in case of non-compliance with domestic value addition and minimum investment criteria.