NEW EV POLICY

Investment Towards Plant and Machinery to Qualify for Sops

Royalty payments will not be considered as investment

Our Bureau

Qualifying Investment

MINIMUM $500 MILLION TO BE SPENT BY BENEFICIARY

Plant and **machinery,** charging infrastructure eligible	**Asset** acquisition costs **Up** to **10%** building cost

...FOR NEW EV POLICY

Concessional duty on imported cars	**Investment to be offset by concessional duty**

New Delhi: Investment towards creating physical infrastructure such as plant and machinery, vehicle charging stations, and assets developed or acquired by companies will qualify for incentives under the new Scheme for Manufacturing of Electric Cars (SMEC), officials said, outlining details of the new policy aimed at wooing global automakers to make the country an electric vehicle (EV) manufacturing hub.

"Qualified investment will be money spent on setting up plant and machinery, charging infrastructure, and also assets owned by the company which are not on its premises," one of the officials said.

In addition, up to 10% of building cost can also be billed as investment towards setting up EV making capacity, the official said. The latest clarifications follow consultations with EV industry representatives including US-based Tesla recently.

Elon Musk's Tesla was represented by its advisor, The Asia Group (TAG) India in the meeting. Representatives of Vietnam's VinFAST, which is setting up an EV plant in Tamil Nadu, joined through video link.

Other participants included officials from Indian car makers such as Tata Motors, Maruti Suzuki, and Mahindra & Mahindra. Global automakers like Hyundai, BMW, Kia, Volkswagen, Mercedes-Benz, Toyota, and Renault-Nissan were also present.

The ministry of heavy industries will issue detailed guidelines explaining the issues raised by the industry.

These clarifications follow consultations with industry representatives earlier, including from Tesla

"Players interested in availing benefits under the SMEC had sought clarity on the definition of investment during the consultations held in April this year," a second official said, adding another round of discussions will be held in a month with the automakers. "The assets should be acquired and on the books of the company seeking incentives," he added. The official, however, clarified that royalty payments made to overseas parent companies will not be considered as an eligible investment under the scheme. SMEC is aimed at incentivising investments in setting up EV manufacturing capacity by lowering customs duty on specified imported car volumes.

As per the policy, announced in March 2024, beneficiaries need to invest $500 million for setting up EV manufacturing facilities and start domestic manufacturing within three years. They also need to comply with up to 50% minimum domestic value addition commitment. As an incentive, the Centre will levy a sharply lower rate of 15% customs duty for up to 8,000 EVs annually imported by a company qualifying under the scheme for a period of five years.