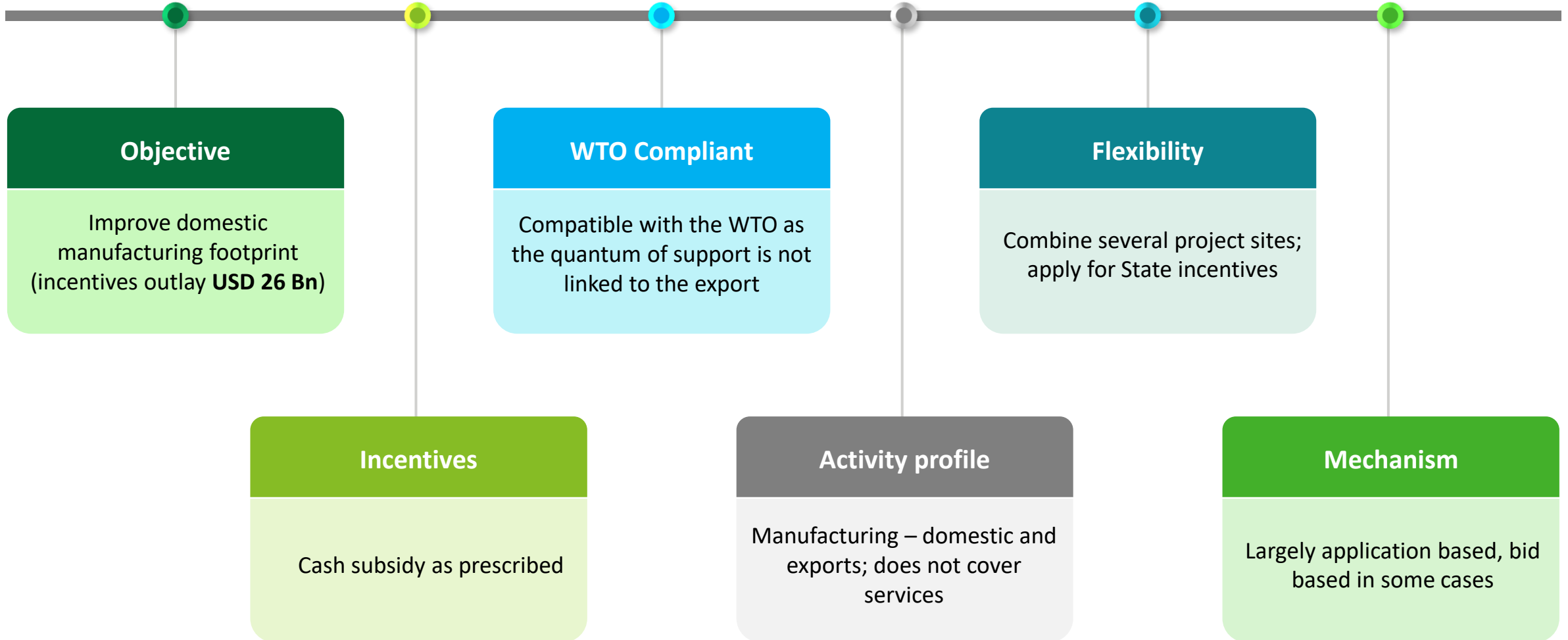




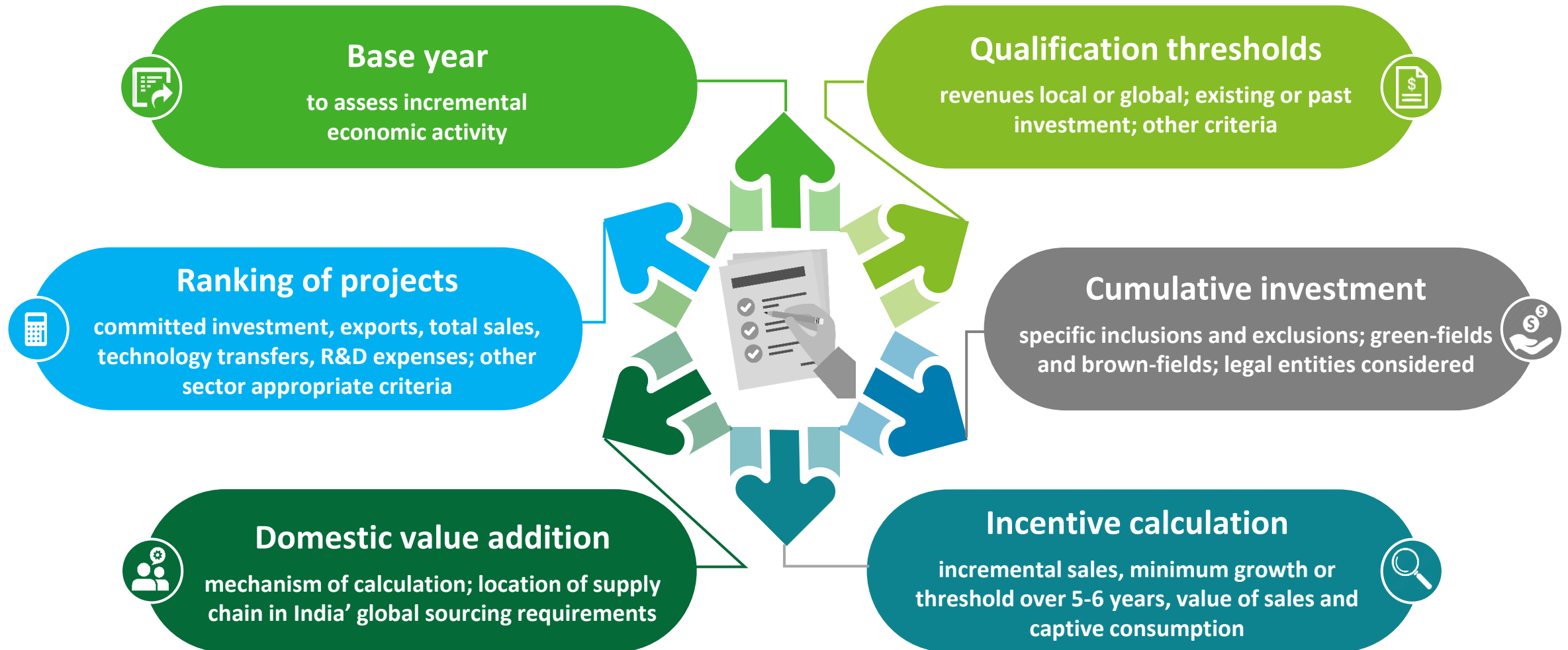
Production Linked Incentives: Framework and developments

PLI – Concept and Coverage

Production Linked Incentives (PLI) Scheme - Features

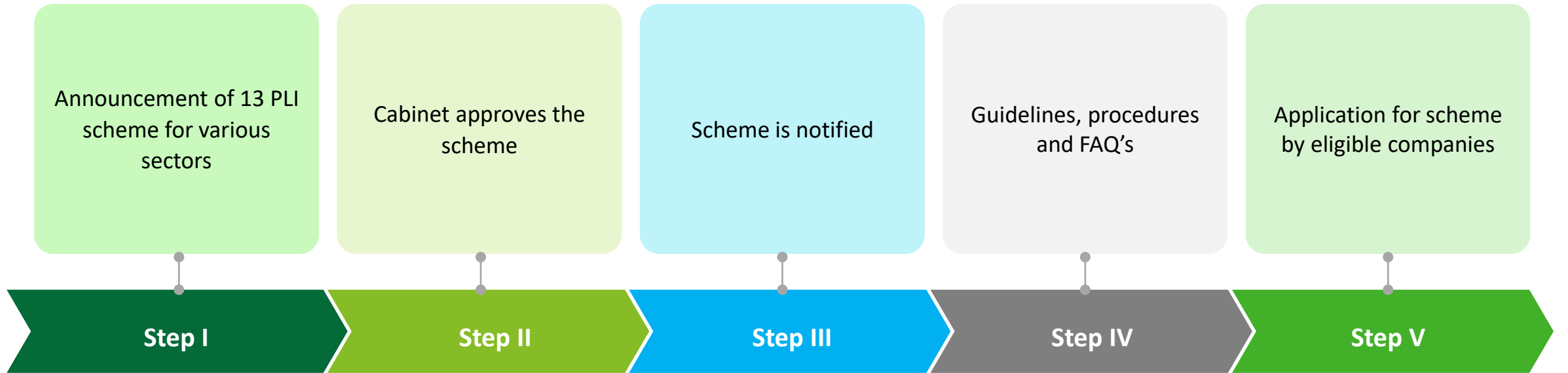


Production Linked Incentives (PLI) Scheme - Parameters

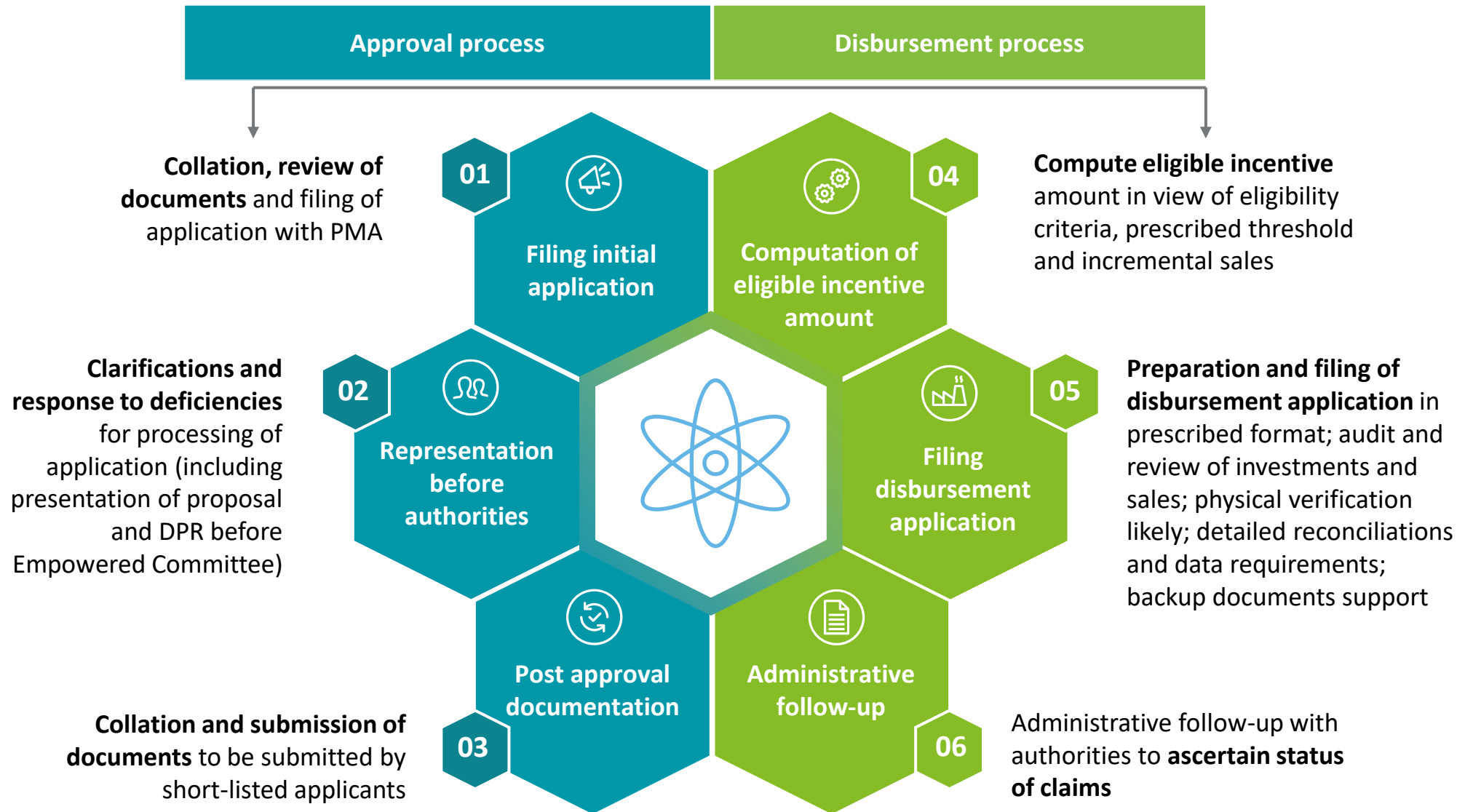


Sequencing of events leading up to the application process











Typical steps involved for the application process under PLI



Approval and Disbursement













PLI Scheme Status

 Sector	 Ministry	 Incentives Outlay (USD billion)	 Status
Advance Chemistry Cell (ACC) Battery	Department of Heavy Industry	2.41	 Scheme approved by Cabinet; detailed guidelines awaited
Specialty Steel	Ministry of Steel	0.84	 Scheme approved by Cabinet; detailed guidelines awaited
Food Products	Ministry of Food Processing Industries	1.45	 Scheme notified. Application window was open until June 24, 2021
Pharmaceuticals drugs	Department of Pharmaceuticals	0.93 (Phase I) + 1.99 (Phase II)	 For Phase 2.0 Application window open until 28 July 2021
Electronic/Technology Products	Ministry of Electronics and Information Technology	0.67	 Scheme notified and last date for applications was 30 April 2021
Telecom & Networking Products	Department of Telecommunications	1.63	 Guidelines issued and application window open until July 03, 2021

 Approval or guidelines awaited
  Live
  Closed

PLI Scheme Status

 Sector	 Ministry	 Incentives Outlay (USD billion)	 Status
High Efficiency Solar PV Modules	Ministry of New and Renewable Energy	0.59	 Scheme notified and application window open until Jun 30, 2021
Automobiles & Auto Components	Department of Heavy Industry	7.60	 Awaiting approval by Cabinet
Textiles	Ministry of Textiles	1.42	 Awaiting approval by Cabinet
White Goods (ACs & LED)	Department for Promotion of Industry and Internal Trade	0.83	 Scheme notified and application window open until Sep 15,2021
Mobile phones and electronic components	Ministry of Electronics and Information Technology	5.46	 Application window was open till March 31, 2021
Medical devices	Department of Pharmaceuticals	0.46	 Scheme extended for applications till July 28, 2021

 Approval or guidelines awaited
  Live
  Closed

Parameters for project evaluation

Detailed Project Report – Key document for application appraisal



Product wise manufacturing process, regulatory approvals, product blueprint/ design, R&D initiatives, go to market plans, project implementation plan & timelines,



JVs or agreements for technology sharing with other companies; product certifications from agencies



Product wise domestic value addition, source (country of import/ indigenous, supplier name) of raw materials



Incremental sales projections separately for new production facilities and existing capacity; Investment related - industry wide ROI, risk of over commitment etc



Employment generation, year wise capex plans, source of funding, credit rating



Project location, products profile, existing and proposed production capacity



VALUE DIFFERENTIATORS

Focus on high domestic value addition (possible concerns on limited screwdriver assembly)

Robust verification of proposed plans by nodal agency to ascertain applicant's ability to invest and achieve targets

Benefit unlikely on incremental sales due to price increase on existing production in future

Timelines and documents format strictly adhered (certifications by statutory auditor only)

State Incentives

Summary of the state government incentive schemes

Key benefits

Fiscal

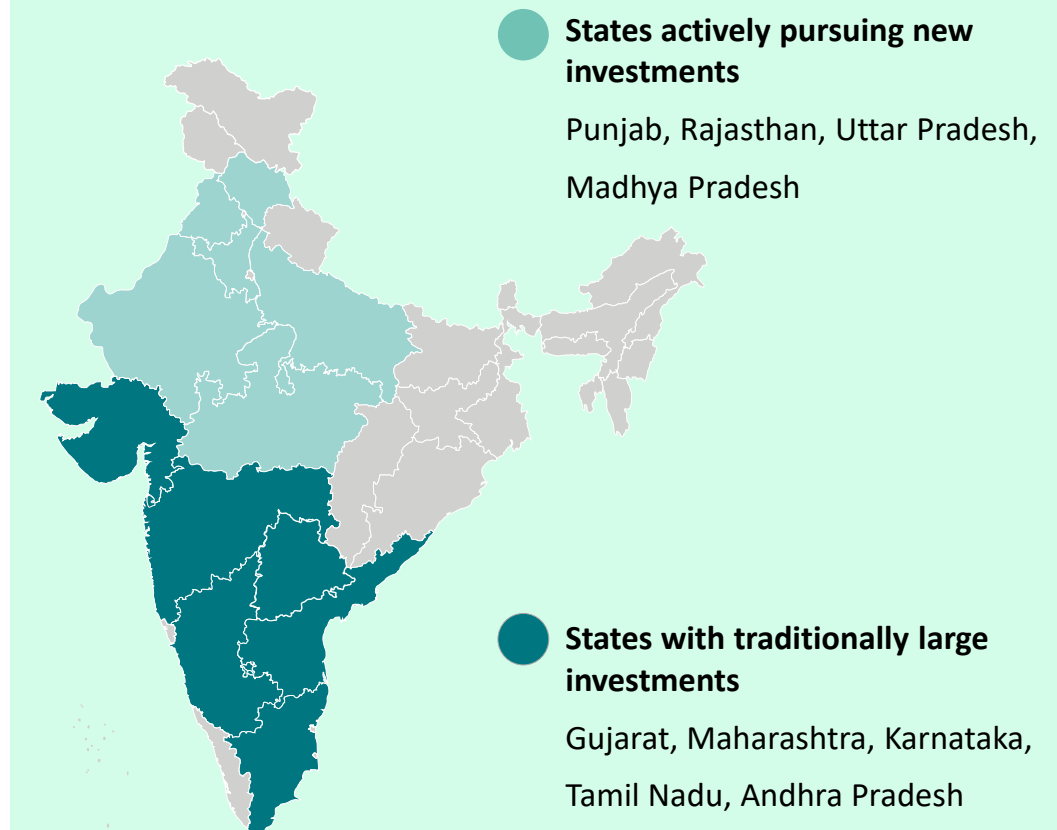
- Capital subsidy linked to investment outlay
- Training subsidy linked to job creation
- Gross or Net GST refund on supply of goods or services
- Exemption or concession from stamp duty on transfer or lease of land
- Concessional rates of power tariff
- Concessional land
- Interest free loans
- Sector specific policies

Non-Fiscal

- Single window clearance for permits
- Infrastructure benefits viz roads, water supply, IT infrastructure etc

Most of the above benefits open to customization by the State governments for 'mega' investment projects

Demographic overview

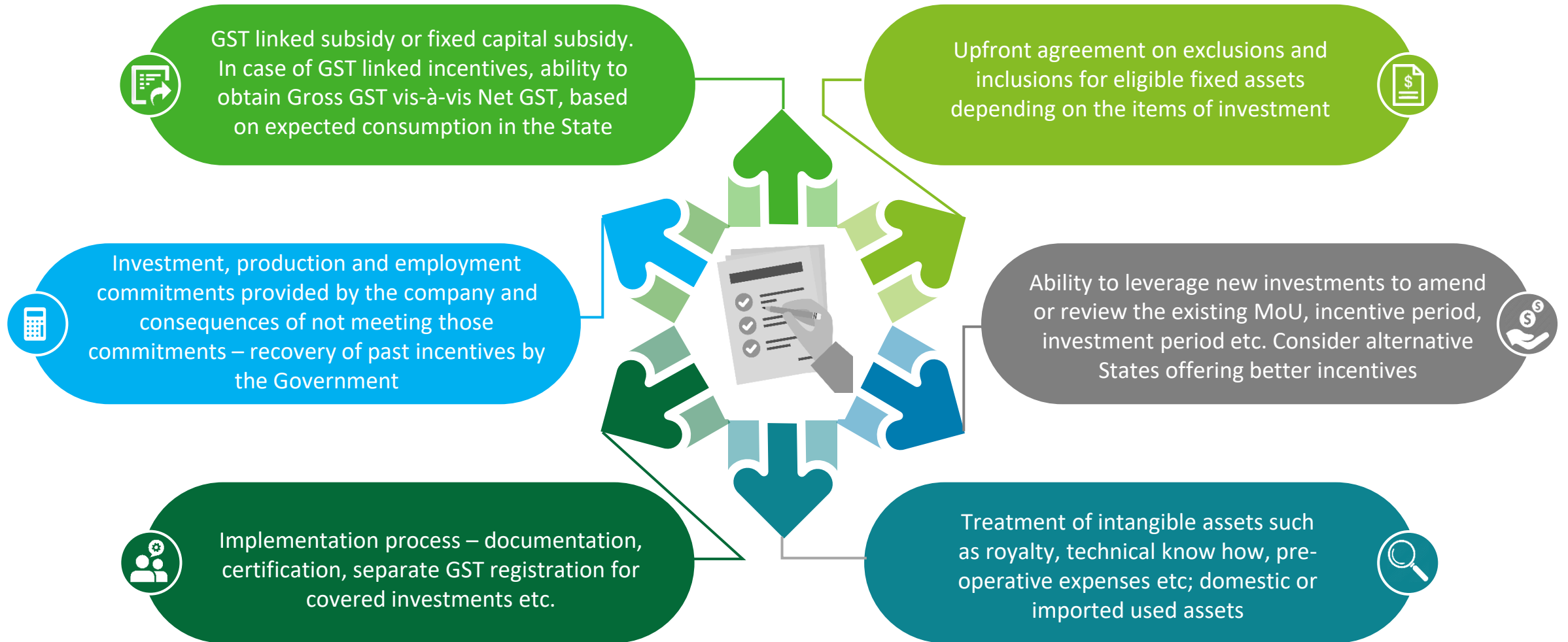


Key drivers for incentives negotiation

- Economic activity
- Status of the project (MSME, large, mega, ultra mega, etc)
- Quantum of investment
- Investment period
- Employment generation
- Location or district of proposed operations

State Incentives: Illustrative areas for consideration

Parameters to consider while negotiating or applying for incentives



State Incentives: Recent developments



Implemented
by

- Gujarat
- Karnataka
- Uttar Pradesh
- Tamil Nadu



Reimbursement
de-linked
from GST

Turnover linked Incentives

Capital Subsidy linked to investment

Key benefits of de-linking incentives from GST



Better certainty of potential reimbursements by way of capital subsidy instead of net SGST payments in future



Ease of filing reimbursement claims (no waiting period till completion of GST assessments, no certificate from GST commissioner etc.)



In case of net SGST reimbursements, enterprises are discouraged from local procurements due to overall lower net SGST payment

Corporate tax benefits

Corporate tax benefits | Tax regime for new manufacturing companies

A snapshot



- **Tax rate of 15%** plus surcharge and cess [i.e. **effective rate of 17.16%**]
- No Minimum Alternate Tax (MAT)

Lower tax rate vis-à-vis select other jurisdictions –

- China: 25%
- Vietnam / Taiwan: 20%
- Philippines: 25%

Attractive tax regime for

- New manufacturing companies in India
- Incorporated on or after 1 October 2019

- Company engaged only in **manufacture** of any article or thing and **research** in relation to, or **distribution** of, such article or thing manufactured by it
- **Commencing manufacture on or before 31 March 2023**
- Not formed by splitting up or reconstruction of an existing business; and company does not use any machinery or plant previously used for any purpose

- Certain incentives not to be claimed (e.g. additional depreciation)
- Regime to be chosen at the time of filing the first tax return; cannot be withdrawn subsequently for any year
- Domestic transfer pricing provisions to apply

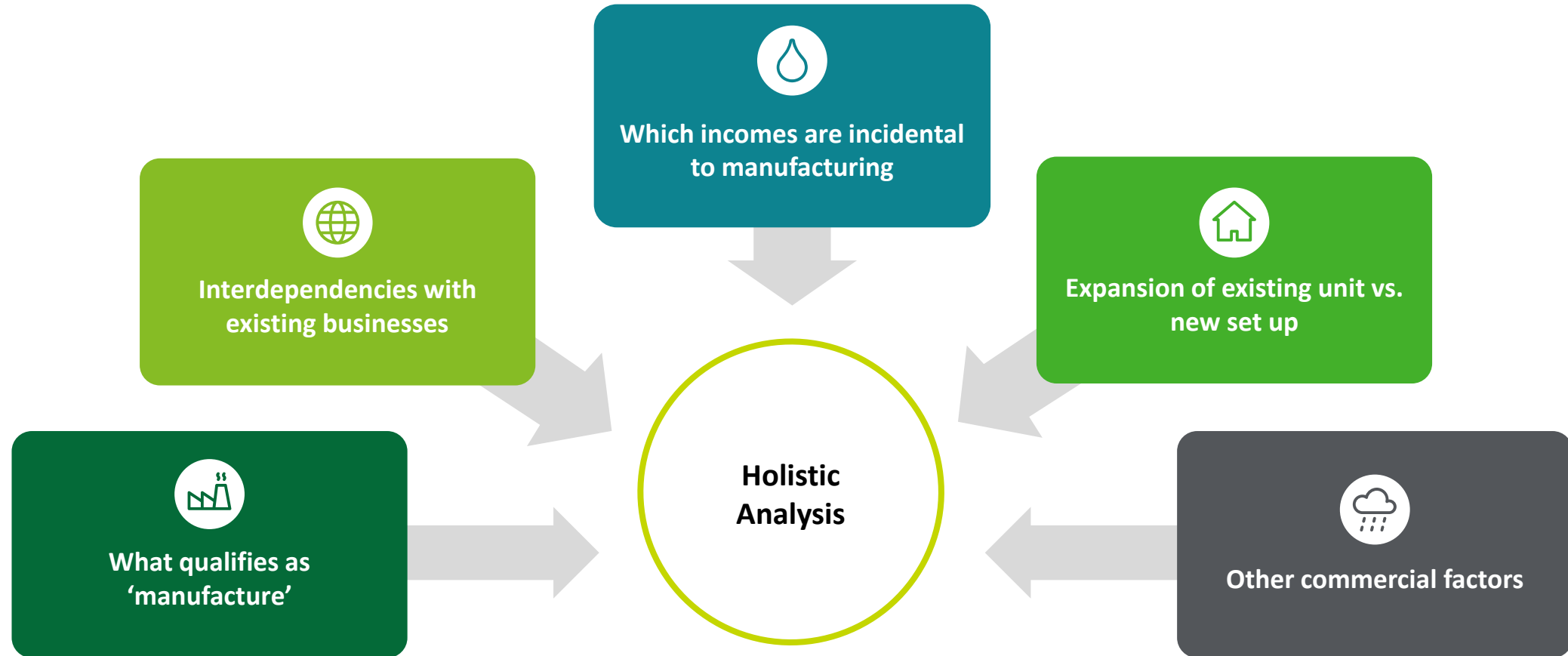
Other incentives



Income-tax benefits on **employment generation** available [deduction for 30% of additional employment cost for 3 years, subject to conditions]

Corporate tax benefits | Tax regime for new manufacturing companies

Key considerations vis-à-vis eligibility and PLI



Corporate tax benefits | Beneficial tax framework

- **Abolition of dividend distribution tax** – Dividend taxable for the shareholder
- **No cascading effect** – Dividends received not taxable for an Indian company, if it onward pays dividend in prescribed time



- Access to **lower dividend tax rates** under the treaty (**as low as 5% / 10%**)
- Ease of **tax credit** in parent company jurisdiction
- Reduction of group tax cost



- **Dividend received from foreign subsidiaries** is taxable at a **concessional rate of 15%***



- **Special tax rate of 5%*** in case of foreign lenders, for **interest** on monies borrowed before 1 July 2023 (subject to conditions)
- Strong **treaty network** with approx. 94 nations



Long term capital gains taxable at a **reduced rate of 10%***, in case of non-resident shareholders (subject conditions and treaty benefit, if any)



- No obligation to file an income-tax return by non-resident companies in case of royalty, technical service fee, dividend or interest income, if it has been subjected to WHT as per domestic tax law



India – a destination of choice for setting up manufacturing operations

**plus applicable surcharge and cess*



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