

TAX FLASH NEWS

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Production linked incentive scheme (PLIS) to promote domestic manufacturing of Medical Devices

Background

With the objective to boost domestic manufacturing by attracting large investments in the medical devices sector, Ministry of Chemicals and Fertilizers, Department of Pharmaceuticals, Government of India (GOI) has introduced PLIS.

Objectives and targeted segment

The PLIS proposes to provide financial incentive to boost domestic manufacturing and attract large investments in the Medical Device Sector.

Target segments of medical devices –

1. Cancer care/Radiotherapy medical devices
2. Radiology and imaging medical devices (both ionizing and non-ionizing radiation products) and nuclear imaging devices
3. Anaesthetics and cardio-respiratory medical devices including catheters of cardio-respiratory category and renal care medical devices
4. All implants including implantable electronics devices like cochlear implants and pacemakers.

Quantum of Incentive

The PLIS shall extend an incentive of 5% on incremental sales (computed on sales of base year – FY 2019-20) of goods manufactured in India and covered under target segments, to eligible companies, for a period of 5 years subsequent to the base year i.e. 2019-20.

Incentive per company will be applied on incremental sales of manufactured goods (as distinct from traded goods) over the base year, subject to ceiling as decided by the Empowered Committee.

The budgeted outlay for PLIS is INR 3420 Crore¹(i.e. approx. USD 456 million).

¹ INR 1 Crore is equal to INR 10 million

² 1 USD = INR 75

Eligibility

Support under the scheme shall be provided only to companies engaged in manufacturing of target segments in India.

Segment	Proposed Incentive Rate (on Incremental Sales of Manufactured Goods)	Incremental Investment	Incremental sales of Manufactured goods
Specified medical devices	FY 2020-21: 5% FY 2021-22: 5% FY 2022-23: 5% FY 2023-24: 5% FY 2024-25: 5%	INR 180 crore (USD 24 million) over 3 years Cumulative Minimum Year 1: INR 60 crore (USD 8 million) Year 2: INR 120 crore (USD 16 million) Year 3: INR 180 crore (USD 24 million)	Year 1: INR 120 crore (USD 16 million) Year 2: INR 240 crore (USD 32 million) Year 3: INR 360 crore (USD 48 million) Year 4: INR 460 crore (USD 61 million) Year 5: INR 560 crore (USD 75 million)

Note: For eligibility, all incremental sales of manufactured goods (covered under target segments) irrespective of invoice value shall be considered.

Other key points

- Application under the scheme can be made by any company registered in India
- PLIS shall be implemented through Nodal Agency to act as a Project Management Agency
- The applications to avail the benefit under the scheme will have to be made within a period of 4 months. The second window, if required, may be opened but the process will be required to be completed within 12 months from the approval of the scheme i.e. 20 March 2021
- Incentive under the scheme shall be provided for a period of five years subsequent to the base year i.e. FY 2019-20.

Our comments

India traditionally has been importing nearly 80 to 90 per cent of the sophisticated medical devices. Promotion of domestic manufacturing of medical devices has been one of the key focus areas for the Government of India. Government has gradually withdrawn customs duty exemption and has also levied health cess at 5% on import of medical devices. The proposed incentive scheme of nearly USD 456 million, along with the recent announcements of reduced income-tax rates for new manufacturing companies can give a major boost to the Government's vision of 'Make-in-India' and should help boost domestic production of these medical devices.

While the detailed guidelines are awaited, given the intention to provide the benefit only to 25-30 manufacturers, it may be important for companies to review their business strategies in view of the above scheme.

For a deeper understanding of the policy and any assistance in this regard, please feel free to connect with any of the following:

Rajeev Dimri

National Head of Tax, KPMG in India

T: +91 124 307 4077

E: rajeevdimri@kpmg.com

Sachin Menon

Partner and National Head

Indirect Tax

T: +91 22 3090 2682

E: sachinmenon@kpmg.com

Himanshu Parekh

Partner and Head

Corporate and International Head

T: +91 22 3090 2680

E: himanshuparekh@kpmg.com

home.kpmg/in/socialmedia

Ahmedabad

Commerce House V, 9th Floor,
902, Near Vodafone House, Corporate
Road,
Pralhad Nagar,
Ahmedabad – 380 051.
Tel: +91 79 4040 2200

Bengaluru

Embassy Golf Links Business Park,
Pebble Beach, 'B' Block,
1st & 2nd Floor,
Off Intermediate Ring Road, Bengaluru –
560071
Tel: +91 80 6833 5000

Chandigarh

SCO 22-23 (1st Floor),
Sector 8C, Madhya Marg,
Chandigarh – 160 009.
Tel: +91 172 664 4000

Chennai

KRM Towers, Ground Floor,
1, 2 & 3 Floor, Harrington Road,
Chetpet, Chennai – 600 031.
Tel: +91 44 3914 5000

Gurugram

Building No.10, 8th Floor,
DLF Cyber City, Phase II,
Gurugram, Haryana – 122 002.
Tel: +91 124 307 4000

Hyderabad

Salarpuria Knowledge City,
6th Floor, Unit 3, Phase III,
Sy No. 83/1, Plot No 2,
Serilingampally Mandal,
Ranga Reddy District,
Hyderabad – 500 081.
Tel: +91 40 6111 6000

Jaipur

Regus Radiant Centre Pvt Ltd.,
Level 6, Jaipur Centre Mall,
B2 By pass Tonk Road,
Jaipur – 302 018.
Tel: +91 141 - 7103224

Kochi

Syama Business Centre,
3rd Floor, NH By Pass Road,
Vytilla, Kochi – 682 019.
Tel: +91 484 302 5600

Kolkata

Unit No. 604,
6th Floor, Tower – 1,
Godrej Waterside,
Sector – V, Salt Lake,
Kolkata – 700 091.
Tel: +91 33 4403 4000

Mumbai

1st Floor, Lodha Excelus,
Apollo Mills,
N. M. Joshi Marg,
Mahalaxmi,
Mumbai – 400 011.
Tel: +91 22 3989 6000

Noida

Unit No. 501, 5th Floor,
Advant Navis Business Park,
Tower-A, Plot# 7, Sector 142,
Expressway Noida,
Gautam Budh Nagar,
Noida – 201 305.
Tel: +91 0120 386 8000

Pune

9th floor, Business Plaza,
Westin Hotel Campus, 36/3-B,
Koregaon Park Annex,
Mundhwa Road, Ghorpadi,
Pune – 411 001.
Tel: +91 20 6747 7000

Vadodara

Ocean Building, 303, 3rd Floor,
Beside Center Square Mall,
Opp. Vadodara Central Mall,
Dr. Vikram Sarabhai Marg,
Vadodara – 390 023.
Tel: +91 265 619 4200

Vijayawada

Door No. 54-15-18E,
Sai Odyssey,
Gurunanak Nagar Road, NH 5,
Opp. Executive Club, Vijayawada,
Krishna District,
Andhra Pradesh – 520 008.
Tel: +91 0866 669 1000

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