

TAX FLASH NEWS

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Union Cabinet approves Production Linked Incentive Scheme to promote domestic manufacturing of Automobiles and Auto Components

With a vision to make the Indian Automotive industry more competitive and enhance globalisation of the sector, the Union Cabinet has approved Production Linked Incentive Scheme (PLIS)¹.

The PLIS proposes to grant financial assistance of INR 57042 crore (USD² 7.6 billion approx.).

Gist of the announcement is as under

- The scheme intends to enhance domestic manufacturing capabilities, reduce import dependency and increase exports.
- The scheme shall apply for manufacturing of Automobile and Auto Components.
- The proposal of the scheme shall be formulated and implemented by Department of Heavy Industries and approved by the Cabinet.
- The approved financial outlay i.e. INR 57042 crore shall be spread over a period of five years

Our comments

For the India's Automotive sector which contributed to almost half of its manufacturing GDP, the PLIS is expected to give boost to domestic manufacturing, reduce the dependence on imports for the components and help the sector to become integral part of the global supply chain.

While the detailed policy specifying the eligibility conditions, mechanism of availing the benefit etc. is still awaited, it may be important for companies to review their business strategies in view of the above proposed scheme.

Deeper insights

For a deeper understanding of the above proposals and its business impact, please feel free to connect with any of the following:

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¹ Press Release dated 11 November 2020

² 1 USD = INR 75

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