

# TAX FLASH NEWS

18 November 2020



## Union Cabinet approves Production Linked Incentive Scheme to promote domestic manufacturing of Pharmaceutical Drugs

With an aim to incentivize the global and domestic players to engage in high value production of pharmaceutical drugs, the Union Cabinet has approved Production Linked Incentive Scheme (PLIS)<sup>1</sup>.

The PLIS proposes to grant financial assistance to the tune of INR 15000 crore (USD<sup>2</sup> 2000 million approx.).

### Gist of the announcement is as under

- India contributes 3.5% of the total drugs and medicines exported globally. India possesses the complete ecosystem for development and manufacturing of pharmaceuticals and a robust ecosystem of allied industries. The PLIS aims to incentivize both, the global and domestic players to engage in high value production in India

- The scheme shall apply for manufacturing of

#### a) Category 1

- Biopharmaceuticals
- Complex generic drugs
- Patented drugs or drugs nearing patent expiry
- Cell based or gene therapy products
- Orphan drugs
- Special empty capsules
- Complex excipients

#### b) Category 2

- Active Pharma Ingredients (APIs) /Key Starting Materials (KSMs) and /Drug Intermediaries (DIs)

#### c) Category 3

- Repurposed drugs
- Auto-immune drugs, Anti-cancer drugs, Anti diabetic drugs, Anti Infective drugs, Cardiovascular drugs, Psychotropic drugs and Anti-Retroviral drugs
- In-vitro Diagnostic Devices (IVDs)
- Phytopharmaceuticals
- Other drugs not manufactured in India
- Other drugs as approved

- The proposal of the scheme shall be formulated and implemented by Department of Pharmaceuticals
- The final proposal of the PLIS shall be appraised by the Expenditure Finance Committee (EFC) and approved by the Cabinet.
- The approved financial outlay i.e. of INR 15000 crore (USD 2000 million approx.) shall be spread over a period of five years.

<sup>1</sup> Press Release dated 11 November 2020

<sup>2</sup> 1 USD = INR 75

## Our comments

The Government of India has identified pharma industry as one of the critical industries in achieving the vision of making India 'self-reliant' or 'Atmanirbhar'.

The Government had earlier notified PLIS on 21 July 2020 to promote domestic manufacturing of specified fermentation-based products (14 products) and chemically synthesized products (27 products) with a total incentive outlay of INR 6940 crore (USD 925 million).

The new scheme aims to incentivize specified bio-generic products, patented drugs, cell-based or gene therapy products, auto-immune drugs, anti-cancer drugs, API/KSM/DIs, other drugs as approved, etc. The notified goods, prima facie seems to be broad based as it includes any drugs as approved by the approving authority.

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:

- a) **Rajeev Dimri**  
**National Head**  
**Tax**  
T: +91 124 307 4077  
E: [rajeevdimri@kpmg.com](mailto:rajeevdimri@kpmg.com)
  
- b) **Sachin Menon**  
**Partner and National Head**  
**Indirect Tax**  
T: +91 22 3090 2682  
E: [sachinmenon@kpmg.com](mailto:sachinmenon@kpmg.com)
  
- c) **Santosh Dalvi**  
**Partner and Deputy Head**  
**Indirect Tax**  
T: +91 22 3090 2511  
E: [sdalvi@kpmg.com](mailto:sdalvi@kpmg.com)



## KPMG in India addresses:

### Ahmedabad

Commerce House V, 9th Floor,  
902, Near Vodafone House, Corporate  
Road,  
Prahlad 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

[home.kpmg/in](https://home.kpmg/in)



[home.kpmg/in/socialmedia](https://home.kpmg/in/socialmedia)



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011  
Phone: +91 22 3989 6000, Fax: +91 22 3983 6000

© 2020 KPMG Assurance and Consulting Services LLP, an Indian Limited Liability Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

KPMG (Registered) (a partnership firm with Registration No. BA- 62445) converted into KPMG Assurance and Consulting Services LLP (a Limited Liability partnership firm) with LLP Registration No. AAT-0367 with effect from July 23, 2020.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

This document is meant for e-communication only.