

TAX FLASH NEWS

27 October 2020



Union Cabinet approves Production Linked Incentive Scheme to promote domestic manufacturing of White goods

With a vision to promote domestic manufacturing of white goods such as Air Conditioners and LEDs and make such indigenously manufactured goods globally competitive, the Union Cabinet has approved Production Linked Incentive Scheme (PLIS)¹.

The PLIS proposes to grant financial assistance to the tune of INR 6238 crore (USD² 832 million approx.).

Gist of the announcement is as under

- The scheme intends to incentivize domestic manufacturer of white goods, create new jobs and increase exports.
- The scheme shall apply for manufacturing Air Conditioners and LEDs.
- The proposal of the scheme shall be formulated and implemented by Department for Promotion of Industry and Internal Trade.
- 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. INR 6238 crore (USD 832 million approx.) shall be spread over a period of five years.

Our comments

In order to encourage domestic manufacturing, in October 2020 the Government had re-categorised³ air conditioners with refrigerant under HSN 84151010 and 84151090 from 'free' to 'prohibited' category under Import Policy thereby banning their imports. Earlier, the Government had also mandated use of standard mark⁴ as per Bureau of Indian Standard (Conformity Assessment) Regulations, 2018 for specified air-conditioners and compressors from 01 January 2021. Further as per news sources, the Government is intending to levy Anti-dumping duty on goods relevant to Air-conditioning such as Hydrofluorocarbon (HFC) Blends, Choline Chloride, Polystyrene etc. imported from notified countries.

As regards LED(s)/ LCD(s), the Government has increased the rate of Customs Duty⁵ on specified parts used in the manufacture of open cell for LED/LCD television panel to 5% in November 2020. Earlier in September 2020, there was a similar increase in the rate of Customs Duty⁶ to 5% on open cells (15.6" and above) used in manufacture of LED/LCD television panel.

Now with the announcement of the PLIS on white goods, the Government aims to discourage imports and provide an impetus on domestic manufacturing. 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.

¹ Press Release dated 11 November 2020

² 1 USD = INR 75

³ Notification no. 41/2015-2020 dated 15 October 2020

⁴ Order bearing S.O.4354(E). dated 05 December 2019

⁵ Notification no. 42/2020-Customs dated 11 November 2020

⁶ Notification no. 35/2020-Customs dated 30 September 2020

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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