

TAX FLASH NEWS

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Application Form for PLI scheme for Automobile and Auto Components notified

With a vision to make Indian automobile industry more competitive and to enhance globalization of Indian automobile sector, the Union Cabinet of Government of India had approved the Production Linked Incentive (PLI) scheme for Automobiles and Auto Components. This scheme proposes incentives worth INR 25,938 crore (~USD 3,458 Million) which will be provided over a period of 5 years.

Notification¹ and scheme guidelines² had been issued earlier by Ministry of Heavy Industries. In furtherance of the scheme guidelines, the Ministry of Heavy Industries has recently issued the format of the Application Form and the list of advanced automotive technology products³.

Gist of the scheme

A. Overview

- This scheme has two components namely, Champion OEM Incentive Scheme and Component Champion Incentive Scheme.
- Champion OEM Incentive Scheme :
 - This is aimed to address the cost disabilities related to Advanced Automotive Technology vehicles faced by OEMs. It is a 'sales value linked' scheme, applicable on battery electric vehicles and hydrogen fuel cell vehicles of all segments – 2 wheelers, 3 wheelers, passenger vehicles, commercial vehicles, tractors, automobile meant for military use and any other Advanced Automotive Technology vehicle as prescribed by Ministry of Heavy Industries (MHI) depending upon technical developments.
 - Automotive OEM company or its Group company(ies) and new Non-Automotive investor company or its Group company(ies) is the target segment.
- Component Champion Incentive Scheme :
 - This is aimed at identifying and incentivizing auto component champions that can achieve global scale of operations and become 'Automotive Champions' for the auto-component manufacturing sector related to Advanced Automotive Technology.
 - Auto-component manufacturing company or its Group company(ies), Automotive OEM company or its Group company(ies) and new Non-Automotive investor company or its Group company(ies) is the target segment
- Automotive OEM and Non-automotive investor can apply under both the schemes.

¹ Notification S.O. 3946(E) dated 23 September 2021, Ministry of Heavy Industries

² Notification S.O. 3947(E) dated 23 September 2021, Ministry of Heavy Industries

³ Notification S.O. 4632(E) dated 9 November 2021, Ministry of Heavy Industries

B. Duration

- Scheme is for a period of 5 years starting from FY 2022-23 to 2026-27
- Disbursement of incentives will be in the following FY i.e. 2023-24 to 2027-28
- Incentive is capped at INR 6,485 crore (i.e. 25% of the total budget outlay) per entire Group Company(ies)

C. Eligibility Criteria

- **Existing companies in India or globally in automotive vehicle / components manufacturing business (based on audited financial statements for FY2021) :**

Sr. No.	Particulars	Auto OEM (INR in Crore)	Auto-Components (INR in Crore)
i.	Minimum global group revenue (from automotive and/or auto component manufacturing)	10,000	500
ii.	Global investment of Group company(ies) in fixed assets (gross block)	3,000	150

- **New non-automotive investors (companies other than above) :**

Sr. No.	Particulars	Auto OEM	Auto-Components
i.	Global net worth (based on audited financial statements for FY2021)	1,000 Crore	

- **Minimum New Domestic investment conditions (INR in Crore) :**

Sr. No.	Cumulative new domestic investment to be achieved	Champion OEM (Except 2/3W)	Champion OEM 2/3W	Component Champion	New Non-Automotive investor (OEM)	New Non-Automotive investor (Component)
i.	Upto or before March 31, 2023	300	150	40	300	80
ii.	Upto or before March 31, 2024	800	400	100	800	200
iii.	Upto or before March 31, 2025	1400	700	175	1,400	350
iv.	Upto or before March 31, 2026	1,750	875	220	1,750	440
v.	Upto or before March 31, 2027	2,000	1,000	250	2,000	500

D. Incentive criteria

- **Domestic value additions (DVA):**
 - Minimum 50% DVA required
 - Testing agency to certify DVA in eligible product
 - Methodology for DVA same as in FAME scheme

- **Threshold determined sales value**

Threshold determined sales value is the minimum turnover required over and above the turnover of eligible products in base year (FY 2019-20)

Sr. No.	Particulars	Champion OEM (INR in Crore)	Components Champion (INR in Crore)
Year 1	Threshold determined sales value (TDSV)	125	25

- **Year-on-year growth criteria**

- Minimum 10% year-on-year growth in TDSV of Year 1

E. Incentive slabs

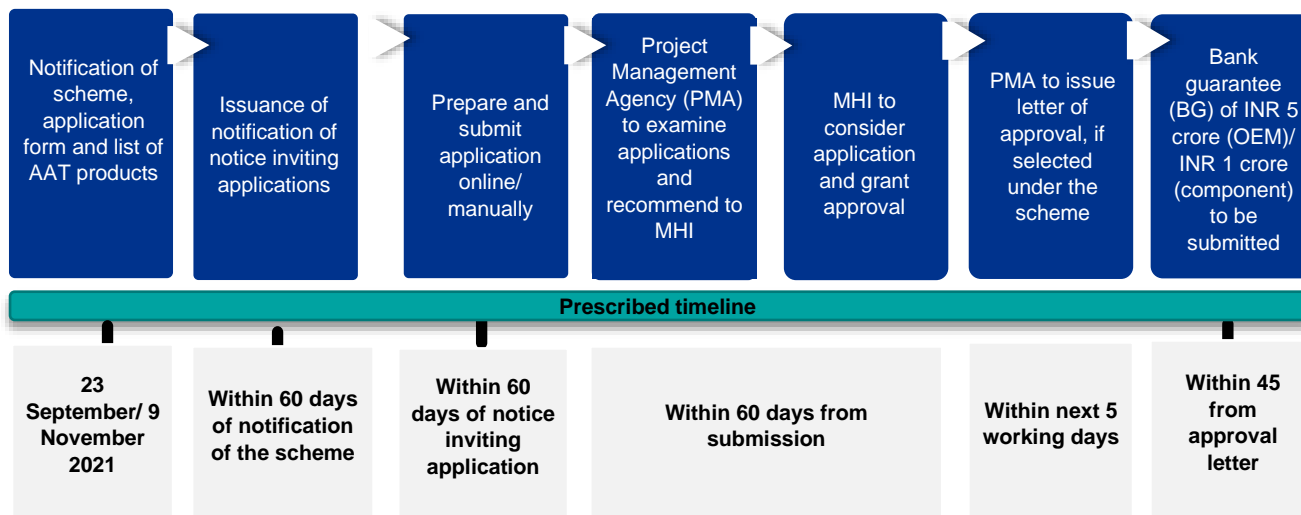
- **Champion OEM and new non-automotive investors (OEM)**

- 13% to 16% incentive based on determined sales value
- Additional 2% for cumulative determined sales value of INR 10,000 crore over 5 years

- **Component champion and new non-automotive investors (component)**

- 8% to 11% incentive based on determined sales value
- Additional 2% for cumulative determined sales value of INR 1,250 crore over 5 years
- Additional 5% for battery electric vehicles and hydrogen fuel cell vehicles components

F. Timeline for application process



The approved applicants would also be required to apply for registration of their products as eligible Advanced Automotive Technology vehicles/ components with the testing agency of MHI, to seek incentive in this scheme. The application for this would be required to be made on the online portal and approval will be granted within 90 days from the date of application.

Our comments

This scheme is envisaged to encourage fresh investment in India for indigenous global supply chain of Advanced Automotive Technology products. The much-awaited format of application form and list of advanced automotive technology products have finally been notified. Window for receiving applications through the Notice Inviting Applications will be open for a period of 60 days from the date of its publication in the official Gazette. The application form is exhaustive and requires due diligence. Though the scheme guidelines and FAQs address many of the issues, there are certain open areas for which there is no clarity. Some of the areas where there is a lack of clarity continue to be:

- Evaluation mechanism (ranking criteria, etc.) that will be adopted by the PMA for selection of applicants
- Possibility for inclusion of additional products in the list of advanced automotive technology components currently notified by MHI
- Whether self-certification for base year sales, investment, etc. as mentioned in the application form would suffice or statutory auditor's certificate is required as mentioned in the guideline
- Procedure for obtaining approval for advanced automotive technology products by the testing agency of MHI
- Possibility to club investment and sales of group companies (other than parent/subsidiary) for meeting threshold for eligibility under the scheme

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