

## **DA TAX UPDATE- INDIRECT TAX**

An e-Tax update from **Darda Advisors LLP**

**Make in India – PLI booster for  
Manufacturing Sector for Export Sales-  
Updates as on 22 January 2021**

Issue: 11



## News update as on 22 January 2021

S.No.	Department/Ministry	News
1	Department of Telecom	<a href="#"><u>India finalises norms of Rs 12,000 crore PLI scheme for telecom manufacturing: Report</u></a>
2	Ministry of Electronics and Information Technology	<a href="#"><u>Handset makers: Govt not keen to roll over PLI scheme milestones</u></a> <a href="#"><u>MeitY draft: PLI outlay for laptops, servers at Rs 7,500 crore</u></a> <a href="#"><u>PLI-like incentive scheme in the works for wearables, hearables, AI, IoT</u></a>
3	Department of Promotion of Industry and Internal Trade	<a href="#"><u>DPIIT sends PLI proposal for LEDs, ACs to expenditure finance committee for approval</u></a>

## Draft PLI guidelines for Specialty steel

Recently an ASSOCHAM event was held on 22 January 2021 in relation to Draft PLI Scheme for Speciality Steel

### Following are the key aspects discussed in the event

- The total outlay of Rs. 6,322 Cr. is distributed among four categories of steel products as follows

Majority of incentives in PLI Scheme draft are for commodity products



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Category	Sub-Category	Rs Cr. Incentive
Coated/Plated Steel Products	Colour Coated	804
	Galvanneal/GI-Auto-Gr	173
	Al-Zn Coated (Price Ref.: 0.8mm Thk x AZ-70)	190
	Tin mill Products	239
	Coated/Plated Products of Metallic / Non-Metallic	715
High Strength/Wear resistant Steel	HT: HR Coil, Sheets & Plates	598
	HR Coil, Sheets and Plates API Gr >=X-52	1,114
	HT: Auto Gr Steel incl. AHSS (CRCA)	176
	BQ / PV	368
	QT / Abrasion Resistance and Wear Resistance	162
Speciality Rails	Rails: Head Hardened	297
	Rail: Asymmetric Rails	389
Alloy Steel Products	Alloy Steel: Tool & Die Steel	650
	Alloy Steel: Valve Steel	182
	Alloy Steel: Bearing Steel	265
<b>Total</b>		<b>6,322</b>

> Speaking: r k goyal

Most of the specialty steel long products are not covered under "Alloy Steel Products" category

Source: ASSOCHAM

## Draft PLI guidelines for Specialty steel

- The rate of incentives ranges from 3% to 9%

### Rate of PLI as per PLI Scheme draft



> Expand panel to show vide

Category	Sub-Category	Rate of PLI (%)
Coated/Plated Steel Products	Colour Coated	3%
	Galvanneal/GI-Auto-Gr	3%
	Al-Zn Coated (Price Ref.: 0.8mm Thk x AZ-70)	3%
	Tin mill Products	6%
	Coated/Plated Products of Metallic / Non-Metallic	6%
High Strength/ Wear resistant Steel	HT: HR Coil, Sheets & Plates	3%
	HR Coil, Sheets and Plates API Gr >=X-52	9%
	HT: Auto Gr Steel incl. AHSS (CRCA)	9%
	BQ / PV	9%
	QT / Abrasion Resistance and Wear Resistance	9%
Speciality Rails	Rails: Head Hardened	9%
	Rail: Asymmetric Rails	9%
Alloy Steel Products	Alloy Steel: Tool & Die Steel	9%
	Alloy Steel: Valve Steel	9%
	Alloy Steel: Bearing Steel	9%

Specialty Steels need much larger Rate of PLI to overcome existing challenges

Source: ASSOCHAM

## Draft PLI guidelines for Specialty steel

- Minimum incremental growth ranges from 6% to 25%

### Minimum Incremental growth as per PLI Scheme draft



> Speaking: r k goyal

Category	Sub-Category	Min. Incremental prod. for PLI Eligibility
Coated/Plated Steel Products	Colour Coated	6%
	Galvanneal/GI-Auto-Gr	8%
	Al-Zn Coated (Price Ref.: 0.8mm Thk x AZ-70)	6%
	Tin mill Products	8%
	Coated/Plated Products of Metallic / Non-Metallic	6%
High Strength/ Wear resistant Steel	HT: HR Coil, Sheets & Plates	6%
	HR Coil, Sheets and Plates API Gr >=X-52	10%
	HT: Auto Gr Steel incl. AHSS (CRCA)	10%
	BQ / PV	10%
	QT / Abrasion Resistance and Wear Resistance	10%
Speciality Rails	Rails: Head Hardened	25%
	Rail: Asymmetric Rails	25%
Alloy Steel Products	Alloy Steel: Tool & Die Steel	25%
	Alloy Steel: Valve Steel	25%
	Alloy Steel: Bearing Steel	25%

25% minimum incremental production for 5 years is un-realistic - Even after assuming import substitution

Source: ASSOCHAM

# Draft PLI guidelines for Specialty steel

Summary of the suggestions are as follows

## Summary of Suggestions for modifications in PLI Scheme draft



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- 1 Specialty Steels sub-segments to be added in Alloy Steel category and Incentive outlay to be re-distributed
- 2 Rate of PLI to be increased for Alloy Steels
- 3 Minimum incremental production for Alloy Steels to be 6%
- 4 Allow all Specialty Steel producers having BOF/EOF/EAF melting to be eligible for PLI Scheme
- 5 R&D funding of upto Rs. 100 Cr each for few Specialty Steel comp

### Participants

Q Search

#### Panelist: 7

YV Yashpal V...  
Host

NA Nahid Alam

KM Kanishk Maheshwari

Source: ASSOCHAM

## Draft PLI guidelines for Specialty steel

### Additional points to be taken into consideration

- 3% incentive for colour coated steel products is very low
- 5 year investment period to be relooked from start to end of the project
- Incremental production range is very high
- The process of getting incentives is too complex as companies need to sign MOU
- Job work should also be allowed, End to end Complete manufacturing process is not a healthy condition as well as not feasible
- Incentive limit per company should be avoided
- Scoring and rating criteria- CIBIL ratings/scores need to be looked into

## News update as on 22 December 2020

S.No.	Department/Ministry	News
1	Department of Heavy Industries	<a href="#"><u>DHI in close coordination with stakeholders to roll out PLI Scheme for auto sector: Secretary</u></a>
2	Department of Telecom	<a href="#"><u>DoT to seek Cabinet nod on PLI scheme guidelines for telecom gears</u></a>
3	Ministry of Electronics and Information Technology	<a href="#"><u>Electronics industry welcomes PLI scheme, to help establish India as export hub</u></a>
4	Ministry of Textiles	<a href="#"><u>Textile ministry plans Rs 10k-crore scheme to promote production in key sectors</u></a>
5	Ministry of New and Renewable Energy	<a href="#"><u>Government's move to boost solar industry garners mixed reactions</u></a>
6	Department of Promotion of Industry and Internal Trade	<a href="#"><u>Implementation of PLI schemes on track: Mohapatra</u></a>
7	Department of Promotion of Industry and Internal Trade	<a href="#"><u>Govt to notify 10 new PLI Scheme by April 2021: Secretary DPIIT</u></a>
8	Ministry of Steel	<a href="#"><u>Steel ministry finalises plan on PLI for speciality steel, says sources</u></a>



## Make in India – PLI booster for Manufacturing Sector for Export Sales

The Union Cabinet has given in-principle approval to Production Linked Incentive (PLI) scheme for 10 more sectors in order to boost domestic manufacturing and cut down on import bills for a total financial outlay of estimated USD 20 billion (INR 145,980 crore).

During March 2020, the Central Government introduced the PLI scheme for mobile manufacturing as well as pharmaceutical ingredients and medical devices for a financial outlay of INR 51,311 Crores.

However, unlike the previous schemes brought to boost domestic manufacturing, the proposed PLI schemes for identified sectors is going to provide all sops and benefits only if the organizations are able to have incremental export sales every year for the next five years.



## Approved financial outlay for various sectors

Following sectors have been identified for enhancing India's manufacturing capabilities and enhancing exports – Atmanirbhar Bharat:

Priority	Sector	Implementing Ministry Department	Approved financial outlay over a five-year period (INR Crore)
1	Advance Chemistry Cell (ACC) battery	NITI Aayog and Department of Heavy Industries	18,100
2	Electronic/Technology Products	Ministry of Electronics and Information Technology	5,000
3	Automobiles and Auto Components	Department of Heavy Industries	57,042
4	Pharmaceutical Drugs	Department of Pharmaceuticals	15,000
5	Telecom and Networking Products	Department of Telecom	12,195
6	Textile Products: MMG segment and technical textiles	Ministry of Textiles	10,683
7	Food Products	Ministry of Food Processing Industries	10,900
8	High Efficiency Solar PV Modules	Ministry of New and Renewable Energy	4,500
9	White Goods (ACs and LED)	Department of Promotion of Industry and Internal Trade	6,238
10	Speciality Steel	Ministry of Steel	6,322
	Total		145,980

## About PLI Scheme

Under the PLI Scheme, financial incentives shall be given like existing PLI schemes, the new sectors could also see the government offering them sops and bonuses for incremental export sales done through units both old and new units.

The objective is to make India more compliant with our WTO (World Trade Organization) commitments and also make it non-discriminatory and neutral with respect to domestic sales and exports.

### **Key objectives:**

- To make Indian manufacturers Globally competitive
- Attract investment in the areas of core competency and cutting-edge technology
- Ensure efficiencies
- Economies of Scale
- Enhance Exports
- Make India an integral part of global supply chain

## About PLI Scheme

### Key features:

- Available to identified sectors and products
- To be implemented by concerned Ministry/Department
- Financial outlay only to an extent of overall financial limits prescribed
- Greenfield project only could be allowed
- Minimum or committed investment to be made
- Both existing and new unit could be eligible
- Incremental exports sales is only eligible
- Final proposal for individual sectors to be appraised by Expenditure Finance Committee (EFC) and approved by Union Cabinet
- Unutilised fund of one Ministry can be used by other Ministry
- Any new sector require fresh approval of Union Cabinet

Detailed notifications and guidelines will be issued by respective Ministry/Department about the scheme, process and application and other aspects.

## Sector wise product lines

S.No	Sector	Product lines	Chapter/Tariff Heading
1	ACC battery	ACC batteries	85072000
2	Electronic/Technology Products	<ul style="list-style-type: none"> <li>i. Semiconductor Fab</li> <li>ii. Display fab</li> <li>iii. Laptop/Notebooks</li> <li>iv. Servers</li> <li>v. IoT devices</li> <li>vi. Specified Computer Hardware</li> </ul>	<ul style="list-style-type: none"> <li>84</li> <li>84</li> <li>84713010</li> <li>84714900</li> <li>9984</li> <li>84</li> </ul>
3	Automobiles and Auto Components	Automobiles and Auto Components	84,85 & 87
4	Pharmaceutical Drugs	<p>Category 1:</p> <ul style="list-style-type: none"> <li>i. Biopharmaceutical</li> <li>ii. Complex Generic Drugs</li> <li>iii. Patented Drugs or drugs nearing patent expiry</li> <li>iv. Cell based or gene therapy products</li> <li>v. Orphan drugs</li> <li>vi. Special Empty capsules</li> <li>vii. Complex excipients</li> </ul> <p>Category 2: Active Pharmaceutical Ingredients (APIs) /Key Starting Materials (KSMs)/ Drug Intermediaries (DIs)</p>	<p>28-38</p> <p>28-38</p>

## Sector wise product lines

S.No	Sector	Product lines	Chapter/Tariff Heading
	Pharmaceutical Drugs	Category 3: i. Repurposed Drugs ii. Auto-immune drugs, Anti-Cancer Drugs, Anti-diabetic drugs, Anti-Infective drugs, Cardiovascular Drugs, Psychotropic Drugs and Anti-retroviral drugs iii. <b>In-vitro diagnostic devices (IVDs)</b> iv. Phytopharmaceuticals v. Other drugs not manufactured in India vi. Other drugs as approved	28-38 28-38 3822 28-38 28-38 28-38
5	Telecom and Networking Products	i. Core Transmission Equipment ii. 4G/5G, Next generation Radio Access Network and Wireless Equipment iii. Access and Customer premises equipment (CPE), Internet of Things (IoT) Access Devices and Other Wireless Equipment iv. Enterprise Equipment: Switches, Routers	8517 85 85 85 & 8517

## Sector wise product lines

S.No	Sector	Product lines	Chapter/Tariff Heading
6	Textile Products: MMG segment and technical textiles	i. Man-Made Fiber Segment ii. Technical Textiles	55 5911
7	Food Products	i. Ready to Eat/Ready to Cook (RTE/RTC) ii. Marine Products iii. Fruits and Vegetables iv. Honey v. Desi Ghee vi. Mozzarella Cheese vii. Organic Eggs and Poultry Meat	16-24 0302-0306 07 04090000 04059020 0406 0407-0408 & 02
8	High Efficiency Solar PV Modules	Solar PVs	8541
9	White Goods (ACs and LED)	i. Air Conditioners ii. LED	8415 9405
10	Speciality Steel	i. Coated Steel ii. High Strength Steel iii. Steel Rails iv. Alloy Steel Bars and Rods	72 72 7302 7214

## How DA can assist you

Identify the applicability of above fiscal incentives



Preparing list of applicable fiscal incentives including key criteria



Conduct feasibility study to identify the list of eligible product categories and pre-application discussions



Assistance in filing an application along with detailed documentation and maintain ongoing communication and coordination with government officials



Assistance in tracking process of approval and obtain final approval from relevant department



Post Approval assistance in disbursement of incentives



Support in relevant Direct & Indirect Tax structuring with respect to the proposed project





## About Darda Advisors LLP

At Darda Advisors LLP , we are dedicated to provide curated and client specific solutions through well-thought strategies in addition to helping them solve complex problems pertaining to tax and regulatory matters. Founded in 2019, by a crew of experts all of whom are former Big Four’s professionals with extensive consulting experience in the field. We offer a wide range of services and cater clients spread across the globe. Our approach is to bring together global standards and practices, that are developed and customized to meet our client’s needs by collaborating international business practices with India’s market knowledge, laws, regulations and practices.

- Goods and Service Tax (GST) Services
- Other Indirect Tax Services
- SEZ/EOU set up and Compliance
- Foreign Trade Policy (FTP) Assistance
- Company Secretarial Services
- Due Diligence
- Incentives (Central and State) Assistance
- Valuation Services
- Virtual Tax Head Services
- Corporate Tax and International Tax Services
- Certification and Attestation

## Contact Us

 [www.dardaadvisors.com](http://www.dardaadvisors.com)

 [da@dardaadvisors.com](mailto:da@dardaadvisors.com)

## Our Locations

**Hyderabad** - 6-3-1086,5<sup>th</sup> Floor, Vista Grand Towers, Raj Bhavan Road, Somajiguda, Hyderabad, TS- 500082

**Chennai** - 13, T.K. Mudali Street, Choolai, Chennai - 600112 , Tamil Nadu

**Delhi-NCR** - N 93,Ground floor, Mayfield garden, Sector 51, Gurgaon, Haryana - 122018

**Bhilwara** - Moti Chambers, 62&63, Sancheti Colony, Pur Road. Bhilwara – 311001, Rajasthan



Ping 'Hi' for regular updates on **+91 99529 26239**

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