DA TAX UPDATE- INDIRECT TAX

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

Make in India – PLI booster for Manufacturing Sector - Updates as on 1 March 2021

Issue: 15





News update as on 1 March 2021

S.No.	Department/Ministry	News
1	Ministry of Electronics and Information Technology	Govt approves over ₹12,000- cr PLI scheme for telecom equipment IT Min rejects demands, to not extend first year PLI deadline PLI scheme for telecom equipment to lead to local production worth Rs2.4 lakh
	20/0	Cr: Cabinet Govt clears PLI scheme to boost manufacturing of laptops, tablets, PCs
2	Ministry of Textiles	Textiles Ministry 're-looking' PLI plan turnover threshold
3	Department of Pharmaceuticals	Cabinet approves Production Linked Incentive Scheme for pharmaceuticals

Cabinet approves Production Linked Incentive Scheme for Pharmaceuticals

Target Groups:

The manufacturers of pharmaceutical goods registered in India will be grouped based on their Global Manufacturing Revenue (GMR) to ensure wider applicability of the scheme across the pharmaceutical industry and at the same time meetthe objectives of the scheme. The qualifying criteria for the three groups of applicants will be as follows-

- (a) Group A: Applicants having Global Manufacturing Revenue (FY 2019-20) of pharmaceutical goods more than or equal to Rs 5,000 crore.
- (b) Group B: Applicants having Global Manufacturing Revenue (FY 2019-20) of pharmaceutical goods between Rs 500 (inclusive) crore and Rs 5,000 crore.
- (c) Group C: Applicants having Global Manufacturing Revenue (FY 2019-20) of pharmaceutical goods less than Rs 500 crore. A sub-group for MSME industry will be made within this group, given their specific challenges and circumstances.

Quantum of Incentive:

The total quantum of incentive (inclusive of administrative expenditure) under the scheme is about Rs 15,000 crore. The incentive allocation among the Target Groups is as follows:

- (a) Group A: Rs 11.000 crore.
- (b) Group B: Rs 2,250 crore.
- (c) Group C: Rs 1,750 crore.

The incentive allocation for Group A and Group C applicants shall not be moved to any-other category. However, incentive allocated to Group B applicants, if left underutilized can be moved to Group A applicants.

Financial Year 2019-20 shall be treated as the base year for computation of incremental sales of manufactured goods.

Rate of incentive will be 10% (of incremental sales value) for Category 1 and Category 2 products for first four years, 8% for the fifth year and 6% for the sixth year of production under the scheme.

Rate of incentive will be 5% (of incremental sales value) for Category 3 products for first four years, 4% for the fifth year and 3% for the sixth year of production under the scheme.

The duration of the scheme will be from FY 2020-21 to FY 2028-29. This will include the period for processing of applications (FY 2020-21), optional gestation period of one year (FY 2021-22), incentive for 6 years and FY 2028-29 for dischursal of incentive for eales of FY 2027-28

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Approved applicants of PLI scheme for Key Starting Materials (KSMs)/ Drug Intermediates and APIs

Eligible products under Target Segment II (Fermentation Based Niche KSMs/Drug Intermediates/APIs) were considered as per the decided evaluation and selection criteria. The applications following companies, which have committed minimum/more than the minimum proposed annual production capacities and fulfil the prescribed criteria have been approved, as under:

SI.No.	Name of approved Applicant	Name of Eligible Product	Committed Production Capacity (in MT)	Committed Investment (in Rs. crores)
1.	M/s Natural Biogenex Private Limited	Betamethasone	12	31.43
2.	M/s Natural Biogenex Private Limited	Dexamethasone	10	26.19
3.	M/s Natural Biogenex Private Limited		15	39.29
4.	M/s SymbiotecPharmalab Private Limited	Prednisolone	15	5.00
5.	M/s Macleods Pharmaceutical Limited	Rifampicin	200	198.36
6.	M/s Optimus Drugs Private Limited		200	35.00
7.	M/s SudarshanPharma Industries Limited	Vitamin B1	200	57.00
8.	M/s Optimus Drugs Private Limited	Streptomycin	50	30.00

Read more



Approved applicants of PLI scheme for Key Starting Materials (KSMs)/ Drug Intermediates and APIs

Eligible products under Target Segment III (Key Chemical Synthesis Based KSMs/Drug Intermediates) were considered as per the decided evaluation and selection criteria. The applications of following companies, which have committed minimum/more than the minimum proposed annual production capacities and fulfil the prescribed criteria have been approved, as under:

SI.No.	Name of approved Applicant	Name of Eligible Product	Committed Production Capacity (in MT)	Committed Investment (in Rs. crores)
1.	M/s Saraca Laboratories Limited		3000	50.00
2.	M/s EmmennarPharma Private Limited	1,1 Cyclohexane Diacetic Acid (CDA)	1500	21.94
3.	M/s Hindys Lab Private Limited		3000	37.60
4.	M/s AartiSpeciality Chemicals Limited	2-Methyl-5Nitro-Imidazole (2-MNI)	4000	77.87
5.	M/s Meghmani LLP	Description above d	13500	55.06
6.	M/s Sadhana Nitro Chem Limited*	Para amino phenol	36000	197.27

^{*}Subject to outcome of Writ Petition.

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Cabinet approves Production Linked Incentive (PLI) Scheme for IT Hardware Products

Benefits:

The scheme will enhance the development of electronics ecosystem in the country. India will be well positioned as a global hub for Electronics System Design and Manufacturing (ESDM) on account of integration with global value chains, thereby becoming a destination for IT hardware exports.

- Over the next 4 years, the Scheme is expected to lead to total production of upto INR 3,26,000 crore (INR 3,26 lakh crore) by these 5 Global Champions and 10 National Champions.
- It is equally heartening to note that the scheme is also expected to boost exports significantly. Out of the total production in the next 4 years, more than 75% are expected to be exports of the order of INR 2,45,000 crore.
- The Scheme will bring an additional investment in electronics manufacturing to the tune of INR 2,700 crore.
- The direct and indirect revenues generated from production under this scheme are expected to be INR 15,760 crore over next 4 years.
- Domestic value addition for IT Hardware is expected to rise to 20% 25% by 2025 from the current 5% 10% due to the impetus provided by the Scheme. Increase in both domestic manufacturing and domestic value addition will help significantly reduce the large foreign exchange outgo that India will have to otherwise bear.
- It is expected that the scheme would lead to large scale electronics manufacturing in the country and open tremendous employment opportunities. The scheme has a potential to generate over 1,80,000 jobs (direct and indirect) over 4 years.
- The scheme will promote large scale electronics manufacturing of IT Hardware products and contribute significantly to achieving a USD 1 Trillion digital economy and a USD 5 Trillion GDP by 2025.

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Cabinet approves Production Linked Incentive (PLI) Scheme for Telecom Sector

- 1. The scheme was finalized after widespread consultation with stakeholders like manufacturers, industry leaders and associations.
- 2. The core component of this scheme is to offset the huge import of telecom equipment worth more than Rs. 50 thousand crores and reinforce it with "Made in India" products both for domestic markets and exports.
- 3. The main features of this scheme are, as following:
 - a. The scheme outlay is Rs. 12,195 Crores over five years.
 - b. The eligibility for the scheme will be subject to achievement of a minimum threshold of cumulative incremental investment and incremental sales of manufactured goods net of taxes.
 - c. Financial Year 2019-20 shall be treated as the Base Year for computation of cumulative incremental sales of manufactured goods net of taxes.
 - d. The incentive structure will be as below: -

	Year 1	Year 2	Year 3	Year 4	Year 5
MSME	7%	7%	6%	5%	4%
Others	6%	6%	5%	5%	4%

- e. For MSMEs, one percent (1%) higher incentive is proposed in year 1, year 2 and year 3.
- f. Minimum Investment threshold for MSME has been kept at Rs. 10 Crores and for others at Rs. 100 Crores.
- g. Once qualified, the investor will be incentivized up to 20 times of minimum investment threshold enabling them to utilize their unused capacity.
- h. The Scheme will be operational from 1st April 2021.
- 4. This scheme also addresses local manufacturing in MSME category because Government desires MSMEs to play an important role in the telecom sector and come out as national champions.
- 5. This scheme will lead to incremental production of around ₹2.4 Lakh Crores with exports of around ₹2 Lakh Crores over 5 years. It is expected that scheme will bring investment of more than ₹3,000 crore and generate huge direct and indirect employment and taxes both.

Read more

Seminar with TSTMA on *Overview of*PLI and other Schemes for Textile Sector

We have recently done a Seminar with Telangana Spinning and Textile Mills Association (TSTMA) on "Overview of PLI and other Schemes for Textile Sector"



In case, you need the document referred in the Seminar, we can mail it to you.



Approved applicants of PLI scheme for Key Starting Materials (KSMs)/ Drug Intermediates and APIs

S.No.	Name of approved Applicant	Name of Eligible Product	Committed Production Capacity (in MT)	Committed Investment (in Rs. crores)
1.	M/s Aurobindo Pharma Limited (through LyflusPharmaPvt. Ltd.)	Penicillin G	15000	1392
2.	M/s Kamataka Antibiotics & Pharmaceuticals Ltd.		1000	275
3.	M/s Aurobindo Pharma Limited (through LyfiusPharmaPvt. Ltd.)	7-ACA	2000	813
4.	M/s Aurobindo Pharma Limited (through Qule Pharma Pvt. Ltd.)	Erythromycin Thiocyanate (TIOC)	1600	834
5.	M/s Kinvan Pvt. Ltd.	Clavulanic Acid	300	447.17

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Approved applicants of PLI scheme for Medical Devices

SI.No.	Name of approved Applicant	Name of Eligible Product	Committed Investment (in Rs. crores)
1.	M/s Siemens Healthcare Private Limited	CT Scan and MRI	91.91
2.	M/s Allengers Medical Systems Limited (AMSL)	CT Scan, MRI, Ultrasonography, X-Ray, Cath Lab, Positron Emission Tomography (PET) Systems, Single Photon Emission Tomography (SPECT), Mammography and C arm.	50.00
3.	M/s Allengers OEM Private Limited (AOPL)	X Ray Tubes, Collimators, Flat Panel Detector and Monitors'	40.00
4.	M/s Wipro GE Healthcare Private Limited (WGHPL)	'CT Scan', 'Cath Lab' and 'Ultrasonography'	50.22
5.	M/s Nipro India Corporation Private Limited (NICPL)	'Dialyzer'	180.00
6.	M/s Wipro GE Healthcare Private Limited (WGHPL)	'Anaesthesia Unit Ventilator' and 'Patient Monitor'	53.86
7.	M/s Sahajanand Medical Technologies Private Limited (SMTPL)	'Heart Valves', 'Stents', 'PTCA Balloon Dilatation Catheter' and 'Heart Occluders'	166.89
8.	M/s Innvolution Healthcare Private Limited (IHPL)	'Stents' and 'PTCA Balloon Dilation Catheter'	21.75
g. Roar	M/s Integris Health Private Limited (IHPL) for Eligible Products more	Transcatheter Aortic Heart Valve	75.00



'Specialty Steel' included under the Production Linked Incentive (PLI) scheme

Ministry of Steel

'Specialty Steel' included under the Production Linked Incentive

Posted On: 10 FEB 2021 12:52PM by PIB Delhi

Government has approved inclusion of 'Specialty Steel' under the Production Linked Incentive (PLI) Scheme with a 5-year financial outlay of Rs 6322 Cr to promote the manufacturing of 'Specialty Steel' within the country by attracting capital investment, generate employment and promote technology up-gradation in the steel sector. This would help in improving availability of 'Specialty Steel' in the country by making the country Atmanirbhar in meeting the domestic demand. In a deregulated, open market scenario, domestic steel price is determined by market forces of demand and supply, trends in prices of raw materials and is also influenced by global steel trade conditions.

This Information was given by the Union Minister for Steel Shri Dharmendra Pradhan in a written reply in the Raiya Sabha today.

Read more



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



Category	Sub-Category	Rs Cr. Incentive	> Speaking: r k goyal
Coated/Plated	Colour Coated	804]
Steel Products	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/	HT: HR Coil, Sheets & Plates	598	
Wear resistant Steel	HR Coil, Sheets and Plates API Gr >=X-52	1,114	
	HT: Auto Gr Steel incl. AHSS (CRCA)	176	Most of the aposialt
	BQ / PV	368	Most of the specialt
	QT / Abrasion Resistance and Wear Resistance	162	steel long products are not covered
Speciality Rails	Rails: Head Hardened	297	under "Alloy Steel
	Rail: Asymmetric Rails	389	Products" category
Alloy Steel	Alloy Steel: Tool & Die Steel	650	-
Products	Alloy Steel: Valve Steel	182	
	Alloy Steel: Bearing Steel	265	
Total		6,322	



The rate of incentives ranges from 3% to 9%

Rate of PLI as per PLI Scheme draft



Category	Sub-Category	Rate of PLI (%)	> Expand panel to show
Coated/Plated	Colour Coated	3%	
Steel Products	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/	HT: HR Coil, Sheets & Plates	3%	
Wear resistant Steel	HR Coil, Sheets and Plates API Gr >=X-52	9%	
	HT: Auto Gr Steel incl. AHSS (CRCA)	9%	
	BQ / PV	9%	Specialty Steels
	QT / Abrasion Resistance and Wear Resistance	9%	need much larger
Speciality Rails	Rails: Head Hardened	9%	Rate of PLI to
	Rail: Asymmetric Rails	9%	overcome existing
Alloy Steel	Alloy Steel: Tool & Die Steel	9%	challenges
Products	Alloy Steel: Valve Steel	9%	-
	Alloy Steel: Bearing Steel	9%	



Minimum incremental growth ranges from 6% to 25%

Minimum Incremental growth as per PLI Scheme draft





Category	Sub-Category	Min. Incremental prod. for PLI Eligibility	> [S
Coated/Plated	Colour Coated	6%	
Steel Products	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/	HT: HR Coil, Sheets & Plates	6%	
Wear resistant Steel	HR Coil, Sheets and Plates API Gr >= X-52	10%	
#15=55T)	HT: Auto Gr Steel incl. AHSS (CRCA)	10%	250
	BQ / PV	10%	25%
	QT / Abrasion Resistance and Wear Resistance	10%	incr prod
Speciality Rails	Rails: Head Hardened	25%	year
	Rail: Asymmetric Rails	25% -	- Eve
Alloy Steel	Alloy Steel: Tool & Die Steel	25%	impo
Products	Alloy Steel: Valve Steel	25%	- ""
	Alloy Steel: Bearing Steel	25%	

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

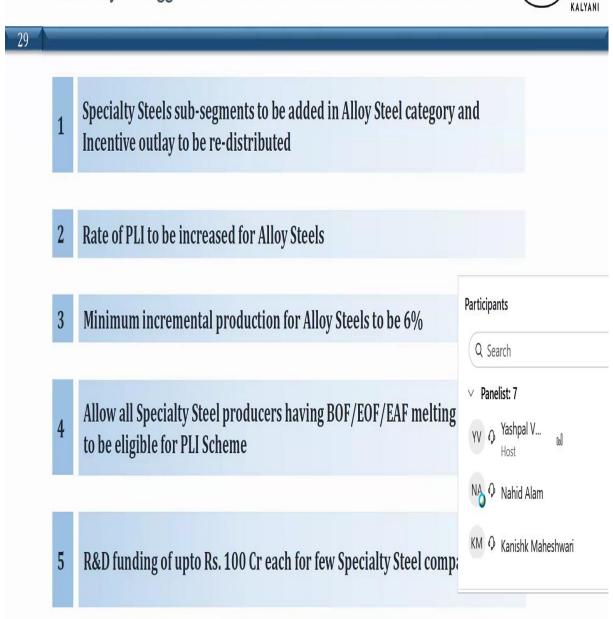
- Even after assuming import substitution



Summary of the suggestions are as follows

Summary of Suggestions for modifications in PLI Scheme draft







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



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/Technolo gy 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/Technolo gy Products	 i. Semiconductor Fab ii. Display fab iii. Laptop/Notebooks iv. Servers v. IoT devices vi. Specified Computer Hardware 	84 84 84713010 84714900 9984 84
3	Automobiles and Auto Components	Automobiles and Auto Components	84,85 & 87
4	Pharmaceutical Drugs	Category 1: i. Biopharmaceutical ii. Complex Generic Drugs iii. Patented Drugs or drugs nearing patent expiry iv. Cell based or gene therapy products v. Orphan drugs vi. Special Empty capsules vii. Complex excipients	28-38
		Category 2: Active Pharmaceutical Ingredients (APIs) /Key Starting Materials (KSMs)/ Drug Intermediaries (DIs)	28-38



Sector wise product lines

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



Sector wise product lines

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



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 disbursal 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

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