

# DA TAX UPDATE INDIRECT TAX

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

PLI Scheme – Textile Industry





# Production Linked Incentive Scheme for Textile Industry

## Overview

The Production Linked Incentive (PLI) Scheme is intended to promote production of MMF Apparel & Fabrics and, Technical Textiles products in the country to achieve size and scale; to become competitive and a creator of employment opportunities for people. PLI for Textiles along with RoSCTL, RoDTEP and other measures of Government in sector e.g. providing raw material at competitive prices, skill development etc., will herald a new age in textiles manufacturing.

PLI scheme for Textiles is part of the overall announcement of PLI Schemes for 13 sectors made earlier during the Union Budget 2021-22, with an outlay of Rs. 1.97 lakh crore.

The Union Cabinet of India has approved the PLI Scheme for Textiles with a budgetary outlay of Rs. 10,683 crore on 8 September 2021 and notified vide no. F. No. 12015/03/2020-IT dated 24 September 2021 published on 27 September 2021. The scheme will be implemented from the date of this notification. The draft Guidelines for PLI for Textiles issued on 14 October 2021 on which Darda Advisors LLP had also given Suggestions/Recommendation/Comments/ Observations/ Input through FTCCI which you can refer on below link (Page no. 21 to 23):

# Production Linked Incentive Scheme for Textile Industry

## Overview

<https://www.ftcci.in/source/ftapcci/FR%202021/FR%202021%2011%2017.pdf>

The detailed operational guidelines is issued on 28 December 2021 and the timeline for submitting the application for PLI Scheme is from 1 January 2022 to 31 January 2022. However, in case of insufficient number of eligible applications, application window for selecting new applicants will be re-opened.

We have covered for PLI scheme on following key aspects:

1. Eligibility Criteria
2. Incentive rates
3. Other aspects
4. Eligible Products
5. Relevant links
6. How DA (Darda Advisors) can assist you



# Production Linked Incentive Scheme for Textile Industry

## 1. Eligibility Criteria

The scheme consists of two parts for incentivizing incremental sales of notified products to any person, which includes a company/firm/LLP/trust incorporated in India and interested in operating under the Scheme in following categories:

- MMF Apparels
- MMF Fabric
- Technical Textile Products

The relevant conditions under 2 parts of the schemes are:

Scheme	Minimum Investment* (INR Crores)	Minimum Turnover** (INR Crores)
Part 1	300	600
Part II	100	200

\*Investment in Plant, Machinery, Equipment and Civil Works (excluding land and administrative building cost). Investment made in anticipation from the date of Scheme Notification shall also be accounted for calculation of threshold investment provided their proposal is approved for participation under the Scheme. In case the required

# Production Linked Incentive Scheme for Textile Industry

## 1. Eligibility Criteria

investment is not completed in gestation period then, balance committed investment can be made during first performance year, provided the required turnover is achieved simultaneously in the same year. There will be no restriction for making higher investment for enhancing manufacturing capabilities and achieving growth target.

**\*\*Turnover** by manufacturing and selling the products notified under this scheme. Thus, for getting incentives, both the conditions of minimum investment and minimum turnover should be met.

The scheme shall be valid upto FY 2029-30. However, if a company is able to achieve the investment and performance targets one year early then, they will become eligible one-year in advance starting from FY25 to FY29. However, in such cases, benefits of the Scheme shall be available upto FY 2027-28 only i.e., a total of 5 years only.



# Production Linked Incentive Scheme for Textile Industry

## 1. Eligibility Criteria

The gestation period for both parts of the scheme will be of two (2) years i.e., FY: 2022-23 to FY: 2023-24 as given below:

Year	Gestation Period	Performance Year	Incentives claim Year
*	FY 2022-23		
*	FY 2023-24	*Optional	*Optional
1		FY 2024-25	FY 2025-26
2		FY 2025-26	FY 2026-27
3		FY 2026-27	FY 2027-28
4		FY 2027-28	FY 2028-29
5		FY 2028-29	FY 2029-30

# Production Linked Incentive Scheme for Textile Industry

## 1. Eligibility Criteria

For examination of the application for selection, following grading system will be adopted by the Selection Committee:

SL No	Criteria	Grading	Marks for Preference
1.	Financial Capacity of the Applicant	Based on Turnover and Reserves & Surplus in the balance sheet (50:50%)	0 to 10
2.	Relevant Experience & Technical Capacity of the Applicant	Based on Experience in MMF, Technical Textiles, Weaving/Processing/ Garmenting etc and General Technical Capacity (50:50%)	0 to 10
3.	Location of the Manufacturing Activity. (#)	Preference to Investment in Aspirational Districts and Category "C" cities, as Notified by Ministry of Housing & Urban Affairs, (*)	0 to 15
		Category A	05
		Category B	10



# Production Linked Incentive Scheme for Textile Industry

## 1. Eligibility Criteria

SL No	Criteria	Grading		Marks for Preference
4	Investment	Part-1	Part-2	
		300-400	100-200	10
		401 and above	201 and above	20
5	Additional Direct Employment in 1st Performance Year onward	500 – 2500		5
		2501-5000		10
		5001-7500		15
		7501 – 10000		20
		Above 10000		25
6	Product line	Single segment investment only (such as only MMF Apparel or only MMF Fabrics or only Technical Textiles)		10
		Investment in Integrated Weaving & Processing or Fabrics to Garmenting		20
	<b>Total Maximum</b>			<b>100</b>



# Production Linked Incentive Scheme for Textile Industry

## 1. Eligibility Criteria

# Change in location from Category A will be allowed to Category B or C and applicant in Category B will be allowed to change to Category C only and not vice-versa. However, if any proposed unit desires to shift the location of their investment in upcoming PM-MITRA Park, then that will be permitted under this Scheme without any change in time period under the Scheme. The participant is required to seek prior permission of MoT before changing the location.

Participant Company can set up more than one manufacturing unit for production of Notified Products under this Scheme. They will have to declare intent in the application.

The Selection Committee will have the authority to select the applicants eligible to be the participants under the scheme. The Selection Committee will have the final authority in taking a decision on admissible turnover and eligibility for incentives or any other issue arising during the implementation of the Scheme.

# Production Linked Incentive Scheme for Textile Industry

## 1. Eligibility Criteria

The Cities are categorized as below:

Group 'A' Cities	Group 'B' cities	Group 'C' cities
1. Greater Mumbai	1. Ahmedabad	All other cities in India except Group A & B Cities
2. Delhi NCR	2. Bhubaneswar	
3. Kolkata	3. Chandigarh	
4. Chennai	4. Coimbatore	
5. Bengaluru	5. Indore	
6. Hyderabad	6. Jaipur	
7. Pune	7. Kochi	
	8. Lucknow	
	9. Madurai	
	10. Mangalore	
	11. Nagpur	
	12. Thiruvananthapuram	
	13. Tiruchirappalli	
	14. Vadodara	
	15. Vishakhapatnam	



# Production Linked Incentive Scheme for Textile Industry

## 2. Incentive rates

The incentive rates for both parts of the PLI scheme would be as follows:

Year#	Gestation period – FY	Performance Year – FY	Part 1		Part 2	
			Minimum Prescribed Turnover (Crores)	Rate of Incentive	Minimum Prescribed Turnover (Crores)	Rate of Incentive
*	2022-23		Minimum Prescribed Turnover (Crores)	Rate of Incentive	Minimum Prescribed Turnover (Crores)	Rate of Incentive
*	2023-24	Optional*				
1		2024-25	600	15%	200	11%
2		2025-26	750	14%	250	10%
3		2026-27	937.50	13%	312.50	9%
4		2027-28	1171.87	12%	390.63	8%
5		2028-29	1464.84	11%	488.20	7%

#There will be a provision of cap of 10% over and above the prescribed minimum incremental turnover growth of 25% for the purpose of calculation of incentives from Year 2 onward. Turnover achieved beyond that cap will not be taken into account for calculation of incentive. However, for Year 1 the cap of 10% will be applied over and above turnover of two times of the investment made under the Scheme up to 2024-25. Turnover achieved beyond two times of investment + 10% shall not be accounted for calculation of incentives in Year 1. This shall apply to both Schemes Part 1 & 2.

# Production Linked Incentive Scheme for Textile Industry

## 2. Incentive rates

#Minimum additional incremental turnover of 25% over the immediately preceding year's turnover up to year 5, subject to a cap of maximum 35% admissible incremental turnover.

The incentive shall be computed as follows:

**Net Incremental Sales within cap of Notified Product(s) excluding**

**taxes x Rate of Incentive in percentage for the Performance Year**

Where,

(i) Notified Product(s) shall be as defined in this Scheme and stated in the "Letter of Approval" issued to the selected Participant.

(ii) Net Incremental Sales shall be Turnover of the Participant in the Notified Product(s) manufactured by the Participant company minus the Turnover for Notified Products of the Participant in the immediately preceding year during Scheme period.

Further, in case of captive consumption of Notified Product(s) or sale of Notified Product (s) by the applicant to group companies, the gross turnover of Notified Product(s) shall be computed as under:

(a) Notified Products invoiced as per GST rules for sale shall only be considered for incremental turnover. In case of captive consumption of upstream products manufactured by



# Production Linked Incentive Scheme for Textile Industry

## 2. Incentive rates

(a) Notified Products invoiced as per GST rules for sale shall only be considered for incremental turnover. In case of captive consumption of upstream products manufactured by the Participant, no incentive will be payable.

(b) In case a Participant is selling the Notified Products to a group company and also to a non-group company, sale price offered to group or non-group company, whichever is lower, shall be considered for determining total value of transaction between the related parties.

The onus of realization of sales' proceeds through normal banking channels shall be with the Participant. Ministry of Textiles reserves the right to verify the documents evidencing realization of sale proceeds which will be counted for computing Participant's turnover and incentives, and take suitable recovery and penal action in case of any default on realization of sale proceeds.

# Production Linked Incentive Scheme for Textile Industry

## 3. Other aspects

- The Applicant once selected under the scheme shall be required to form a **new/separate company** under Companies Act, 2013, and the new entity will be known as Participant, before commencement of investment.
- A **non-refundable application processing fee** of Rs 50,000/ shall be paid electronically by the applicant.
- Notified products removed from the factory under **GST Invoice** shall only be taken into account for calculation of incremental turnover provided remittances against such trade are realised/received **through normal banking channel**.
- **Only manufacturing company registered in India** will be eligible to participate under the scheme.
- **Trading/job-working** shall not fall under the definition of manufacturing and thus the turnover achieved from trading and outsourced job work will not be accounted.
- The goods which is **manufactured by the company registered under the scheme** shall only be eligible for the incentives. In other words, goods manufactured by other manufacturer or unit of same group company shall not be accounted for calculation of incremental turnover



# Production Linked Incentive Scheme for Textile Industry

## 3. Other aspects

- Participating company will have to **undertake processing and operation activities in their own factory premises** as prescribed in the scheme guidelines.
- Only project proposals envisaging processing and operation activities able to enhance **value by not less than 60% in integrated fibre/yarn to fabric, garment & technical textiles** will be selected. However, for proposal of independent fabrics processing house, this required minimum value enhancement will be only 30%. Value-Addition formula:

$$VA = \frac{A-B}{B} \times 100$$

A= Products sale value declared in GST Invoice excluding GST

B= Purchase value of Inputs/raw materials excluding Duties/Tax/Cess

- Participating company shall have to do **minimum value addition** as required under the scheme, in their own registered factory premises.
- Participant should commit for **setting up of manufacturing facilities** to manufacture Notified

# Production Linked Incentive Scheme for Textile Industry

## 3. Other aspects

- Product(s) along with appropriate quality and testing facilities having conformity to prescribed BIS Standards or any other International Standard.
- The Participant, while dispatching Notified Products out of factory, shall ensure to put **“Made in India” tag** on each product.
- **Only one company of a group will be allowed** to be registered for PLI for Textiles and none of their other group companies will be eligible for participation in this scheme as a second participant. If multiple applications are filed by the same group companies, the entity will have to indicate their preference for proposal to be taken forward at the time of selection. Only one project under PLI will be approved for any group of companies.
- The Applicant should have **PAN/GST/DIN**.
- **This Scheme does not preclude beneficiary** for duty remission/duty exemption/duty neutralization provided by Government of India or for making application for State Government schemes.
- **In case of availability of funds**, entry of new entrant in the scheme period will be allowed till 2022-23. In such cases, investment should be completed by FY 2023-24



# Production Linked Incentive Scheme for Textile Industry

## 3. Other aspects

- and production must be started in FY 2024-2025 for receiving incentive for 5 years' duration. In case the prescribed conditions are not met in time, the incentive will be available for a lesser number of years but rate of incentive will be applicable as prescribed to first year of the scheme and so on for remaining period
- Manufacture and sale of textile Products will be considered as permitted activities. However, turnover /sale of only Notified Products shall be considered for computation and availing incentive under the scheme. Account for both notified and non-notified Products will be maintained separately.
- The Participant shall **maintain consumption and inventory register** for inputs and use of raw materials for manufacturing Notified Products. The records shall be preserved for five years after availing incentive for each year or till audit is completed by Ministry, whichever is later.
- The Applicant shall **declare the Notified ITC HS lines/ Technical Textiles Products** as applicable they shall manufacture in the new participant company. Lines/Products once selected should be adhered to till Scheme duration. In case of any changes, prior approval of MoT (“Ministry of Textiles”) will be required.

# Production Linked Incentive Scheme for Textile Industry

## 3. Other aspects

- Key conditions of ‘Investment’ are tabulated below:

<b>Plant, Machinery and Equipment</b>	<b>Building and Civil Construction</b>	<b>Investment in R&amp;D and Testing Laboratory</b>
<p>Investment on new plant, machinery, equipment and associated utilities as well as tools, dies, molds, jigs, fixtures (including parts, accessories, components, and spares thereof) of the same, used in the design, manufacturing, assembly, testing, packaging or processing of any of the manufactured Notified Product(s).</p> <p>It shall also include expenditure on packaging, freight / transport, insurance, and erection and commissioning of plant, machinery, equipment, and associated utilities.</p>	<p>Construction of factory building (except Administrative building and residential building) connecting road inside factory etc.</p>	<p>Investment upto 10% of total project cost in R&amp;D and Testing laboratory for development of Notified Products and maintaining quality shall be allowed and accounted for threshold investment. The software associated with R&amp;D should have been procured or licensed through legally valid document after payment of applicable taxes and duties.</p>



# Production Linked Incentive Scheme for Textile Industry

## 3. Other aspects

- Key conditions of ‘Investment’ are tabulated below:

Plant, Machinery and Equipment	Building and Civil Construction	Investment in R&D and Testing Laboratory
<p>Associated utilities would include captive power and effluent treatment plants, essential equipment required in operations areas such as Water &amp; Power supply and control systems. Associated utilities would also include Information Technology (IT) and Information Technology enabled Services (ITeS) infrastructure related to manufacturing including servers, software and ERP solutions.</p> <p>Fresh investment in associated utilities commensurate with the manufacturing of Notified Product(s) shall be considered as investment for determining eligibility under the Scheme.</p> <p>The same should be purchased or leased in the name of the Participant.</p> <p>The scheme does not preclude the usage of such machinery for manufacturing of other goods.</p>		

# Production Linked Incentive Scheme for Textile Industry

## 3. Other aspects

- No **second hand/ used/ refurbished** plant, machinery, equipment, utilities shall be allowed under threshold investment.
- The selected Applicants shall be required to furnish self-certified **Quarterly Review Reports (QRRs)**, within 30 days from the end of each quarter in the specified format provided on the PLI portal. Incentive claims for a particular financial year shall be considered only if all QRRs for the period have been submitted by the applicants within the prescribed timelines.
- The Applicant/ Participant shall furnish **undertakings** as prescribed along with the application for selection as well as for claiming benefits duly signed by its authorised signatory.
- A **Risk Management System** shall be put in place by MoT. MoT will create a team of officers for inspection of Participant companies as and when required. The teams will conduct inspection on random basis as per computer generated list of the Participants.
- An **internal Audit mechanism** shall be put in place. On scrutiny of documents under post audit mechanism, if it is found that excess claim has been made and/ or excess payments has been made to the Participant, MoT will raise demand on the Participant for the recovery. The Participant shall be liable to refund the same within 30 days from the date of receipt of the demand Notice



# Production Linked Incentive Scheme for Textile Industry

## 3. Other aspects

- raise demand on the Participant for the recovery. The Participant shall be liable to refund the same within 30 days from the date of receipt of the demand Notice, failing which 15% simple interest per annum will be charged from date of disbursement.
- If it is established at later stage that claim under the Scheme has been **availed by mis-declaration or by submitting fabricated documents**, Joint Secretary/ Trade Advisor will adjudicate such cases after issuing Show Cause Notice to the Participant company following the Principles of Natural Justice. The Participant in such cases shall be liable for penal action and amount of penalty shall not be less than the excess payment made and may go up to 5 times of excess claim value. Other action as deemed appropriate under laws of the land will also be taken in such cases.
- An **appeal** against the order passed by Joint Secretary/Trade Advisor shall be placed before the Appellate Committee to be constituted under the Chairmanship of Secretary Textiles with Additional Secretary, Additional Secretary & Financial Adviser as members.

# Production Linked Incentive Scheme for Textile Industry

## 4. Eligible Products

The relevant categories of products are notified in following categories:

- List of **MMF Apparels** (Products will be primarily identified at 8 digits HS code) covers products such as jackets, jerseys, trousers, overcoats, polyester fabric and nylon furnishing fabrics.
- List of **MMF Fabric** (Products will be primarily identified at 8-digit HS Code)
- List of **Technical Textile Products** (HS Code mentioned are indicative). Final products list with 8-digit HS code level will be Notified along with Scheme Guidelines. Technical textiles include safety airbags, shade nets, bullet proof jackets, surgical sutures, Personal Protective



# Production Linked Incentive Scheme for Textile Industry

## 4. Eligible Products

Equipment for medical use and carbon fibre. The government has also included **Smart Textiles** embedded with active devices for medical, defence and special use in the list of products eligible for the benefits. Smart Textiles is a new generation niche product that is a combination of varieties of wearable materials embedded with electronics.

Refer Annexure to the Update for complete details of notified products in the guidelines.

# Production Linked Incentive Scheme for Textile Industry

## 5. Relevant Notification and Guidelines link

PLI Approval by Union Cabinet

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1753118>

Notification for PLI Scheme

<https://egazette.nic.in/WriteReadData/2021/229974.pdf>

Guidelines for PLI Scheme

<http://texmin.nic.in/sites/default/files/Approved%20Guidelines%20for%20PLI%20scheme%20for%20Textiles%2028-12-2021.pdf>



# 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

# How DA can assist you



## DA PRACTICE UPDATE

### TEAM DA

is excited to announce the  
successful delivery of  
“**PRODUCTION LINKED INCENTIVE SCHEME**”  
approval for a **MSME client**.

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