



Make in India: Incentive schemes

June 2020



Navigating the new incentives for electronics manufacturing

India is keen on being self-reliant in terms of indigenous manufacturing of electronics and electronic components.

Accordingly, a vision of making India an electronics manufacturing hub was laid down in the National Policy on Electronics 2019. In line with this and the Make in India and the Digital India initiatives, the Government of India (GoI) recently announced the following specific incentives to the electronics and electronic component manufacturing sector in India.

- Production Linked Incentive Scheme
- Scheme for Promotion of manufacturing of Electronic Components and Semiconductors.

Furthermore, in order to provide the necessary infrastructure to the manufacturer, the GoI has also introduced the Modified Electronics Manufacturing Clusters (EMC 2.0) Scheme proposing financial incentives for setting up of electronics manufacturing clusters and common facility centres in the country.

Production Linked Incentive Scheme

Incentive of four to six per cent on incremental sales of goods manufactured in India for eligible companies under target segments for 5 years (base year FY 19-20)



1

Capital expenditure to include plant, machinery, equipment, associated utilities and transfer of technology, R&D (excludes land and building)



2

Expenditure on consumables and raw material used for manufacturing not considered as a part of investment



3



4

Applications may be made by companies registered in India



5

There are two target segments - mobile phones and specified electronic components



6

Eligible goods and incremental investment and sales threshold as specified¹

Scheme for Promotion of manufacturing of Electronic Components and Semiconductors

Eligible to claim 25 per cent of capital expenditure on direct cash reimbursement basis



1

Eligible capital expenditure to include plant, machinery, equipment, associated utilities and transfer of technology, R&D (excludes land and building)



2

Used/second-hand/refurbished assets (including R&D) not to exceed 20 per cent of eligible expenditure



3



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Applications can be made by private limited companies/LLPs /sole proprietorships/public limited companies registered in India



5

Investments in new business units as well as expansion of capacity, modernization and diversification of existing units eligible



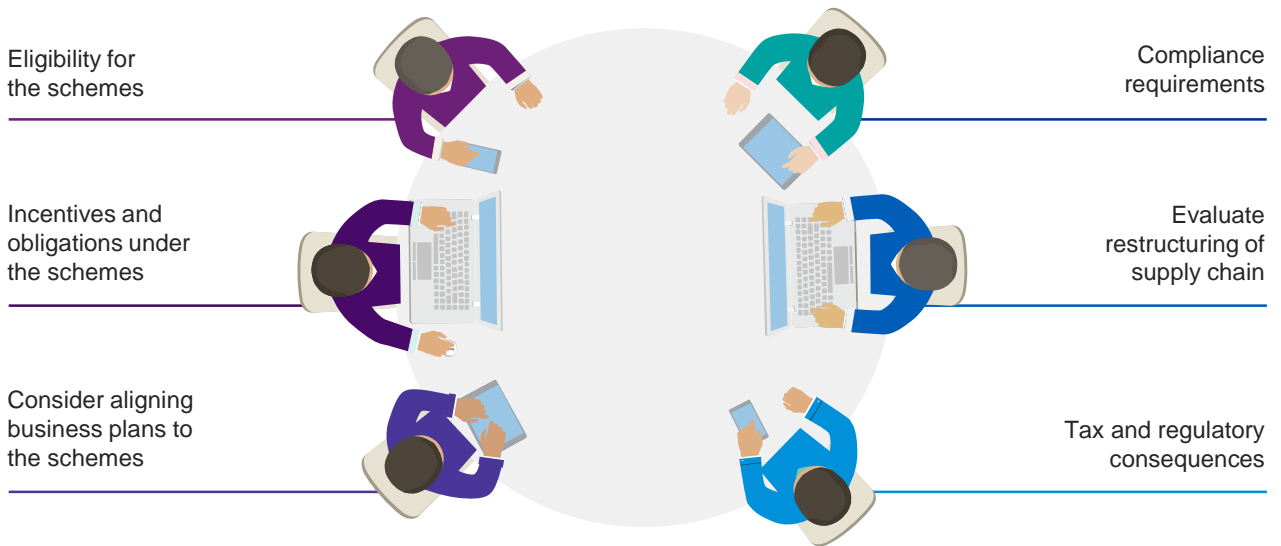
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Eligible goods and investment threshold as specified²

1. The details of the scheme are available at <https://assets.kpmg/content/dam/kpmg/in/pdf/2020/04/KPMG-Flash-News-Scheme-for-Promotion-Manufacturing-of-Electronic-Components-and-semiconductors-2.pdf>

2. The details of the scheme are available at <http://www.in.kpmg.com/TaxFlashNews-INT/KPMG-Flash-News-Production-Linked-Incentive-Scheme-for-Electronics-Manufacturing-2.pdf>

Issues for consideration



Our service offerings

Planning advisory

- Supply chain re-engineering or expansion of business
- Allied tax and regulatory advisory
- In-bond Manufacturing/SEZ/EHTP advisory, evaluation of funding options, entity structuring
- Representation before authorities for clarifications

On-going support

- Support on compliances
- Classification of qualifying goods, rate of duties
- Assistance in obtaining the benefit of import under FTA and/or PTA
- Valuation under customs – SVB and assistance in obtaining AEO accreditation

Application & implementation

- Application assistance under the schemes
- Representing before authorities for the above applications
- Assistance in calculating the amount of incentive and following up with the relevant authorities for disbursement.



SEZ – Special economic zone

EHTP - Electronic hardware technology park

FTA – Free trade agreement

PTA – Preferential trade agreement

SVB – Special valuation branch

AEO – Authorised economic operator

Why KPMG in India?

- A committed team of experienced professionals that acts as a trusted advisor for clients
- Given our focus on industry specialisation, the team keeps track of developments in the sector and is well versed with common issues faced by the industry
- Experienced in assisting clients on similar incentives
- We are well connected within KPMG International's network of member firms around the world and keep track of developments in global markets
- Utmost importance is given to client and data confidentiality with stringent internal controls and internal risk policies

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