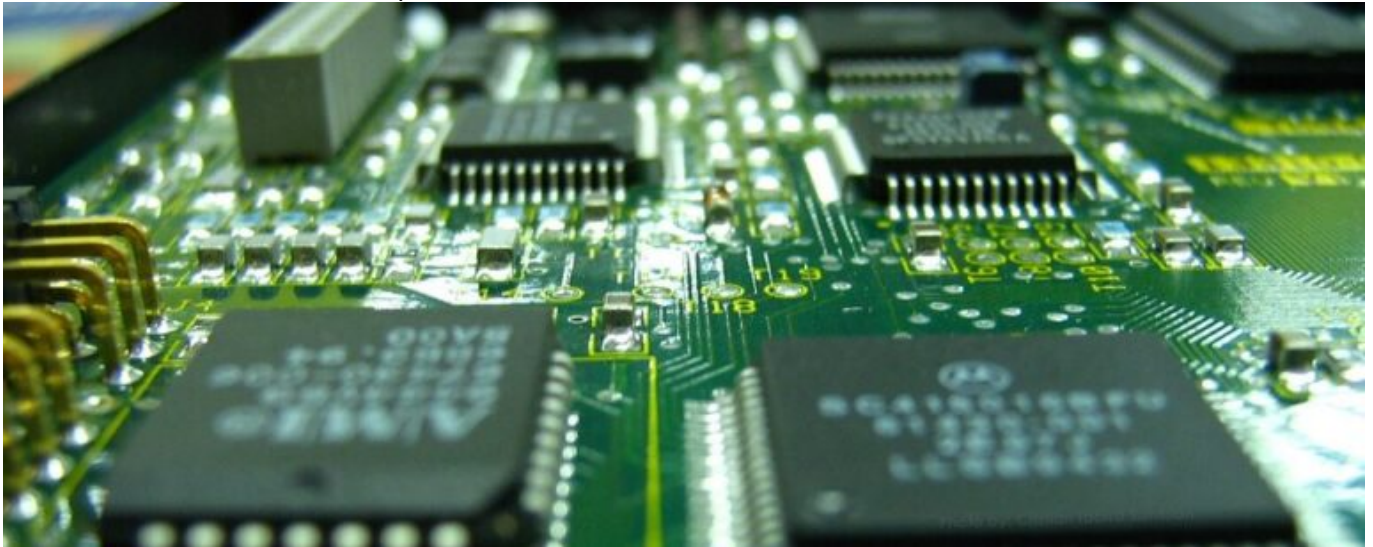


India notifies incentive scheme for encouraging domestic manufacturing of electronics, semiconductors and components

written by Mohana Roy | April 4, 2020



Incentives for Manufacturers of Electronics and Components

In pursuance of “Make in India” and “Digital

India” programme of the Government of India and for reducing dependency on imports, the Ministry of Electronics and Information Technology (MeitY) has on

April 1, 2020, notified two incentive schemes for encouraging domestic manufacturing of electronics. These schemes will further accomplish the vision

of National Policy on Electronics, 2019 (“NPE 2019”) by contributing towards making India a global hub for Electronic System Design and Manufacturing (ESDM).

The details of the schemes announced by MeitY are detailed below.

Product Linked Incentive Scheme (“PIL Scheme”):

Although India’s electronic manufacturing has grown rapidly at around 25% for the last 4 years, India is still lagging as compared to its potential for growth. This is due to constraints regarding capital investment and rapid change in technology. The PIL Scheme shall provide a 4% to 6% incentive on incremental sales over the base year of manufacturing electronic components and semiconductors packaging in India.

Applicability: PIL Scheme is applicable only on:

- companies registered in India and engaged in manufacturing target segments namely mobile phones and specified electronic components[1]
- contract manufacturers.

In addition to the above, the manufacturers are also required to fulfil the prescribed threshold criterion for the incremental sale of manufactured goods.

Tenure: 5(Five) years subsequent to the base year.[2]

Initial Application Period: 4 months from the date of notification i.e. till July 31, 2020. It may also be reopened based upon the response received from the industry.

Application Procedure: An initial application complete in all respect will be required to be submitted within the due date of the PIL Scheme. Incentives under the PIL Scheme will be applicable from August 1, 2020.

Incentive Outlay: The expected annual incentive outlay as proposed under the

PIL Scheme is INR 40,951 crore (approx. USD 5.5 billion) for a period of five years. However, incentive per company will be subject to incremental sales of manufactured goods (as distinct from traded goods) over base year and ceilings as decided by the Empowered Committee.

Implementation Agencies: The PIL Scheme shall be implemented by two bodies namely:

- *Nodal*

Agency:: It

will act as a Project Management Agency (PMA) and will be responsible for providing secretarial, managerial and implementation support and carrying out other responsibilities as assigned by MeitY from time to time;

- *Empowered*

Committee (EC): An EC including CEO NITI Aayog, Secretary Economic Affairs, Secretary Expenditure, Secretary MeitY, Secretary Revenue, Secretary DPIIT, and

DGFT will be formed who will be responsible for the approval of applications by companies.

Scheme for Promotion of Manufacturing of Electronic Components and Semiconductor (SPECS)

SPECS proposes to provide an incentive of 25% of capital expenditure for the manufacturing of goods as prescribed. The incentive shall be provided on a reimbursement basis and investment will be available for the investment made within 5 years from the date of acknowledgement of the application.

Applicability:

- All new companies registered in India or those intending to expand capacity or modernize the existing units along with minimum investment threshold of INR 5 crore and up to INR 1000 crore. The goods are further categorized into seven categories based upon the investment thresholds subject to periodic reviews and amendments.
- On capital expenditure which will be the total of expenditure in the plant, machinery, equipment, associated utilities, and technology, including research and development.
- 20% of total capital expenditure in case of a refurbished plant, machinery, and equipment
- Unit receiving incentive under SPECS will have to remain in commercial production for a period of at least 3 (three) years from the date of commencement of production or 1(one) year from the date of receipt of last incentive, whichever is later.

Tenure: 3 years for application from the date of notification.

Application Process:

- *Applications*

of only single-phase projects will be accepted.

- *An*

initial application to be completed in all respect and submitted before the due date of the scheme.

Implementation Agencies: The SPECS shall also be implemented by two bodies namely: *Nodal Agency* which will act as a Project Management Agency (PMA) be responsible for providing secretarial, managerial and implementation support and carrying out other responsibilities as assigned by MeitY from time to

time and; *Empowered Committee(EC)* who will recommend PMA for approval/ rejection /modification of the application.

In addition to the schemes, MeitY will notify guidelines entailing the complete procedure for application, appraisal, and disbursement of incentives under both the schemes.

- [1] (a) SMT components, (b) Discrete semiconductor devices including transistors, diodes, thyristors, (c) Passive components including resistors, capacitors, etc. for electronic applications, (d) Printed Circuit Boards (PCB), (e) PCB laminates, prepregs, photopolymer films, PCB printing inks, (f) Sensors, transducers, actuators, crystals for electronic applications, (g) System in Package (SIP), Micro / Nano-electronic components such as (h) Micro Electromechanical Systems (MEMS) and Nano Electromechanical Systems (NEMS) and; (i) Assembly, Testing, Marking and Packaging (ATMP) units.
- [2] Financial Year 2019-20 shall be treated as the base year for computation of incremental investment and incremental sales of manufactured goods (as distinct from traded goods).

Contributed By - Jidesh Kumar, Managing Partner

& Mohana Roy, Associate

King Stubb & Kasiva,

Advocates & Attorneys

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New Delhi | Mumbai | Bangalore | Chennai | Hyderabad | Kochi

Tel: +91 11 41032969 | Email: info@ksandk.com