

GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
RAJYA SABHA
UNSTARRED QUESTION NO. 1196
TO BE ANSWERED ON 11.02.2022

INCREASING TARIFFS ON ELECTRONICS MANUFACTURING INPUTS

1196. SMT. VANDANA CHAVAN:

Will the Minister of ELECTRONICS AND INFORMATION TECHNOLOGY be pleased to state:

- (a) India's current share in global export of electronic products and percentage change since 2014;
- (b) whether it is a fact that new tariffs on imports have been introduced on electronics components in 2020 and 2021, making electronics manufacturing costlier, if so, reasons therefor;
- (c) whether Government is aware that India's tariffs on major electronic items are higher than that of major exporting countries like China, Vietnam, if so, reasons therefor;
- (d) whether stakeholders and electronics manufacturers have been consulted before tariff hikes in input components for electronics; and
- (e) steps taken to correct India's trade deficit in electronics?

ANSWER

MINISTER OF STATE FOR ELECTRONICS AND INFORMATION TECHNOLOGY
(SHRI RAJEEV CHANDRASEKHAR)

(a): Government of India's goal is to make India a significant design and manufacturing hub as part of its AtmaNirbhar Bharat economic policies. In this regard, we are broadening and deepening our electronic manufacturing ecosystem. As per industry estimates, India's electronic goods export has grown from USD 5.9 billion in 2014-15 to USD 10.6 billion in 2020-21. The global exports of electronic goods from major manufacturing economies (including China, Vietnam, Mexico, Taiwan, Korea, Japan, USA and Germany) has grown from approximately USD 1.3 trillion in 2014-15 to USD 1.5 trillion in 2020-21. Thus, while India's exports of electronic goods have grown at 10.26% CAGR, India's share in global export of electronic goods is less than 1%.

(b) to (d): The tariff structure has been rationalized in consultation with the industry stakeholders to promote domestic manufacturing of electronic goods, including, *inter-alia*, Mobile Phones, Televisions, Electronic components, Set Top Boxes for TV, LED products and Medical electronics equipment.

In 2020, Basic Customs Duty (BCD) @10% has been imposed on Display Assembly; Touch Panel / Cover Glass Assembly; and Vibrator Motor / Ringer for use in manufacture of mobile phones. These items are covered under Phased Manufacturing Programme (PMP) for mobile

handsets and sub-assemblies / parts / sub-parts thereof, notified by Ministry of Electronics and Information Technology (MeitY) in 2017.

In Budget 2021-22, Department of Revenue, Ministry of Finance has *inter-alia* imposed BCD @2.5% on raw materials, inputs or parts and their sub-parts for use in manufacture of specified parts of mobile phones.

The customs duty rate structure has been guided by a conscious policy of Government to incentivize domestic value addition under 'Make in India' and 'AtmaNirbhar Bharat' initiative, which *inter-alia* envisages imposition of lower duty on raw materials and providing reasonable tariff support to goods being manufactured in India. In accordance with this policy, the Most Favoured Nation (MFN) rates of Basic Customs Duty (BCD) have been increased in recent years on such items which are being manufactured in India or which domestic industry aspires to manufacture. Further, the tariff rates and BCD rates are calibrated through the Budget exercise where inputs and comments from all stakeholders including line Ministries, supplier industry, user industry, trade associations, etc., are discussed and deliberated.

Advance Authorization Scheme allows duty free import of inputs, which are physically incorporated in an export product. As per the Manufacture and Other Operations in Warehouse Regulations, a unit can import goods (both inputs and capital goods) under customs duty deferment with no interest liability. There is no investment threshold or export obligation. The duties are fully remitted if the goods resulting from such operations are exported.

(e): The steps taken by the Government to promote domestic manufacturing of electronic goods and correct India's trade deficit in electronics are at **Annexure**.

Steps taken by the Government to promote domestic manufacturing of electronic goods and correct India's trade deficit in electronics

1. **National Policy on Electronics 2019:** The National Policy on Electronics 2019 (NPE 2019) has been notified by Ministry of Electronics and Information Technology (MeitY). The vision of NPE 2019 is to position India as a global hub for Electronics System Design and Manufacturing (ESDM) by encouraging and driving capabilities in the country for developing core components, including chipsets, and creating an enabling environment for the industry to compete globally.

To attract and incentivize large investments in the electronics value chain and promote exports, following Schemes have been notified:

- (i) **Production Linked Incentive Scheme (PLI) for Large Scale Electronics Manufacturing** notified vide Gazette Notification No.CG-DL-E-01042020-218990 dated April 01, 2020 provides an incentive of 4% to 6% to eligible companies on net incremental sales (over base year) involved in mobile phone manufacturing and manufacturing of specified electronic components, including Assembly, Testing, Marking and Packaging (ATMP) units, for a period of five (5) years.
 - (ii) **Production Linked Incentive Scheme (PLI) for IT Hardware** notified vide Gazette Notification No.CG-DL-E-03032021-225613 dated March 03, 2021 provides an incentive of 4% to 2% / 1% on net incremental sales (over base year) of goods manufactured in India and covered under the target segment, to eligible companies, for a period of four (4) years. The Target Segments under PLI Scheme include (i) Laptops (ii) Tablets (iii) All-in-One PCs and (iv) Servers.
 - (iii) **Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS)** notified vide Gazette Notification No.CG-DL-E-01042020-218992 dated April 01, 2020 provides financial incentive of 25% on capital expenditure for the identified list of electronic goods that comprise downstream value chain of electronic products, i.e., electronic components, semiconductor / display fabrication units, ATMP units, specialized sub-assemblies and capital goods for manufacture of aforesaid goods.
 - (iv) **Modified Electronics Manufacturing Clusters (EMC 2.0) Scheme** notified vide Gazette Notification No.CG-DL-E-01042020-218991 dated April 01, 2020 provides support for creation of world class infrastructure along with common facilities and amenities, including Ready Built Factory (RBF) sheds / Plug and Play facilities for attracting major global electronics manufacturers along with their supply chain to set up units in the country. The Scheme provides financial assistance for setting up of both EMC projects and Common Facility Centres (CFCs) across the country.
2. **100% FDI:** As per extant Foreign Direct Investment (FDI) policy, FDI up-to 100% under the automatic route is permitted for electronics manufacturing (except from countries sharing land border with India), subject to applicable laws / regulations; security and other conditions.
 3. **Electronics Manufacturing Clusters (EMC) Scheme:** Electronics Manufacturing Clusters (EMC) Scheme: Electronics Manufacturing Clusters Scheme was notified on 22nd October,

2012 to provide support for creation of world-class infrastructure along with common facilities and amenities for attracting investment. Under the Scheme, 19 Greenfield EMCs and 3 Common Facility Centres (CFCs) measuring an area of 3,464 acres with total project cost of INR 3,732 crore including Government Grant-in-Aid of INR 1,529 crore have been approved.

4. **Electronics Development Fund (EDF):** Electronics Development Fund (EDF) has been set up as a “Fund of Funds” to participate in professionally managed “Daughter Funds” which in turn will provide risk capital to startups and companies developing new technologies in the area of electronics and Information Technology (IT). This fund is expected to foster R&D and innovation in these technology sectors. EDF is expected to invest in 8 Daughter Funds. The total targeted corpus of these 8 Daughter Funds was Rs. 2,176 crore and the amount committed by EDF to these 8 Daughter Funds was Rs. 319 crore.
5. **Phased Manufacturing Programme (PMP)** has been notified to promote domestic value addition in mobile phones and their sub-assemblies / parts manufacturing. As a result, India has rapidly started attracting investments into this sector and significant manufacturing capacities have been set up in the country. The manufacturing of mobile phones has been steadily moving from Semi Knocked Down (SKD) to Completely Knocked Down (CKD) level, thereby progressively increasing the domestic value addition.
6. **Tariff Structure has been rationalized** to promote domestic manufacturing of electronic goods, including, inter-alia, Cellular mobile phones, Televisions, Electronic components, Set Top Boxes for TV, LED products and Medical electronics equipment.
7. **Exemption from Basic Customs Duty on capital goods:** Notified capital goods for manufacture of specified electronic goods are permitted for import at “NIL” Basic Customs Duty.
8. **Simplified import of used plant and machinery:** The import of used plant and machinery having a residual life of at least 5 years for use by the electronics manufacturing industry has been simplified through the amendment of Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016, vide Ministry of Environment, Forest and Climate Change Notification dated 11.06.2018.
9. **Relaxing the ageing restriction:** The Department of Revenue vide Notification No.60/2018-Customs dated 11.09.2018 has amended the Notification No.158/95-Customs dated 14.11.1995, relaxing the ageing restriction from 3 years to 7 years for specified electronic goods manufactured in India and re-imported into India for repairs or reconditioning.
10. **Public Procurement (Preference to Make in India) Order 2017:** To encourage ‘Make in India’ and to promote manufacturing and production of goods and services in India with a view to enhancing income and employment, the Government has issued Public Procurement (Preference to Make in India) Order 2017 vide the Department for Promotion of Industry and Internal Trade (DPIIT) Order dated 15.06.2017 and subsequent revisions vide Orders dated 28.05.2018, 29.05.2019, 04.06.2020 and 16.09.2020. In furtherance of the aforesaid Order, MeitY has notified mechanism for calculating local content for 13 Electronic Products viz., (i) Desktop PCs, (ii) Thin Clients, (iii) Computer Monitors, (iv) Laptop PCs, (v) Tablet PCs, (vi) Dot Matrix Printers, (vii) Contact and Contactless Smart Cards, (viii) LED Products, (ix) Biometric Access Control / Authentication Devices, (x) Biometric Finger Print Sensors, (xi)

Biometric Iris Sensors, (xii) Servers, and (xiii) Cellular Mobile Phones, for procurement to be made from local suppliers.

11. **Compulsory Registration Order (CRO):** MeitY has notified “Electronics and Information Technology Goods (Requirement of Compulsory Registration) Order, 2012” for mandatory compliance to ensure safety of Indian citizens by curbing import of substandard and unsafe electronic goods into India. 63 Product Categories have been notified under the CRO and the order is applicable on 63 product categories.
12. **Establishment of Gallium Nitride (GaN) Ecosystem Enabling Centre and Incubator:** The project for “Establishment of Gallium Nitride (GaN) Ecosystem Enabling Centre and Incubator for High Power and High Frequency Electronics” has been approved. The project is being implemented by Society for Innovation and Development (SID), Centre for Nano Science and Engineering (CeNSE), IISc Bengaluru.
