

GOVERNMENT OF INDIA  
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY  
**RAJYA SABHA**  
**UNSTARRED QUESTION NO. 237**  
**TO BE ANSWERED ON 21.07.2023**

**TAX EVASION BY CHINESE HANDSET COMPANIES**

**237. SHRI NARAIN DASS GUPTA:**

Will the Minister of Electronics and Information Technology be pleased to state:

- (a) the number of Chinese Handset Companies currently operating in the country, their annual turnover and figure of employment generation in the country;
- (b) the number of Indian companies appointed as contract manufacturers, local manufacturers and local distributors;
- (c) the number of Chinese Handset companies who have evaded taxes and made illegal remittances in India and amount under tax evasion upto July, 2023, company-wise and action taken so far against such errant Chinese companies;
- (d) whether Government has taken any steps for export promotion to balance the effect of foreign currency; and
- (e) if so, details thereof and if not, reasons therefor?

**ANSWER**

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

(a):The major Chinese mobile handset brands which are operating in India are Oppo, Vivo, Xiaomi, Transsion (operates three brands in India viz. Itel, Tecno and Infinix), Realme and Oneplus. These companies manufacture the mobile handset either by themselves or through contract manufacturers. Their cumulative turnover in 2021-22 was estimated to be INR 1.5 lakh crore in India. The total direct employment generated by them in their manufacturing operations is more than 75,000. They also have sales and operational workforce of around 80,000 workers.

(b): Primarily, these Chinese companies have setup their own manufacturing units; however, they work with contract manufacturers like Bharat FIH Limited and DBG Technology (India) Private Limited also which have set up Electronics Manufacturing Services (EMS) operations in India. The distribution of mobile handsets is mainly handled by Indian companies, however, some of the Chinese companies like Oppo and Vivo have some Chinese distributors also.

(c): The company wise list of Chinese mobile handset companies reported in evasion of Customs Duty along with amount of tax evasion detected and recovered during the period 2017-18 to 01.07.2023 and action taken is enclosed at Annexure-1. The company wise list of Chinese mobile handset companies found engaged in evasion of Goods and Services Tax (GST) along with amount of tax evasion detected and recovered during the period 01.07.2017 to June 2023 and action taken is enclosed at Annexure-2.

(d) and (e): Government of India's goal is to make India a significant design and manufacturing hub by broadening and deepening our electronic manufacturing ecosystem. The steps taken by the Government to promote manufacturing and exports of electronic goods including mobile phones are at Annexure-3.

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**Annexure-1**

<b>F.Y.</b>	<b>Names of Chinese Handset Company who have evaded taxes and illegal remittances in India</b>	<b>Customs Duty evasion detected (in Rs. crore)</b>	<b>Customs Duty Recovered (in Rs. crore)</b>	<b>Action taken</b>
<b>2017-18</b>	Nil	Nil	Nil	Nil
<b>2018-19</b>	Nil	Nil	Nil	Nil
<b>2019-20</b>	M/s. Xiaomi Technology India Pvt. Ltd.	0.89	0.89	Paid duty along with interest of Rs. 31,77,721 and penalty of Rs. 13,30,143. File closed under Section 28(6).
	M/s. Xiaomi Technology India Pvt. Ltd. (Holding company of Xiaomi China)	653.02	0.46	Show Cause Notice issued.
	M/s Oppo Mobile India Pvt. Ltd.	14.27	26.79	Show Cause Notice issued.
<b>2020-21</b>	M/s Oppo Mobile India Pvt. Ltd.	4389	450	Show Cause Notice issued.
	M/s. Vivo India Mobile Pvt. Ltd (Holding Company of Vivo China)	2217	72	Show Cause Notice issued.
	M/s. Xiaomi Technology India Pvt. (Holding company of Xiaomi China)	23.99	4.8	Show Cause Notice issued.
<b>2021-22</b>	M/s Xiaomi India Technology Pvt. Ltd.	4.61	4.61	Differential Duty recovered
<b>2022-23</b>	M/s Vivo Mobile India Pvt Ltd (Holding Company Vivo China)	658	45	Show Cause Notice issued.
	M/s Ismarta India Pvt. Ltd.	5.31	Nil	Pre notice consultation letter issued to the importer on 07.07.2023
<b>2023-24 (upto 01.07.2023)</b>	Nil	Nil	Nil	Nil

Sr No.	Name of the Company	GST evasion detected (in Rs. crore)	GST Recovery (in Rs. crore)	Action taken
1	M/s. Bubugao Communication Pvt. Ltd.	4.46	3.98	Investigation has been initiated and companies are being persuaded to deposit the tax amount/ interest/ penalty as applicable.
2	M/s. Inone Smart Technology India Pvt. Ltd.	5.50	5.50	
3	M/s. Oppo Mobile India Pvt. Ltd.	12.56	12.56	
4	M/s. Oppo Mobiles India Pvt. Ltd.	28.48	28.48	
5	M/s. Xiaomi Technology India Pvt. Ltd.	153.64	75.00	
6	M/s. Vivo Mobile India Pvt. Ltd.	To be quantified	Nil	
7	M/s. S.Mobile Devices Ltd.	64.44	64.72	
8	M/s. G.Mobile Devices Ltd.	77.28	74.4	
9	M/s. Oppo Mobile India Pvt Ltd.	642	697	
10	M/s. Vivo Mobile India Pvt Ltd.	48.25	51.25	
11	M/s. Zhongfu Mobile Private Limited	15.02	5.67	
12	M/s. Xiaomi technology India Pvt. Ltd.	14.99	7.04	
13	M/s. Lenovo India Pvt. Ltd.	42.36	0	

### Annexure-3

#### Steps taken by the Government to promote manufacturing and exports of electronic goods including mobile phones

1. **National Policy on Electronics 2019:** The National Policy on Electronics 2019 (NPE 2019) has been notified on 25.02.2019. 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 under the aegis of NPE 2019:

- (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 incremental sales (over base year) involved in mobile phone manufacturing and manufacturing of specified electronic components, including Assembly, Testing, Marking and Packaging (ATMP) units.

Second Round of the PLI Scheme for Large Scale Electronics Manufacturing was launched on 11.03.2021 for incentivizing Electronic Components. Under the Second Round, incentives of 5% to 3% shall be extended on incremental sales of goods manufactured in India and covered under the target segment, to eligible companies, for a period of four (4) years.

- (ii) **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. Vide Notification dated 05.04.2023, the application window and the scheme duration has been extended by one year i.e till 31.03.2024 and 31.03.2029 respectively. Thirty Six(36) applications have been approved under SPECS with total proposed investment of INR 11,429 crore and approved incentive of INR 1,529 crore. The total employment generation potential of approved applications is 33,548. Incentives amounting to INR 251.53 crore have been disbursed. Investment incurred by the applicants is INR 6,506 crore and employment generated by them is 31,413.

- (iii) **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. The scheme is open for receipt of application upto march, 2024 and further period upto March, 2028 is available for disbursement of funds to the approved projects.

- (iv) **Production Linked Incentive Scheme (PLI) for IT Hardware** notified vide Gazette Notification No. CG-DL-E-03032021-225613 dated March 03, 2021 provides 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 Segment under PLI Scheme includes (i) Laptops (ii) Tablets (iii) All-in-One PCs and (iv) Servers.

**Production Linked Incentive Scheme 2.0 for IT Hardware** notified vide Gazette Notification No. CG-DL-E-30052023-246165 dated May 29, 2023 offers a production linked incentive to boost domestic manufacturing and attract large investments in the value chain. The Scheme shall extend an average incentive of around 5% 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 six (6) years. The Target Segment under PLI shall include (i) Laptops (ii) Tablets (iii) All-in-One PCs (iv) Servers and Ultra Small Form Factor (USFF).

- (v) Government has approved the Semicon India programme with a total outlay of INR 76,000 crore for the development of semiconductor and display manufacturing ecosystem in the country. The programme has further been modified in view of the aggressive incentives offered by countries already having established semiconductor ecosystem and limited number of companies owning the advanced node technologies. The modified programme aims to provide financial support to companies investing in semiconductors, display manufacturing and design ecosystem. This will serve to pave the way for India's growing presence in the global electronics value chains.

Following four schemes have been introduced under the aforesaid programme:

- a) **'Modified Scheme for setting up of Semiconductor Fabs in India'** for attracting large investments for setting up semiconductor wafer fabrication facilities in the country to strengthen the electronics manufacturing ecosystem and help establish a trusted value chain. The Scheme extends a fiscal support of 50% of the project cost on *pari-passu* basis for setting up of Silicon CMOS based Semiconductor Fab in India.
- b) **'Modified Scheme for setting up of Display Fabs in India'** for attracting large investments for manufacturing TFT LCD or AMOLED based display panels in the country to strengthen the electronics manufacturing ecosystem. Scheme extends fiscal support of up to 50% of Project Cost on *pari-passu* basis for setting up of Display Fabs in India.
- c) **'Modified Scheme for setting up of Compound Semiconductors / Silicon Photonics / Sensors Fab / Discrete Semiconductors Fab and Semiconductor Assembly, Testing, Marking and Packaging (ATMP) / OSAT facilities in India'** shall extend a fiscal support of 50% of the Capital Expenditure on *pari-passu* basis for setting up of Compound Semiconductors / Silicon Photonics (SiPh) / Sensors (including MEMS) Fab/ Discrete Semiconductor Fab and Semiconductor ATMP / OSAT facilities in India.
- d) **'Semicon India Future Design: Design Linked Incentive (DLI) Scheme'** offers financial incentives, design infrastructure support across various stages of development and deployment of semiconductor design for Integrated Circuits (ICs), Chipsets, System on Chips (SoCs), Systems & IP Cores and semiconductor linked design. The scheme provides "Product Design Linked Incentive" of up to 50% of the eligible expenditure subject to a ceiling of ₹15 crore per application and "Deployment Linked Incentive" of 6% to 4% of net sales turnover over 5 years subject to a ceiling of ₹30 crore per application.

In addition to the above schemes, Government has also approved modernisation of Semi-Conductor Laboratory, Mohali as a brownfield Fab.

India Semiconductor Mission ("ISM"), the nodal agency received three (3) applications under the 'scheme for setting up of semiconductor fabs in India', and two (2) applications under the 'Scheme for setting up of Display Fabs in India'. Appraisal process has been completed. However, none of the applications found suitable for approval. Additionally, ISM has received Six (6) applications under 'Modified Scheme for setting up of Compound Semiconductors / Silicon Photonics / Sensors Fab / Discrete Semiconductor Fabs and Semiconductor Assembly, Testing, Marking and Packaging (ATMP) / OSAT facilities in India'. One (1) application has been approved under this scheme.

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. **Modified Special Incentive Package Scheme (M-SIPS):** To offset disability and attract investment in Electronic System Design and Manufacturing (ESDM) sector, M-SIPS was approved in July 2012. Revisions were made in the scheme in 2015 by expanding its scope and adding new product categories accompanied by simplification of procedures. The scheme provides 20-25% of capex subsidy on investment made in the first 5 years of the project (20% for investments in Special Economic Zones (SEZs) and 25% in non-SEZs). The incentives are available for 44 categories / verticals of electronic products and components covering entire electronics manufacturing value chain. The scheme was open to receive applications till 31.12.2018. Most of the projects approved under the scheme are in the implementation mode. So far, 316 applicants with an investment of INR 83,844 crore and committed incentives of INR 9,052 crore have been approved. Incentives amounting to INR 2144.73.02 crore have been disbursed. Out of 316 units approved, 290 units have invested INR 38,077 crore and 262 units have started production.
  4. **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 3,499 crore including Government Grant-in-Aid of INR 1,470 crore have been approved. As on date, Government Grant-in-Aid of INR 808.41 crore has been released to these projects.
  5. **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 start-ups 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. INR 271.30 crore has been committed through EDF to 8 Daughter Funds. Till date (as on 30.06.2023), EDF has invested INR 245.05 crore in 8 Daughter funds with total employment generation of more than 20000.
  6. **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.
  7. **Tariff Structure** has been rationalized to promote domestic manufacturing of electronic goods, *inter-alia*, including Cellular mobile phones, Televisions, Electronic components, Set Top Boxes for TV, LED products.
  8. **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.
  9. **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.
  10. **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.
  11. **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 vide Notification dated 07.09.2020 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 locals suppliers.

12. **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. The Order has been re-notified as “Electronics and Information Technology Goods (Requirement of Compulsory Registration) Order, 2021”. 64 Product Categories have been notified under the ambit of the Order.

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