

GOVERNMENT OF INDIA
MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY
LOK SABHA
UNSTARRED QUESTION NO. 1547
TO BE ANSWERED ON 27.11.2019

INVESTMENT IN ELECTRONICS MANUFACTURING SECTOR

1547 SHRI PASUNOORI DAYAKAR:

Will the Minister of Electronic and Information technology be pleased to state:-

- (a) whether the Government has held any meeting with Chief Executive Officers (CEO) of nearly 50 firms to discuss industrial concern pertaining to boosting of investment in electronic manufacturing in the country and if so, the details and outcomes thereof;
- (b) whether the Government has received any investment plans/commitment from these firms and if so, the details and the status thereof; and
- (c) whether the Government has approved the National Electronics Policy 2019 aimed at achieving a turnover of \$400 billion for the Electronics System Design and Manufacturing (ESDM) sector by the year 2025 and if so, the details thereof and targets achieved in this regard so far?

ANSWER

MINISTER OF STATE FOR ELECTRONICS AND INFORMATION TECHNOLOGY
(SHRI SANJAY DHOTRE)

(a): A roundtable meeting under the chairmanship of Hon'ble Minister of Electronics and Information Technology was organised with the CEOs and representatives of 54 electronics sector firms on 16.09.2019. The objective of the meeting was to recognize the key challenges being faced by the Industry, opportunities and expectations of the industry from the Government. The companies from different verticals of electronics sector such as mobile handsets, consumer electronics, strategic electronics, medical devices, information technology, electronics manufacturing services, electronic components, telecom and LED lighting participated in the round table meeting.

The major concerns raised/suggestions received from the participating companies, *inter-alia*, included the following:

- High rate of Corporate Income Tax is a cause of concern.
- Need for competitive export incentives, including formulating a new scheme in lieu of Merchandise Export from India Scheme (MEIS).
- Lack of component manufacturing eco-system is a concern for increasing value addition.
- Income tax holiday for 10 years on exports.
- Need to withdraw 5% Basic Customs Duty (BCD) on import of Open Cells required for manufacturing of Panels of TVs.
- Need for Phased Manufacturing Programme (PMP) in other verticals of electronics.
- Need to extend or introduce a new scheme like Modified Special Incentive Package Scheme (M-SIPS).

Following policy announcements made by Government, post the round table meeting, shall promote electronics manufacturing Industry:

- Reduction of Corporate Income Tax rates
- Exemption of BCD on Open Cell for manufacture of Panels of TVs

The details are given in the Annexure I and 2.

(b): Under the M-SIPS, investment proposals worth INR 40,362 crores have been received from 26 firms, which participated in the aforesaid round table meeting. Many of these firms and their supply chain partners have shown commitment to setup their manufacturing facilities in India.

(c): The Government has notified the National Policy on Electronics 2019 (NPE 2019) on 25.02.2019, with the vision to position India as a global hub for Electronics System Design and Manufacturing (ESDM) and create an enabling environment for the industry to compete globally.

The salient features of NPE 2019 and the steps taken under NPE 2019 to position India as a global hub for ESDM are at Annexure 1 and 2 respectively.

Annexure -1

Salient features of the National Policy on Electronics 2019 (NPE 2019)

The salient features of NPE 2019 *inter-alia* include:

- (a) Promote domestic manufacturing and export in the entire value-chain of ESDM for economic development to achieve a turnover of USD 400 billion by 2025.
- (b) Creating eco-system for globally competitive ESDM sector
- (c) Promotion of electronic components manufacturing ecosystem
- (d) Special package of incentives for Mega Projects which are extremely high-tech and entail huge investments, such as semiconductor facilities (including trusted foundries), display fabrication, photonics and LED chip fabrication units
- (e) Encouraging Industry-led R&D and innovation and promoting start-up eco-system in all sub-sectors of electronics, including emerging technology areas such as 5G, IoT/ Sensors, Artificial Intelligence (AI), Machine Learning, Augmented Reality (AR) and Virtual Reality (VR), Drones, Robotics, Additive Manufacturing, Gaming and Entertainment, Photonics, Nano-based devices, as well as thrust areas such as medical electronics, defence and strategic electronics, automotive electronics, cyber security, power electronics and automation
- (f) Providing incentives and support for significantly enhancing availability of skilled manpower, including re-skilling, in the ESDM sector
- (g) Promoting research, innovation and support to industry for green processes and sustainable e-Waste management, including *inter-alia* facilitation of citizen engagement programmes for safe disposal of e-Waste in an environment friendly manner, development of e-Waste recycling industry and adoption of best practices in e-Waste management
- (h) Emphasis on Cyber Security and promoting trusted electronics value chain initiatives to improve India's national cyber security profile
- (i) Providing special support for developing core competencies in the following sub-sectors of Electronics:
 - Fabless Chip Design Industry
 - Medical Electronic Devices Industry
 - Automotive Electronics Industry and Power Electronics for Mobility
 - Strategic Electronics Industry
- (j) Creation of Sovereign Patent Fund (SPF) to promote the development and acquisition of IPs in ESDM sector

Annexure-2

Steps taken under NPE 2019 to position India as a global hub for ESDM

1. Reduction of Corporate Income Tax rates

Domestic companies can now opt for concessional tax regime @22% (25.17% inclusive of surcharge and cess) provided that such a company has not claimed any income tax incentive or exemption. Such companies will also not be liable to pay Minimum Alternate Tax (MAT). Further, to attract fresh investments in manufacturing and boost Make in India programme, new provision has been made which allows new domestic companies incorporated on or after October 1, 2019, making fresh investment in manufacturing, and starting operations before March 31, 2023, an option to pay corporate income tax at 15 per cent (17.16% inclusive of surcharge and cess). Such company cannot avail any other income tax exemption/ incentive under the Income-Tax Act. Such companies will also not be liable to pay Minimum Alternate Tax (MAT).

MAT rate for companies availing exemptions/incentives has been reduced from 18.5% to 15%.

2. Exemption of BCD on Open Cell for manufacture of Panels of TVs

To promote domestic manufacturing of TV Panels, the BCD levied on Open Cell (15.6" and above) for use in the manufacture of Liquid Crystal Display (LCD) and Light Emitting Diode (LED) TV Panels has been reduced to Nil from 5% vide Customs Notification No.30/2019 dated 17.09.2019 till September 2020. Also, BCD has been exempted on following inputs to promote domestic manufacturing of Open Cells:

- Chip on Film
- Printed Circuit Board Assembly (PCBA)
- Cell (glass board/substrate)

3. Exemption of Basic Customs Duty (BCD) on capital goods for the manufacture of specified electronic goods

In the Union Budget 2019-20, BCD has been exempted on specified capital goods [falling under Chapter 82, 84, 85 and 90] for the manufacture of specified electronic goods such as Printed Circuit Board (PCB), Charger of cellular mobile phones, Display Panel, etc., subject to actual user condition, with the objective of increasing competitiveness of the industry.

4. Efforts for promotion of investments in electronics manufacturing

Various efforts have been made by Ministry of Electronics and Information Technology (MeitY) to attract Indian and foreign companies in various countries to invest in electronics sector. In this regard, recently, Secretary, MeitY led a Government-Industry delegation to Taiwan, during October 15 - 18, 2019, for promotion of investment in electronics manufacturing sector and participation in TAITRONICS 2019. During the visit Secretary, MeitY had one-on-one meetings with electronics manufacturing companies, viz., Sercomm, Foxlink, Foxconn, Nanya Plastics, Passive System Alliance, Wistron and Tripod.

A round table meeting under the chairmanship of Hon'ble Minister of Electronics and Information Technology was organised with the key leaders of Electronics Industry on 16.09.2019.
