

Government approves electric vehicle (EV) policy to promote EV manufacturing in India

The government has approved a scheme to promote India as a manufacturing destination, so that electric vehicles (EV) with the latest technology can be manufactured in the country. The policy is designed to attract investments in the e-vehicle space by reputed global EV manufacturers.

Key highlights of the policy:

- **Minimum and maximum investment required:** A minimum investment of INR 4,150 crore (USD 500 million) is required, and there is no cap on maximum investment.
- **Timeline for manufacturing:** A period of three years for setting up manufacturing facilities in India will be provided. Furthermore, a maximum period of five years would be provided to start commercial production of EVs and reach 50% domestic value addition (DVA).
- **DVA during manufacturing:** A localisation level of 25% by the third year and 50% by the fifth year needs to be achieved.
- **Custom duty:** The customs duty of 15% (as applicable to CKD units) would be applicable on a vehicle of minimum CIF value of USD 35,000 and above for a total period of five years subject to the manufacturer setting up manufacturing facilities in India within a three-year period.
- **Annual import limits:** The duty foregone on the total number of EVs allowed for import would be limited to the investment made or INR 6,484 crore (equal to the incentive under the PLI scheme), whichever is lower. A maximum of 40,000 EVs at the rate of not more than 8,000 EVs per year would be permissible if the investment is of USD 800 million or more.
- **Bank guarantee:** The Investment commitment made by the company will have to be backed up by a bank guarantee in lieu of the custom duty forgone. The bank guarantee will be invoked in case of non-achievement of the DVA, and minimum investment criteria defined under the scheme guidelines.

Amendments introduced under customs law to give effect to policy:

- The Central Board of Indirect Taxes and Customs (CBIC) vide Notification No. 19/2024-Customs has notified the concessional customs duty on electrically operated vehicles of minimum CIF value of USD 35,000 subject to the conditions specified therein. This concession shall be applicable till **31 March 2031**.
- Further, the CBIC vide Notification No. 20/2024-Customs dated 15 March 2024 has notified exemption from the social welfare surcharge leviable on EVs imported under the Ministry of Heavy Industries' scheme.