

Making India self-reliant: measures and benefits making a mark

June 2021

By Harpreet Singh, Partner – Indirect Tax, KPMG in India and Manoj Pardasani, Chartered Accountant

(4 min read)

The government is keen on making India self-reliant with the introduction of a slew of measures to promote benefits for indigenous manufacturing with special emphasis on the consumer markets sector. The primary objective of this initiative is to facilitate investments, foster innovation and to transform India into a global manufacturing hub. Investment outreach activities, global events, summits, road shows and other promotional activities have been undertaken for fostering FDI and ease of doing business in India under the *Atmanirbhar Bharat* campaign.

Amidst the pandemic and after a long clamour for fiscal stimulus, the Government of India (GoI) has come up with various initiatives, such as reduction in corporate tax rates for new manufacturing units, introduction of Production Linked Incentive schemes (PLI), trade policy measures under customs law, tax concessions etc. to incentivise domestic manufacturing and to sleigh down import bills. With India being a big consumer market, these initiatives are expected to not only catapult FDIs in the Indian manufacturing sector but also ensure that India secures an integral position in the global supply chain.

Recent key initiatives announced to accelerate the 'Make in India' campaign:

To start with, GoI has announced an outlay of USD26,901 million in Union Budget 2021-22 for PLI schemes under the *Atmanirbhar Bharat* initiative. This has been done in order to promote 'Make in India' for 13 key identified sectors, including electronic/technology products, white goods (AC/LEDs), food products, textile products, mobile phones, etc. Out of total budgeted outlay, USD10,074 million (approx. 37 per cent) has been allocated for aforesaid consumer centric sectors.

The PLI scheme hovers around incentivising companies on incremental sales from products manufactured in India. Incentives under the scheme vary, depending upon underlying sector, type of product and qualifying criteria. We envision that the PLI scheme will not only attract large investments in consumer markets but will also assist in creating a robust ecosystem setting aside sectoral disabilities, achieving economies of scale and aid in employment generation.

It would be fair to state that the government has introduced this scheme at the opportune moment when multinational companies are considering diversifying their manufacturing presence outside China (*popularly called the China plus one strategy*). India, with a large consumer base, and a growing demand for consumer durables, could be a preferred choice.

The most important aspect of this initiative is that the sector specific modalities of the PLI scheme have been prepared in consultation with relevant stakeholders such as manufacturers of air conditioners, LED lights, food processing companies, large scale mobile manufacturers and their Industry associations. Thus, this

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

scheme has been well received by the consumer markets sector and the government is hopeful that PLI scheme will boost this sector.

Apart from PLI schemes, both Centre and State governments have introduced multiple measures and schemes to fortify *Make in India*.

The Central government has already rationalised corporate tax rates for the existing and new manufacturing companies. Further, Manufacture and Other Operations in Warehouse Regulations (MOOWR) have also been introduced to provide for deferment of custom duty on imports, waiver of interest on deferment, with no export obligation condition and flexibility on location set-up.

Further, financial relief to exporters is also available under the foreign trade policy in the form of duty scrips on foreign transactions, which can be liquidated as a cash incentive. Recently the government has revamped the MEIS scheme (Merchandise Exports from India Scheme) and replaced it with the new RODTEP scheme (Remission of Duties & Taxes on Export Products), to provide incentives for compensation of embedded tax costs in exports.

Also, in order to safeguard the interests of domestic manufacturers in the consumer markets sector and to discourage imports, various trade policy measures have been introduced, such as increase in custom duties of finished products (e.g. air-conditioners, LEDs, leather products etc.), stringent rule of origin norms for availing preferential rate benefit on imports, issuance of Quality Control Orders (QCOs) for more products, etc.

There is a healthy competition between states to attract foreign investments and, as a result, various state governments are offering incentives packages to manufacturers, allowing them to recoup a major chunk of the investment. These majorly include capital linked incentives with subsidy, expenditure linked incentives like power tariff subsidies, stamp duty reimbursement, sales linked incentives like SGST reimbursement and turnover based subsidy. In addition, States also offer various significant customised incentives packages (special packages of incentives) for mega and ultra-mega projects.

As India has been hit by the second wave of COVID-19, it has impacted many sectors including consumer markets, which had slowly started showing signs of recovery after the first wave. However, with the new [PLI schemes](#) and various other recent trade facilitation measures, it can be assumed that the first few steps in the right direction have been taken and it is only a matter of time that some tangible manufacturing gains are expected to be seen to provide impetus to the ever expanding consumer markets sector in India.

Read KPMG in India's first edition of [The Indian Economy Insights](#). The report is an assessment of key trends that are central to India's recovery in the post-lockdown scenario, long-term growth potential and changes in the current market sentiment.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2021 KPMG Assurance and Consulting Services LLP, an Indian Limited Liability Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.