

Government approves E- Vehicle policy to promote India as a manufacturing destination for EVs

Minimum Investment Rs 4150 Cr required with no cap on maximum Investment

3 years timeline for setting up manufacturing facilities in India, and start commercial production of EVs; 50% domestic value addition to be reached within 5 years at the maximum

Companies setting up manufacturing facilities for EVs to be allowed limited imports of cars at lower custom duty

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The Union Government has approved a scheme to promote India as a manufacturing destination so that e-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.

This will provide Indian consumers with access to latest technology, boost the Make in India initiative, strengthen the EV ecosystem by promoting healthy competition among EV players leading to high volume of production, economies of scale, lower cost of production, reduce imports of crude Oil, lower trade deficit, reduce air pollution, particularly in cities, and will have a positive impact on health and environment.

The policy entails the following: -

- **Minimum Investment required:** Rs 4150 Cr (~USD 500 Mn)
- No limit on maximum Investment
- **Timeline for manufacturing:** 3 years for setting up manufacturing facilities in India, and to start commercial production of e- vehicles, and reach 50% domestic value addition (DVA) within 5 years at the maximum.
- **Domestic value addition (DVA) during manufacturing:** A localization level of 25% by the 3rd year and 50% by the 5th year will have to be achieved
- The customs duty of 15% (as applicable to CKD units) would be applicable on vehicle of minimum CIF value of USD 35,000 and above for a total period of 5 years subject to the manufacturer setting up manufacturing facilities in India within a 3-year period.
- The duty foregone on the total number of EV allowed for import would be limited to the investment made or ₹6484 Cr (equal to incentive under PLI scheme) whichever is lower. A maximum of 40,000

EVs at the rate of not more than 8,000 per year would be permissible if the investment is of USD 800 Mn or more. The carryover of unutilized annual import limits would be permitted.

- 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 DVA and minimum investment criteria defined under the scheme guidelines

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