

Electric vehicles to get host of tax sops

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THE UPCOMING BUDGET may have a host of tax incentives for electric vehicles (EVs), in line with the government's plan to advance the mandatory rollout schedule for these environmentally benign vehicles.

Source said the EV segment could be offered upfront

weighted deduction on capital expenditure under Section 35AD(1) of the income tax Act. Currently, some specific sectors are accorded this benefit which allows the firms to retain more cash in hand by bringing down tax liability. This can help businesses plough back more capital into expansion and technology upgrades.

Besides, the sources added,

in order to promote domestic assembling of electric vehicles, the government is likely to cut import duties on some of the EV components like motor controller, brake system, and electric compressor imported in a pre-assembled kit. Currently, these items attract import tariffs in the 10-15% range.

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OTHER COMPONENTS such as disassembled battery pack, charger and power control unit may also see a duty cut. Custom duty on lithium ion cell, which is 5% at present, is also likely to be trimmed. There is no duty now on import of parts, sub-parts and raw material used in making lithium-ion cell.

"This is the opportune time to incentivise the electrical vehicle sector, with corporate tax benefits. Tax credits and exemptions are potentially a major tool in cutting down the upfront costs of EVs," Rakesh Nangia, managing partner at Nangia Advisors (Andersen Global) said.

Further, the finance ministry is also considering lowering the withholding tax that is levied on financial gains made due to technology transfer. The proposal is to cut down tax on income arising out of transfer of intellectual property to 5% from the current rate of 10%. Transfer of technology results in consideration of income in the forms of royalty, profits or fees in lieu of technical services.

"These are welcome measures to boost R&D, taking India to forefront of world EV product and service development, reducing dependence on China. Further, a possible GST rate reduction will also lead to bringing the cost down for the consumers helping in building scale for the EV manufacturers. To get early adopters it is imperative to have attractive pricing," Nishal Chaudhary, founder and CEO of BattRE said. The company is a start-up in the EV sector.

Sources said given the sector's needs are based on modern technology, the Budget could provide a carve-out to allow 200% deductions on expenditure incurred on in-house research and develop-

