



Automotive Component Manufacturers Association of India

PRESS RELEASE

ACMA's expectations from the Union Budget-2022

- *Emphasises uniform 18% GST on all Auto Components*
- *Recommends enhancement of RoDEPT Rates and measures to encourage Capital Investment in Auto Component Industry*

New Delhi, January 11, 2022: The Automotive Component Manufacturers Association (ACMA), the apex body of the Indian auto component industry, in its recommendations to the Government for the forthcoming Union Budget has stressed on the need to ensure a uniform GST rate of 18% on all auto components. It has also requested for the government to consider upward revision of RoDEPT Rates adopting measures for enhancing investments, including that for R&D.

Commenting on ACMA's recommendations for the forthcoming budget, **Sunjay Kapur, President, ACMA** said, *"The automotive industry is witnessing one of the most challenging, yet interesting times, ever. Disruptions due to the pandemic, new technologies and regulations are redefining mobility. In this backdrop, the recent policy announcements by the Government on PLI scheme for ACC Battery, PLI for Auto & Auto Components and extension of FAME-2 scheme are indeed very timely and will facilitate the Indian automotive sector in becoming integral to global automotive value chains as also staying relevant.*

Kapur emphasised, *"The auto component industry, being an intermediary, has recommended for a uniform GST rate of 18 per cent on all auto components. The industry has significant aftermarket operations that are plagued by grey operations and counterfeits due to the high 28 per cent GST rate. A moderate rate of 18 per cent will not only address this challenge but will also enhance the tax base through better compliance".*

"That apart, with focus of the Government on environment, energy security and vehicular safety, it is an imperative for the auto components industry to invest in newer technologies and create capacities to meet the growing domestic demand for such products. Facilitating investments for capacity building and encouraging R&D and new product development will be steps in the right direction by the government," added Kapur.

Some of ACMA's Key recommendations include:

- **Upward Revision of RoDTEP rates**

The RoDTEP Scheme (Remission of Duties and Taxes on Export Products) was introduced effective 1st January, 2021, replacing the MEIS scheme (Merchandise Exports Incentive Scheme). However, the rates notified for auto components sector at 1% or lower, are inadequate to cover the incidence of unrefunded taxes and duties borne on export products. This is deterring the competitiveness of the Indian Auto Component industry.

- **Investment Allowance**

Provision to reintroduce investment allowance at 15% for manufacturing companies that invest more than Rs. 25 crore in plant and machinery. This will motivate manufacturers to invest in new technologies, specifically e-mobility and its components/ ancillaries related plant and machinery

- **Incentivising R&D Spend**

To encourage domestic R&D and testing, it is recommended to retain the weighted tax deduction on R&D expenditure is critical. The 2016-17 Budget reduced weighted deduction benefit from 200% to 150% and has further restricted the deduction to 100% from 1st April 2020.

The association has also put forth several suggestions in order to ease the 'cost of doing business' in India.

About ACMA: The Automotive Component Manufacturers Association of India (ACMA) is the apex body representing the interest of the Indian Auto Component Industry. Its membership of over 800 manufacturers contributes more than 90% of the auto component industry's turnover in the organized sector. ACMA is an ISO 9001:2015 Certified Association.

For further details:

ACMA

Upender Singh | 9901259169
Upender.singh@acma.in

Archetype

Laveena Vohra | 9711682237 | Laveena.vohra@archetype.co
Swetank Kumar | 9818564004 | Shwetank.kumar@archetype.co