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India as a manufacturing hub – Tax and regulatory incentives

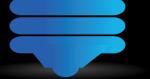
At present, India is one of the world's fastest-growing economies in the world.

Make in India is a flagship programme of the Government of India designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property, and build best-in-class manufacturing infrastructure in the country. This initiative's primary objective is to attract investments from across the globe and strengthen India's manufacturing sector, while generating widespread employment opportunities.¹

India has jumped up 79 places to achieve the 63rd rank (from 142 in 2014) in the Ease of Doing Business (EoDB) index, according to the 'Doing Business 2020: World Bank Report.'²

- Simplification and quicker process for setting up an entity in India through a digitalised platform
- Implementation of a customs 'single window' to facilitate trade
- Introduction of a fast-track approval system for issuing building permits and online scrutiny of building plans
- Major initiatives towards a digitisation drive to deliver faster and clear processes/standardisation among businesses
- Liberalisation of foreign direct investment rules 100 percent FDI permitted is most sectors
- Multiple indirect tax laws replaced by a simplified indirect tax law [Goods and Services Tax (GST)] in India since July 2017







Foreign Trade Policy (FTP) aimed at providing various incentive schemes for the promotion of export of goods and services from India - Concessional duty benefits can be claimed under bilateral or multilateral free-trade agreements such as those with Japan, Korea, The Association of Southeast Asian Nations (ASEAN), and The South Asian Free Trade Area (SAFTA)

Commitment towards **a non-adversarial tax regime** and lower tax rates for new manufacturing companies

Fiscal and non-fiscal incentives (illustrative list)

Tax incentives

- Domestic corporate tax rate @17.16 percent for new manufacturing companies, subject to conditions
- Employment generation benefit: Additional deduction @30 percent for additional cost of new employees (for three years), subject to conditions
- Exports are tax free No indirect taxes levied on goods exported from India
- Duty exemption/deferral on import of capital goods/inputs for use in manufacturing

Fiscal incentives

- Reimbursement of state-level goods and services tax by way of refund/ exemption/loan (gross vs. net depending on state and quantum of investment)
- Electricity duty and water charge concession
- Capital subsidy
- Refund/exemption of stamp duty
- Employment generation/training subsidy
- Support to vendors who provide input material/job workers

Non-fiscal incentives

- Uninterrupted water and power supply at concessional rates
- Better rail and road connectivity
- Land at a concessional price
- Dedicated port facilities
- Single window facilitation
- Most preferred status for the grant of various industrial licences and single window clearances

India is growing at a fast rate and continues to provide special impetus to the manufacturing sector in the form of various fiscal and non-fiscal incentives.



Want to set-up a manufacturing facility in India?

With multiple incentives and schemes introduced by the central and state governments in this direction, now is a great opportunity to set up a manufacturing base in India.

While the state policies lay down the broad framework of the incentives (including certain location-specific benefits), customised incentive packages with huge cash flow benefits can be negotiated with state governments depending on the quantum of investment being made and other factors.

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