

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



Manufacturing in India –
now more lucrative



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 in 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

¹Source: <https://www.ibef.org/economy/make-in-india>

²Source: <https://www.makeinindia.com>

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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