

How does the budget impact Automotive sector?

Key takeaway for a tax professional

Increase in customs duty rate on kits for conversion of petrol/diesel to CNG/LPG/ Propane driven vehicle and revocation of anti-dumping & CVD duty on certain steel products in order to boost domestic manufacturing by increasing capex programs

Key amendments

► Increase in Basic Customs Duty rate for specified auto components as follows (w.e.f. 01 April 2022):

HSN	Description	Rate Movement (%)	
		From	То
84 or any Other Chapter	The following goods, namely:- (1) Kits required for the conversion of motor-spirit or diesel driven vehicles into Compressed Natural Gas driven or Propane driven or Liquefied Petroleum Gas driven vehicles; (2) Parts of the kits specified at (1)	5%	Applicable Tariff rate

Extension of BCD exemption to iron or steel including stainless steel upto 31 March 2023 to reduce cost of inputs as follows:

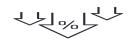
HSN	Description	Rate Movement (%)	
		From	То
7204	Scrap of iron or steel including stainless steel and alloy steel	Nil	Nil

Highlights

BCD rate on kits for conversion of petrol/diesel to CNG driven vehicle



Increased BCD rate from 5% to applicable Tariff rate



Revocation of Anti-dumping and CVD duty on certain steel products

	[Exemption hitherto available till 31 March 2022 is being	(up to 31 March 2022)	(up to 31 March 2023)
	extended up to 31 March 2023]		

Permanent revocation of anti-dumping duty or countervailing duty on certain products of steel on imports (w.e.f. 01 February 2022):

Notification No.	product	Exporting Country
54/2018- Customs (ADD) dated 18.10.2018		China PR
38/2019-Customs (ADD) dated 25.09.2019	,	China PR, Brazil, Germany
16/2020 - Customs (ADD) dated 23.06.2020	Flat rolled products of steel, (Al or Zinc coated)	China PR, Vietnam, and Korea RP
1/2017-Customs (CVD) dated 07.09.2017		China PR

- Clarifications on the scope of exemptions in relation to imports of CKD/SKD of EV (including commercial, passenger and two-wheeled electric vehicles)
 - For an EV kit to be eligible for the duty benefits available to a CKD form of an EV, each individual component in the kit need not be in a disassembled form.
 - Even if some components are missing in the EV kit, the benefit of concessional rate of duty available to CKD/SKD kits would still be available, provided it has the essential character of EV.
 - Lower BCD rate of 15% would be available only when none of the specified components, parts or sub-assemblies inter-connected with each other and not mounted on a chassis and for other SKD imports, concessional rate of 25%/30% would be applicable.
- Entry 531A of notification No. 50/2017 dated 30.06.2017 provides for concessional rate of Customs duty on import two-wheeled electrical vehicles. The words 'electric compressor' and 'contactor' have been deleted from this entry as these parts are not used in two-wheelers.



Impact analysis

Changes in customs duty rates and revocation of anti-dumping & CVD duty on certain steel products will nurture domestic manufacturing. Further, the amendment clarifying that import of EV in an SKD form even when some of the parts / sub-assemblies are inter-connected would attract the concessional rate of BCD of 25%/ 30% (depending on vehicle type) is a welcome change for the industry.

These measures, along with PLI scheme and other indirect tax incentive taken in last one year will herald domestic manufacturing for automotive sector.



Glossary

CKD- Completely Knocked Down

SKD- Semi Knocked Down

EV- Electric Vehicles

MOOWR- Manufacture & Other Operations in Warehouse Regulations

PLI- Production-linked Incentive

RoDTEP- Remission of Duties or Taxes on Export Products











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