ACMA

Automotive Component Manufacturers Association of India

Pre-Budget Memorandum for 2021-22

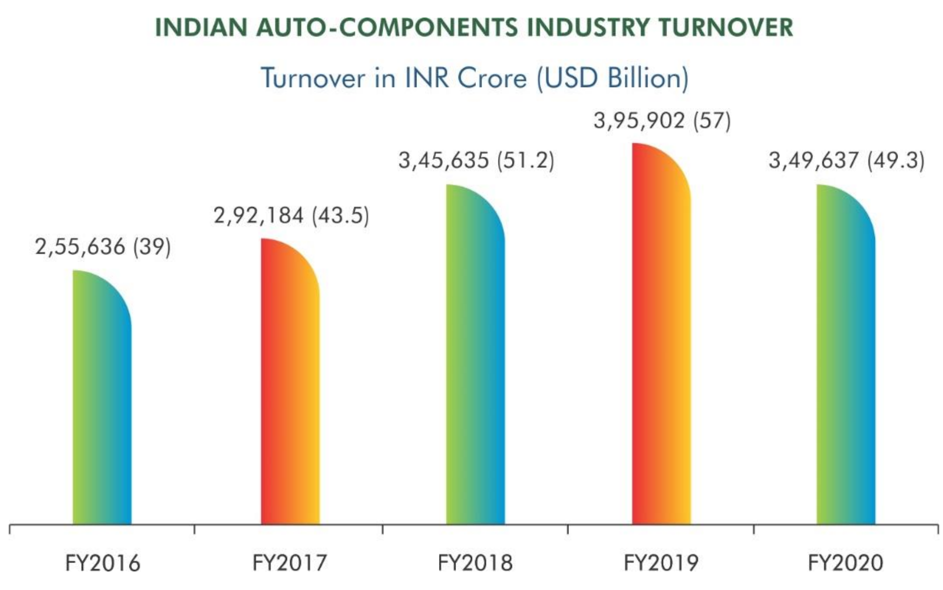
Contents

The Indian automotive components sector- A brief overview

The Indian auto component industry, with a well evolved manufacturing ecosystem, produces a wide variety of products including engine parts, drive transmission and steering parts, body and chassis, suspension and braking parts, equipment and electrical parts, besides others to service the dynamic automobile industry. The sector has also come under tremendous pressure due to lacklustre performance of the vehicle industry.

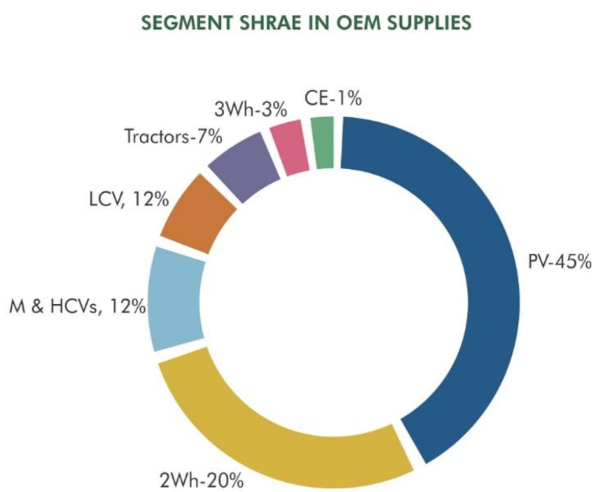
According to the National Skill Development Corporation (NSDC), the auto component industry provides direct employment for employs over 50 lakh people. The automotive component industry that contributes 2.3 per cent to India's GDP, 25 per cent to its manufacturing GDP.

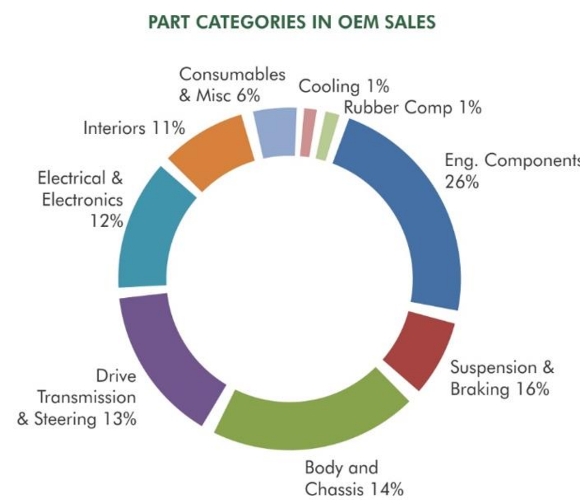
Production and Sales: The Auto Components Industry contracted by -11.7% to Rs. 3,49, 637 crore (USD 49.3 billion) in FY 2020. This Includes supplies to domestic OEMs, aftermarket and exports.



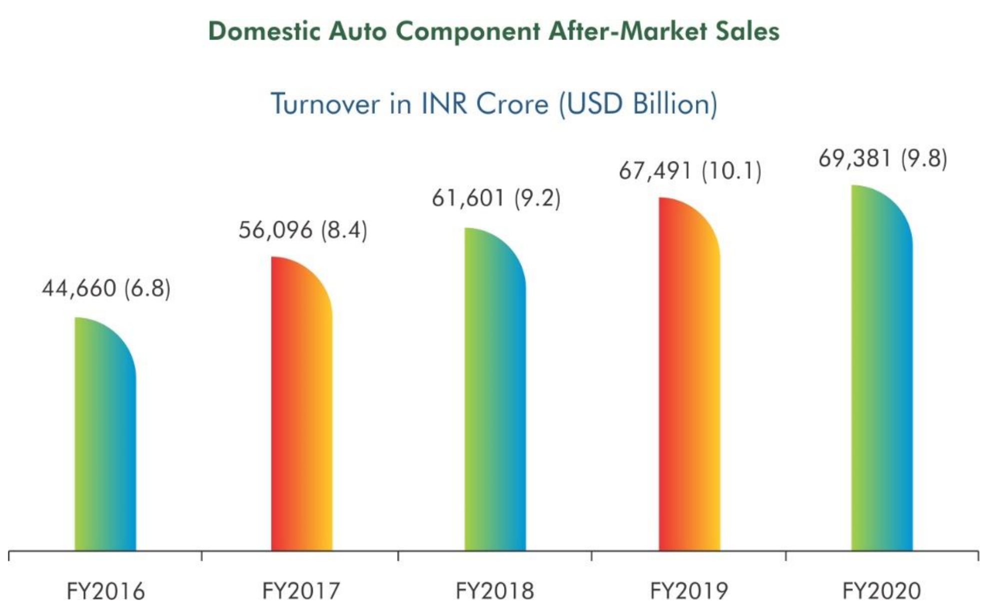
In terms of supplies to OEMs, passenger vehicles in the largest segment with 45.3% share, followed by 2 wheelers with 19.6%, M&HCVs 12.4%, LCVs 11.8%, tractors 6.5%, 3 wheelers 3.3% and construction equipment 1.2%.

In terms of category of parts supplied to OEMs engine components Is the largest segment with 26.1 % share, followed by suspension and brakes with 15.6%, Body and chassis.at 14.1%, drive & transmission at 13.2%, electrical and electronics at 12.4%, interiors at 10.8%, and consumables at 6.4%





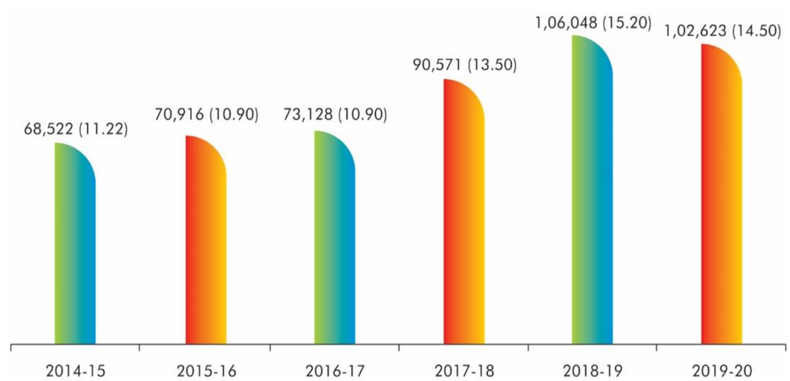
Aftermarket: The aftermarket in FY 2019-20 remained stable despite a downturn in the vehicle industry. The turnover of the aftermarket stood at Rs 69.381 crore (USD 9.8 billion) growing marginally by 2.8 per cent over the previous year.



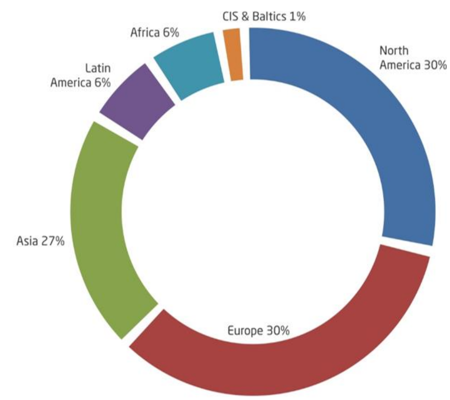
Exports: Exports of auto components witnessed degrowth of 3.2 per cent to Rs.1.02 lakh crore (USD 14.5 billion) in 2019-20 from Rs 1.06 lakh crore (USD 15.2 billion) in 2018-19. Europe accounting for 30 per cent of exports, saw a decline of 11 percent, while North America and Asia, accounting for 30 per cent and 27 per cent respectively remained stable.

The key export items included drive transmission & steering, engine components, Body/Chasis, Suspension & Braking etc.

Export Turnover in Crore (USD Billion)

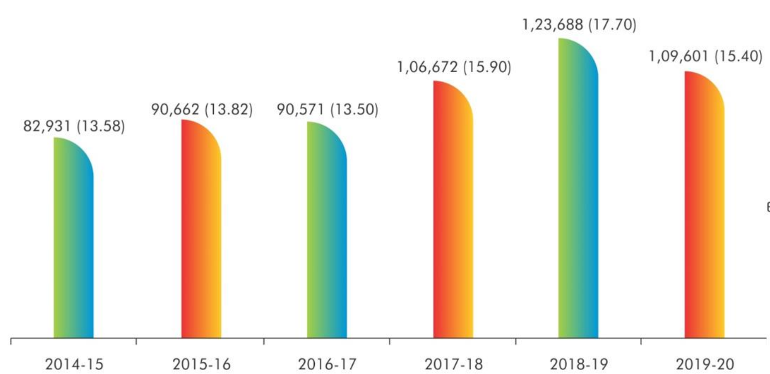


Auto Components Exports- Region wise

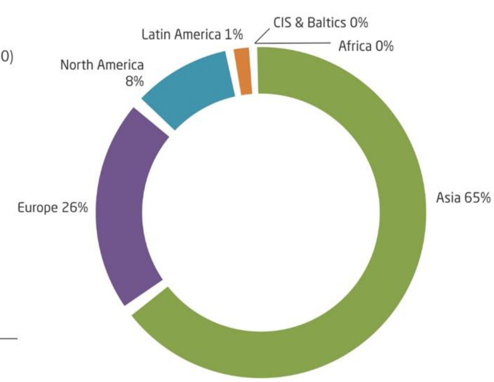


Imports: Slowdown in the domestic market also reflected on imports of component into India. Component imports fell by 11.4 per cent to Rs.1.09 lakh crore (USD 15.4 billion) in 2019-20 from Rs.1.23 lakh crore (USD 17.7 billion) in 2018-19. Asia accounted for 65 per cent of imports followed by Europe and North America at 26 per cent and 8 per cent respectively. Imports from Asia declined by 7 per cent, while those from Europe by 22 per cent and from North America by 17 per cent.

Import Turnover in Crore (USD Billion)



Auto Components Import-Region Wise



Indirect Tax

Issues & Recommendations

1. Increase import duty on all auto Components: 7.5%/ 10% to 15%

- There are 219 auto component tariff lines from 12 chapters under custom tariff, which covers majority of auto components, used by OEM and after markets. The Association, acknowledge and appreciate Government's efforts w.r.t. increased in duty rates on above auto-components, from tax rate of 7.5% and 10% (as applicable) to 15% in budget 2018 and 2019.

- However, it appears to us that auto-components falling under remaining chapters namely, Chapter 68, Chapter 70, Chapter 83, Chapter 90, Chapter 91 and certain tariff items falling under Chapter 40, Chapter 84, Chapter 85 and Chapter 87, have been overlooked unknowingly by the Government. The detailed 08 digit classification runs into 114 line items (please see **Annexure I**), under these chapter heading. The Chapter Heading (to the extent tariff items are covered under 7.5% and 10% Customs Duty), for which the proposed increase in Basic Customs Duty is sought is as follows:

Chapter	Description	Number of Auto Component Tariff lines which attract 7.5% and 10% Import duty
Chapter 40	Rubber and articles thereof	17
Chapter 68	Brake-Lining and Asbestos	2
Chapter 70	Glass	5
Chapter 83	Miscellaneous articles of base metal	2
Chapter 84	Machinery and mechanical appliances; parts thereof	55
Chapter 85	Electrical Machinery and equipment and part thereof	14
Chapter 87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	11
Chapter 90	Measuring, checking instruments or part thereof	7
Chapter 91	Instrument Panel Clocks and Clocks of a similar type for vehicles, Aircraft, Spacecaft or Vessels	1

With this background, and not limited to the interest of business, but in the larger welfare of the nation and society, we have listed down the reasons, justifying the request of our members, i.e. auto-component manufacturers in the organized sector, to increase Basic Customs Duty on auto-components *(mentioned supra)* from present 7.5% and 10% (as applicable) to 15%.

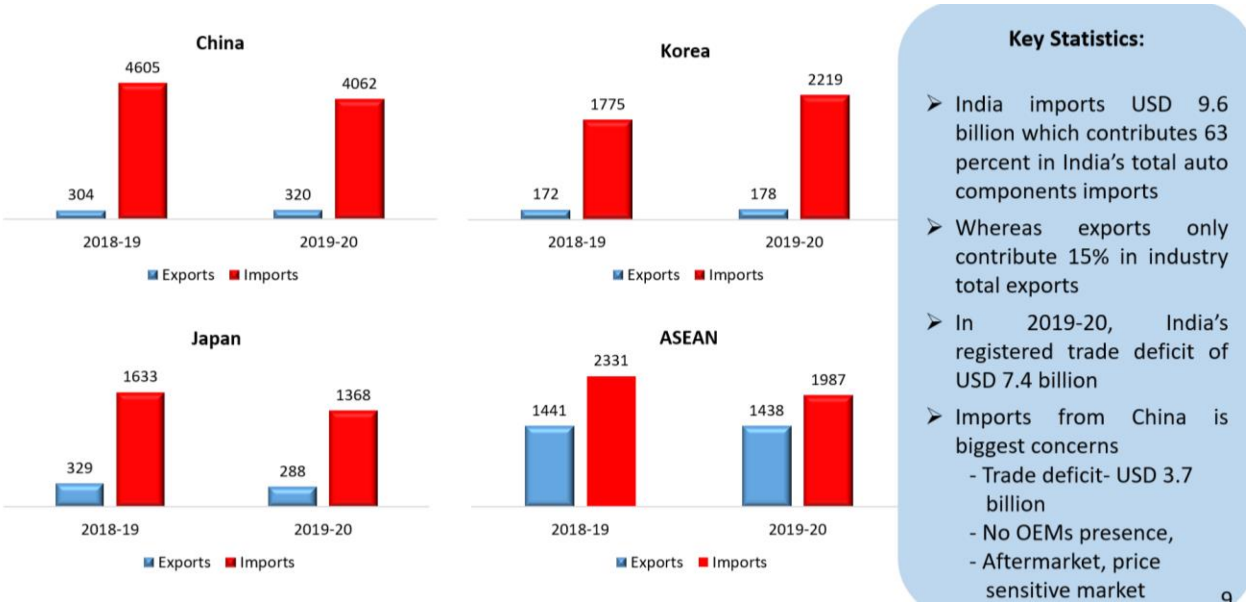
Proposal and reasons for, seeking increase in Basic Customs Duty from 7.5% and 10% (as applicable) to 15 %

a) **Increased import duty will help in minimizing the current trade deficit in auto component sector and will also support Government's proposals of Union Budget 2018 and 2019**

Exports of auto component sector currently contribute 25% to the total sector revenue and has grown at 8% since 2014-15. However, the import of auto component still exceed exports, resultantly lead to a trade deficit about USD 1.2 billion in 2019-20 Around 26% of the total imports into India have been from Chinese component suppliers followed by South Korea (14%), Germany (11%), and Japan (9%). India is a large exporter of engine and transmission components whereas imports are dominated by electrical and electronic components and modules.

On behalf of the Industry, the Association would like bring to your kind notice that India's auto-component **imports from China have surpassed more than 12 times the exports** that India makes to China. Our patrons, have also, observed that at times the landed product cost is substantially low than the cost of manufacturing in India. In Association's opinion, a high Basic Customs Duty would prove detrimental to India's imports of auto-components from China and many other countries and thereby protect indigenous market.

Increasing Trade Deficit is one of the biggest concerns of the Industry



Also, as per Automotive Mission Plan 2016-2026 ('AMP 2026'), Government policies should incentivize domestic capacity creation of imported items which contribute to a large proportion of imports such as electronic component and systems, high end plastics, and moulds and dies. The use of these items (especially automotive electronics) is likely to increase sharply in terms of value per vehicle in the future and, therefore, AMP 2026 stresses the need for stepping up incentives for encouraging local capacity creation.

The Auto Components Industry request of increased customs duty on auto-components is in line with Government's proposal under Union Budget 2018 and 2019. While, the import duty on certain components has already been increased in last two union budgets. In order to support Government's budget proposal, customs duty on remaining auto components should also be increased.

b) **Favorable policy measures from Government will help India in technological advancement and meeting global standards**

We understand, a section of the auto-motive industry could be advocating that increased Customs Duty will impede technological advancement in India, as imported components have better technology and standards. In this regard, the Association would like to take note of several policy measures taken by Government of India, specifically focusing on technological and skill upgradation in the auto-component sector. Reduction of imports will surely help in faster and successful implementation of those policies aiming at advance of technology and indigenous production.

c) **A boost to core automotive industry will also support a wide range of other business segments and provide impetus to employment generation in India**

A boost to the core automotive industry (vehicle and auto component makers) may also support a wide range of other business segments, both upstream (i.e. Mining, Steel, fuel, electronics, rubber, metal industry etc.) and downstream (i.e. Finance and insurance, aftermarket, transport, warehousing etc.), along with adjacent industries, leading to a multiplier effect for growth and economic development. The same will also provide impetus to employment generation.

Furthermore, the AMP 2026', recognizes that the automotive industry has achieved the target of incremental employment creation of 25 million jobs over the past decade. AMP 2026 aims to make the Indian Automotive Industry one of the largest job creation engines in the Indian economy. The policy, further acknowledges that the potential for incremental number of both direct and indirect jobs, that can be created by the Indian Automotive industry over the next decade is nearly 65 million.

While India is still struggling with the unemployment problem, an increase in customs duty on auto components will help in growth and development of domestic industries while parallelly solving the problem of increasing unemployment in India.

d) **Investments in auto-component industry are rising at a very fast pace as India is endowed with inbuilt competitive advantages. These indigenous advantages should be used to boost the domestic manufacturers, also with an aim to reduce the dependency on imported products.**

India has a cost-effective manufacturing base which keeps costs lower by 10-25 per cent relative to operations in Europe and Latin America. Furthermore, presence of a large pool of skilled and semi-skilled workforce amidst a strong educational system and being the 3rd largest steel producer globally, serves as major cost advantages for the industry.

FDI Investments in the auto components sector reached US$ 520 million in 2018-2019. Auto component sector is expected to invest around US$ 4.5 billion for upgradation of products & keeping up with the new industry regulations. The Association is of strong belief that as investments in India are rising at a very fast pace, the domestic industry should reduce their reliance on imported components and should focus on building new strategies, increasing R&D facilities and improving product development capabilities. One of the best way to discourage imports is by increasing the import duties on auto-components.

e) Increase in Basic Customs Duty on auto-components will help in fostering the objectives of 'The Automotive Mission Plan 2016-2026' which, *inter-alia*, includes encouraging the domestic auto-component industry, propelling 'Make in India' programme and saving India's substantial foreign exchange

The AMP 2026 is the collective vision of the Government of India and the Indian Automobile Industry. The AMP 2026 is aimed at bringing the Indian Automotive Industry among the top **03** of the world in engineering, manufacture and exports of vehicles & components; growing in value to over **12** percent of India GDP and generating an additional **65** million jobs **(Known as vision 3/12/65).** The AMP 2026, recognizes that the Indian Automotive Industry (both vehicles and auto-components) has the **potential to scale up exports** to the extent to **35-40%** of its overall output over the next ten (10) years and become one of the major automotive export hubs of the world.

Increase in rate of Basic Customs Duty will make import of these goods costlier and industry would be forced to explore domestic manufacture of these goods to reduce cost instead of importing these components.

The Association also put forth, that with the change market dynamics, demands and responding to regulatory environment there is an immense potential to be tapped, therefore, as a matter of preference the Government should consider protecting the interest of ingenious industry (by increased import duties). Few of the upcoming prospects, include planned introduction of Bharat Stage VI emission norms, implementation of security norms (airbag) etc., and a high Basic Customs duties on auto-components would mandate the OEM's to have a domestic manufacturing or procurements. We sincerely urge the Government to consider the interest and advancement of domestic manufacturers, to optimize the unutilized resource and potential in the market.

f) Increased Customs Duty will help domestic players to diverse their business in emerging mobility options such as Hybrid Vehicles, Battery Electric Vehicles, Fuel Cell Vehicles

Growing environmental and sustainability consciousness is driving the global Auto Industry towards green mobility technologies. Such a shift in technology is expected to create new markets in the Automobile Industry. An increase in Customs Duty on auto components at this stage, will help in control of imports at an early stage and accordingly, domestic players will be able to leverage on their local capacity for fulfilling the new demands of the industry.

2. Duty Drawback should be changed to FOB value basis from weight basis and Increase in All Industry Rate (AIR) of Duty Drawback

The bases for computation for Duty draw back rate on most of the items has been amended *vide Notification No.110/2015-Customs (N.T.) dated 16 November 2015, 88/2017- Customs (N.T.) dated 21 September 2017 and Circular No. 13/2014 – Customs dated 18 November 2014*. As per the said notifications and circulars duty drawback is calculated basis the weight of the products instead of FOB value of the same.

This aspect needs to be reconsidered for high technology items, since the focus is on manufacturing light weight and fuel efficient products. For ex:- for engineering and specialised products, the weight can't be right denominator to claim Duty Drawback. Therefore, companies not able to take DBK benefits as the product weight is low.

Further, GOI have raised Customs duty for many of the products, but have not raised corresponding all Industry duty drawback rates, this with accumulation of cases due GST re-organisation, have caused enormous amount of pain on the exporter in working capital management and put the business in stress.

Recommendation

The weight proviso may therefore be removed from engineering products, which entail research & development. Corresponding amendment should be made.

It is also recommended to re-evaluate All Industry Rates with an upward revision as with the increase in customs duty rates leading to higher costs, increase in All Industry duty drawback rates will help to partially offset the cost impact for exporters.

3. Grant of duty drawback on the basis of self-declaration of Credit not availed on the inputs

Duty Drawback scheme provided under Section 74 of the Customs Act, 1962 intends to provide drawback on the import duty paid on the import of goods into India which are re-exported under the following two circumstances:

- Re-exported without being put to use post importation
- Re-exported after being put to use post importation

While granting drawback the Customs authorities ensures that there is no unjust enrichment of the assessee, i.e. the assessee does not get drawback of the import duty paid. To ensure this, an exporter is required to submit before the Customs authorities, a Certificate issued by a Central Excise Officer certifying that the credit on imports has not been taken.

Recommendation

We are in an era of self-certification and control. The entire activity of tax estimation, collection, payment, filing of return is now based on self-assessment basis. Approaching the Central/State/UT GST officer for a certificate is a hassle for the small and medium enterprises.

Therefore, in order to promote an ease of doing business and to save time involved in the processing of drawback application, it is recommended that the exporters should be allowed to file a self-certification claiming that no input credit has been availed by them.

4. **Availment of credit of CVD and SAD paid under GST regime, on non-fulfilment of Export obligation under EPCG and Advance Authorisation**

As per the provisions contained in FTP read with HBP, an importer is allowed to import Capital goods on concessional rate of duty after obtaining an EPCG authorization. Basis the authorization, the importer is required to fulfil the Export obligation within subsequent 6 or 8 years as the case may be.

Further, under the Advance Authorization Scheme the importer is allowed the import of inputs to be made duty-free if they are physically incorporated in a product which is going to be exported. An export obligation is usually set as a condition for issuing Advance Authorization.

Provisions envisaged under HBP provides that in a case where the assessee has an EPCG authorization or Advance Authorisation and due to his inability to fulfil the export obligation during the time period allowed, in such a case, the assessee is required to pay Customs duty saved at the time of import, along with applicable interest.

In a scenario where the EPCG authorizations/ Advance Authorizations were issued in the erstwhile regime are still valid in the GST regime (time limit is expiring in the GST regime) and the exporters are unable to fulfil the Export obligation within the prescribed time limit, in such a case, the exporters are facing an issue with respect to the availment of credit of the CVD and SAD paid on such non-fulfilment of Export obligation. Currently, there are no provision under the GST law which provides for availment of credit of such CVD and SAD paid in GST regime on suo-moto basis. Also, there are no provisions in the Customs Act, 1962 and the Foreign Trade Policy to allow credit of CVD and SAD pertaining to the erstwhile regime which is paid in GST regime. Section 142(8)(a) of the CGST Act, 2017 expressly states "*where in pursuance of an assessment or adjudication proceedings instituted, whether before, on or after the appointed day, under the existing law, any amount of tax, interest, fine or penalty becomes recoverable from the person, the same shall, unless recovered under the existing law,* ***be recovered as an arrear of tax under this Act*** *and the* ***amount so recovered shall not be admissible as input tax credit under this Act."***

Further, it is pertinent to highlight that there have been judgments wherein it has been ordered that if there is a bonafide default in fulfilling the export obligation against the advance authorization licenses issued and the appellant has accordingly paid the custom duty comprising of CVD and SAD, the refund application filed by the appellant in pursuance of the said custom duty has been admitted and refund has been granted.

Recommendation

Had the assessee paid such CVD and SAD at the time of importation of the subject capital goods without availment of the benefit under EPCG Scheme and availed cenvat credit thereof, the assessee could have carried forward such cenvat credit in its electronic ledger under GST regime by virtue of Section 140 of the CGST Act.

Such restriction is contrary to the overall scheme of allowing the transition of Cenvat credit relating to the existing laws and is causing undue commercial hardship for the tax compliant corporate citizens.

Therefore, it is recommended that either:

- An amendment in to be made in Section 142(8)(a) of the CGST Act, so as to allow the availment of IGST credit under the GST regime, of the CVD and SAD paid by the importer for non-fulfilling of export obligation; or

- Refund of the Customs duties being CVD and SAD payable by the importer for non-fulfilling of export obligation should be allowed to such importer

5. Constitute Customs Advance Ruling

Chapter VB of the Customs Act, 1962 was amended by Finance Act, 2018 to provide the formation of new '**Customs Authority of Advance Rulings**' for the faster decision making and to reduce the overall time period within which the Advance Ruling can be obtained by the applicant.

As on date, the aforesaid 'Customs Authority of Advance Rulings' has not been formed and the applications are still being filed with the existing Authority of Advance Rulings constituted under Section 245-O of the Act. The existing Authority of Advance Rulings constituted under Section 245-O of the Act is common for both Customs and Income Tax applications and as result the average time period for obtaining advance ruling is 6 to 12 months.

Recommendation

As a trade facilitation measure, whereby the applicant can obtain advance ruling within shorter time frame, the separate 'Customs Authority of Advance Rulings' needs to be constituted and made operational without any further delay.

Direct Tax

Issues & Recommendations

1. **Relief for Business loss incurred during spread of COVID-19 pandemic in the Financial Year 2020-21**

   COVID-19 pandemic has badly impacted the India economy as the whole country was under lock down for more than 50 days and thereafter partially business activities were resumed in phase manner. Automotive industry which is not only the revenue generator to the exchequer, generating huge employment directly and indirectly was badly affected.

   During the lock down period every industry barring Pharmaceutical, Healthcare & FMCG units had incurred cash losses to survive the lock down period. It is pertinent to mention that COVID-19 disaster not only affected the current fiscal year (FY 2020-21), however, its impact will also be seen in the coming years.

   Indian industry, particularly automotive industry has to pace with globalization, technology upgradation and keen to aggressively participate in "Atmanirbhar Bharat Mission" of Prime Minister of India. All the activities require financial liquidity for an industry, hence support from Ministry of Finance (Govt. of India) is essential to overcome the business losses incurred during FY 2020-21.

Recommendation

- Ministry of Finance may consider incentivising the industry by way of benefit, either by **(a) cash refund of tax loss** i.e. equivalent to the applicable tax rate on the entity (e.g. 25.17%) of the business losses computed under Income Tax Act, 1961 or **(b)** by treating the same amount as **payment of advance tax** for FY 2021-22.

- It will be beneficial to the industry as immediate cash support will be available and industry can be more aggressive while planning their CAPEX. More liquidity in hand will boost the demand in the economy, generate revenue to exchequer and resultantly GDP of the country will increase, also will result in generation of employment.

- Alternatively, currently Income Tax provisions allow to carry forward the business losses for 8 (eight) assessment years within the ambit of Section 72 of the Income Tax Act, 1961. Keeping in view the burden of current year profitability and liquidity as well as unforeseen impact of COVID-19 pandemic in next two or three years, Government of India should extend the said time period from 8 years to 12 years to set off the business loss under section 72 of the Income Tax Act. This will provide

8 clean years to the industry after neutralising the impact of COVID-19 in next three or four years.

- It is worthwhile to mention that even the developed countries have extended the period of set off the business losses to 12 to 15 years.

- Nevertheless, preference of industry would always be to seek cash refund of tax losses as mentioned above since it would have a better impact on the availability of financial liquidity with the industry in comparison to extending the time period from 8 years to 12 years for setting off the business losses.

2. Extending tax rate benefits to existing manufacturers and to Individuals/ partnerships

The automotive component industry is facing tough time due to recessionary slowdown in the sector. The Taxation Amendment (Ordinance) Act as promulgated has reduced the effective tax rate on companies to 25.17% (22% tax + 10% surcharge + 4% cess). Further, for companies newly set-up and engaged in manufacture, corporate tax rate has been reduced to 17.16% (15% tax + 10% surcharge + 4% cess).

Although the tax rates have been slashed substantially however, it has resulted only marginal relief for small manufacturers as their tax rates reduced from 26% (25% + 4% Cess) to 25.17%. Further, the preferential tax rates are only available for the corporate assessees and not to Partnerships/ LLPs which constitute major strata in the industry.

Recommendation

- Government may consider extending the benefit of Section 115BAB (i.e. 17.16% tax rate) to existing automotive component manufacturers as well to reduce the tax burden.

- The tax rate on individuals and partnership firms/ LLPs engaged in manufacturing of automotive components should be reduced to match the tax rate applicable on the companies. Accordingly, the government may consider covering such partnership firms/ LLP in the scope of Section 115BAA & 115BAB of the Act.

- It is suggested that sections 115BAA and 115BAB should be amended to provide the deductions under Chapter VI-A of the Act. Without prejudice to the foregoing, at least deduction of "Donation" made under section 80G should be allowed. This will encourage corporate sector to spend amount on social and charitable causes.

- It would help automotive component industry to enhance India's competing skills in the global market and helps the automotive component manufacturers in improving the margins.

- Section 115BAB provides benefit only to companies who are engaged in 100% manufacturing only, however there are many auto players who are involved in service and trading activities along with their manufacturing activities, no matter how small or insignificant. Such manufacturers with little or insignificant service/ trading activities are devoid of section 115BAB benefit. Hence, it is suggested that the benefit of section 115BAB should be provided to the entities whose small portion of revenue are derived from service and trading functions

3. Consequences of breach of conditions of Section 115BAB of the Act

Issue

- Section 115BAB of the Act stipulates many conditions that are to be satisfied by a company exercising the option to avail lower tax rate of 15%, there is no clarity on the consequences that may follow in the event of breach of any of the conditions which result in the company falling outside the scope of s. 115BAB (Illustratively, where a company post exercise of the option u/s 115BAB carries on some non-qualifying operations). Doubts have arisen whether such a company will be taxed at normal rate of 30% (plus applicable surcharge and cess) or whether it can avail the benefit of s.115BAA which provides for lower effective tax rate of 25.17%? This question is also pertinent if dispute arises in the assessment where the Tax Authority denies the benefit of s.115BAB by alleging breach of some condition.

- For availing the benefit of section 115BAA of the Act, the company needs to exercise the option in the return of income. A company availing section 115BAB of the Act benefit would have exercised option in favour of section 115BAB of the Act in its first return. There is no statutory mechanism provided for the company availing section 115BAB of the Act benefit to fall back on section 115BAA of the Act benefit in case of any breach of section 115BAB of the Act condition or in the event of dispute arising in its assessment.

- It may be noted that a company fulfilling section 115BAB of the Act conditions would also be compliant with section 115BAA of the Act condition of computing total income without availing any tax incentives. Even if there is breach of formative condition or there is use of second-hand plant & machinery beyond 20% threshold, the company's computation would be in line with section 115BAA of the Act and hence, it should not be deprived of section 115BAA of the Act benefit, if for any reason, it is denied benefit of section 115BAB of the Act.

- Further, it is not clear as to what will be the impact of venial breach of condition by the taxpayer. Say, for instance, in a particular year, the use of second-hand plant and machinery marginally (say, 22%) exceeds the permissible limit of 20% of the total value of the plant and machinery used by the taxpayers. The company was otherwise eligible to claim the benefit of section 115BAB of the Act in all the past and subsequent years. It needs to be suitably clarified that the company shall not be eligible to claim the benefit of confessional tax regime only in the year of breach of condition and it's claim to avail benefit of concessional tax regime in future or past years shall not be impacted.

Recommendation

- It is recommended that, to provide clarity and certainty, a company which loses shelter of section 115BAB of the Act may, at its option, be allowed to be governed by section 115BAA of the Act.

- Alternatively, a company exercising its option under section 115BAB of the Act may also be concurrently permitted to exercise its option under section 115BAA of the Act to enable claim of benefit of either provision so long as conditions stipulated therein are fulfilled.

- Furthermore, it may be clarified that in case of breach of conditions in a particular year, the claim of the taxpayer to avail concessional tax regime in future or past years shall not be affected if it otherwise fulfils all other conditions in those years.

4. Investment Allowance (section 32AC)

As per the subsisting provisions, investment allowance under section 32AC was available @ 15% of actual cost of new assets acquires and installed by manufacturing companies, if investment was more than INR 25 crore in new plant and machinery acquired during any previous year during the period 1.4.2014 to 31.3.2017 and installed on or before 31 March 2017.

Recommendations

- This provision (or other similar provision) should be reintroduced to boost the capital sector/ Make in India programme so that the manufacturers are motivated to invest in new technologies/ areas specifically Electric Vehicle (EV) and its components/ anciliaries related plant & machinery.

- Further, the minimum amount of investment shall be reduced from INR 25 crore to INR 5 crore to provide benefit to small manufacturers.

- It is suggested that the scope of investment allowance should be enlarged to include the amount invested in the new building as well as it constitutes a major portion of the total investment. In such cases, the benefit should be allowed on completion of building.

- Also, the key condition of using 'new' plant & machinery should be removed to motivate small manufactures who cannot afford brand new plant & machines. This will promote recycle/ re-use of old machines keeping environment degradation into consideration.

- This benefit should be given in addition to the lower rate of tax allowed under Section 115BAA & 115BAB.

- The investment allowance should be reduced while computing book profits of the company under section 115JB of the Act (other than 115BAA/BAB cases). Further, specific provisions for carry forward and set off of investment allowance for an indefinite period should be brought in the Act.

5. Phasing out of in-house Research & Development weighted deduction

While the United States and Japan remain leaders in innovation, there is an increasing shift of R&D to the Asian Growth Markets. The Asian economies, especially countries such as China, Japan, South Korea and India, are likely to drive the growth for years to come. Countries such as China, India, Korea, Brazil and Eastern Europe are now able to compete with the leading countries in R&D for development of the most sophisticated and technologically complex new products.

India is increasingly becoming a top global innovation player in fields involving automotive parts and assembly. In-house research and development facility have become a necessity for keeping up with the pace of innovation efforts being made by the global counterparts of Indian auto component manufacturers. Presently, weighted deduction benefit has been reduced from 200% to 100% from 1st April 2020 under section 35(2AB) of the Act for in-house research and development facility. However, this deduction is not available for expenditure in the nature of cost of any land and building.

Further, weighted deduction under section 35(2AB) is available only while computing taxable income under the normal provisions of the Act and not book profit under section 115JB of the Act, resulting into accumulation of tax paid on book profit to be carried forward.

Recommendation

- The benefit of weighted deduction of R&D expenses should also be allowed where contribution is given to third party R&D service providing companies to encourage localized designing of products.

- Since in-house research and development is an integral part of auto industry and a huge amount is incurred on building for setting up research and development facilities, such benefit should also be extended on expenditure incurred on building (or part of building) exclusively used for R&D.

- To fulfill Prime Minister's vision of Aatmanirbhar Bharat, there is an urgent need to start spending on research and development activities by domestic companies to decrease our dependency on countries like China, Japan etc. for automotive parts. So to encourage spending on R&D activities by domestic automotive players (small or big), increased rate of 150% weighted deduction should be provided on expenditure related to these R&D activities u/s 35(1) as against current deduction of 100%.

- Further, for small manufacturers of auto parts, it becomes significantly difficult to avail benefit of section 35(2AB) due to extensive compliance and approval procedure. Therefore, additional benefit by way of increasing the existing weighted deduction from 100% of the expenditure to 200% should be given to motivate spending on inhouse R&D facilities. This will also promote "Make in India" vision.

- Further, in order to promote in-house R&D in India, the amount of weighted deduction under Section 35(2AB) may be allowed to be deducted while computing minimum alternate tax under section 115JB. It will also take care of accumulation of MAT credit.

- At present, there is ambiguity whether roads constructed for test tracks to be regarded as plant & machinery for allowing weighted deduction under section 35(2AB) of the Act. In order to avoid litigation, it should be clarified that such expenses are allowable as deduction under section 35(2AB) of the Act. Further, various essential and integrated R&D expenses, such as expenses on development of prototype, etc. should be allowed as deduction by providing specific guidelines in this regard to avoid unnecessary litigation in future regarding allow ability of such expenses.

- Additionally, even for expenses incurred outside like testing fee, consultancy fee, weighted deduction under Section 35(2AB) should be allowed.

6. Rationalization of Patent Box Regime under section 115BBF

Finance Act, 2016 introduced new section 115BBF, as per which qualified taxpayers can claim beneficial tax rate of 10% (on gross income basis) in respect of income from exploitation of patents developed in India. The benefit of beneficial rate was restricted to true and first investors only in whose name patent is registered. The Patent Box Regime law introduced in India needs to be rationalized further for its true benefits. Below are some of issues in existing tax benefit law:

Issues

- The requirement of patent being registered in India under the Patents Act raises an ambiguity, whether royalty received from overseas in respect of patent developed in India, which is registered both in India and outside India will be denied the benefit on the ground that the royalty is relatable to foreign patent and not Indian patent.

- There is no provision for continuation of the concessional rate of tax to the successor in case of tax neutral mergers and demergers and/or succession by way of slump sale or death of the inventor which may result in unwarranted denial of benefit and impediment to ease of doing business.

- Section 115BBF provides the benefit of reduced rate of tax to only 'royalty' income derived from patents. This suggests that companies which hold patents and exploit them commercially by manufacturing and selling goods / articles may not qualify for benefit of reduced rate, since they do not earn 'royalty' income per se. This will necessitate division of businesses into patent holding companies and companies that exploit the patent, which is artificial and serves no commercial purpose.

- The concessional tax rate is not applicable in respect of royalty received as capital gains. The taxpayer may exploit the patent by outright transfer. There is no reason to exclude amount which is chargeable as capital gains in the hands of the taxpayer

Recommendation

- It should be clarified that royalty received from overseas for a patent which is registered in India as also in a foreign country also qualifies for concessional rate of tax. The benefit should not be denied on the ground that such royalty is attributable to foreign patent.

- In case of a business re-organisation in the form of merger, demerger etc., the successor entity and in case of death of the patent owner, its legal heir/inheritor of the patent should be considered as eligible to claim the benefit provided such successor/legal heir satisfies the condition of being a resident of India

- It is recommended that a concessional rate be extended to companies that exploit their own patents in the manufacture and sale of articles, by imputing a 'royalty' income determined on the basis of the arm's length principle

- It is recommended that concessional regime should also be extended to capital gains arising in the hands of the taxpayer on account of transfer of patent.

7. Change in due dates for payment of advance tax

- Given the uncertain times, it becomes very difficult for the automotive players to predict demand beforehand and the amount of profit which leads to haphazard compliance of advance tax provisions.

- As per section 211 of the Act, companies must pay 15% advance income tax on or before the 15th June each year. This causes unnecessary hardship, since it is extremely difficult to compute taxable income within 75 days from the commencement of the financial year projections for depreciation (due to new acquisition or sell), TDS certificates that may be received, for example, cannot be ascertained accurately. Moreover, projections of profitability tend to vary from month-to-month.

- Also, the requirement to pay 100% of the amount computed as income tax on or before 15th day of March each year results in curtailing cash inflows of companies.

Recommendation

- The provision requiring payment of 15% as advance income tax on or before 15th June in each year be removed.

- The schedule for payment of advance tax should be fixed in such a way that not more than 75% is payable as advance income tax on or before the 31st March each year, and 100% by 15th June of next financial year.

- This will enable assessee to pay tax more correctly. Revenue collection of government will not be affected, as government will receive last instalment of advance tax in June of next financial year, instead of first instalment. It is suggested that suitable amendment be made in the Act in this regard.

- The amended dates for advance tax payment are suggested as follows:

  - First instalment - 15 September – 25%

- Second instalment – 15 December – 30%
- Third instalment – 15 March – 30%
- Fourth instalment – 15 June of next financial year – 15%

8. Revision of limit of advance tax

As per the subsisting provisions, advance tax is payable during a financial year where the amount of such tax payable by the assessee during that year is INR 10,000 or more. Such limit of advance tax of INR 10,000 was set by the Finance Act, 2009. Further, in cases where the tax deducted by employer on salary is less requiring the employee to pay advance tax and interest liability causing hardship on the employees.

Recommendation

- Considering the inflationary conditions prevailing in India, the advance tax limit should be increased to at least INR 25,000. Further, where the advance tax payable by an assessee for a particular financial year is less than a specified limit, the flexible payment of advance tax should be allowed on or before 31 March of the respective financial year, instead of mandatory advance tax deposit for each instalment.
- Further, a clarification shall be brought to exclude the persons earning income only from salary from the purview of advance tax provisions.

9. Enhancing depreciation rate

- Auto Industry is a capital-intensive industry and the cost of plant and machinery generally utilized in this industry is very high. The need of the hour for the industry is investments and capacity addition and the rate increase will provide a substantial incentive to component manufacturers to invest in capacity.
- In this era of “Make in India” and “Aatmnirbhar” India the government should provide some incentive to the capital-intensive companies such as auto parts manufacturers etc., so that they can compete with countries like China, Thailand, Brazil, who have a significant infrastructural advantage. However current depreciation rate of 15% does not assist auto companies in meeting the objective of timely accumulation of funds for replacement of assets.
- Further, in certain cases plant and machineries that are generally used for double/ triple shift basis. However, the current depreciation provisions do not distinguish such case to provide a higher rate of depreciation.

Recommendation

- Current depreciation rate of 15 percent, being very low, should be increased to at least 25 percent and to 40 percent for domestically manufactured capital goods to encourage local manufacturing. The same will help in arriving at more realistic taxable revenue for auto players and at the same time assist in leaving adequate funds for replacement of assets.
- Further, the capital goods industry in India is struggling. In order to boost the demand of domestically manufactured capital goods, it will be helpful if the Government can notify higher depreciation rates for capital goods procured domestically as against the goods imported. Such proposal will not have any impact on the revenue flows to the government, as the same will only have a timing impact and at the same time the taxpayer can get benefitted by increased cash flows in the initial years. Further, this may also put a deterrent to the practice of importing goods where the same quality capital goods are available domestically.

10. Additional incentive under Direct tax to expand scope of FAME-2 Policy

The government has recently issued a scheme for Faster Adoption and Manufacturing of Electric Vehicles in India Phase II (FAME India Phase II) policy. The policy inter alia includes demand incentives to be given for generation of demand of electric vehicles ("EV") in India. However, there is no direct incentive given by the government for promotion of manufacture of EV components.

The Finance Minister in her budget speech 2019 has announced that tax incentives will be given for investment in sunrise and advanced technologies.

Recommendation

Keeping in view the overall agenda of the Government in moving towards promotion of EV, we recommend for providing tax holiday for at least 4-5 years for companies engaged in production and development of components for EV basis the technology transfer/ development.

This will encourage many new players in manufacture of EV. Consequently, it will help in making India into a manufacturing and export hub for electronic vehicles.

11. Rationalising the margins under Safe Harbour rules for EV auto component manufacturers in India

The safe harbour rules provides standard rates of operating profit margin for manufacturing and export of auto components.

In March 2019, Government of India has introduced FAME-II policy to promote Electric Vehicles in India. Huge subsides given under FAME-II policy that will certainly encourage EV sales in India and attract investments in India from global/domestic players. On the other hand, to support Electric vehicle supply chain, Government has not incentivized EV Auto Components Manufacturing in India. Foreign Investment in India in this area can play a bigger role in order to support supply chain. Foreign Investment in this space can help for creating viable ecosystem to boost Electric Vehicles sales in India.

Recommendation

- It is recommended, the definition of core Electric auto components should be widened by including the specific provisions with respect to manufacturing of electric vehicle components so as to boost the overall agenda of the government under the FAME India Phase II policy.

- Standard rate of 5% can be recommended under Safe Harbour Rules

- This recommendation will help India to attract investment and make India as export hub for EV auto components export to the world

Illustrative list of key EV auto Components that can be included in the provision:

(i) Battery Pack
(ii) Battery Charger;
(iii) AC or DC Motor;
(iv) AC or DC Motor Controller
(v) Power Control unit (inverter, AC/DC converter, condenser);
(vi) Energy monitor;
(vii) Contactor;
(viii) Brake system for recovering;
(ix) Electric Compressor

12. Permissibility of new claims during assessment proceedings.

Tax officers taking directions from the Supreme Court ruling in the case of Goetze (India) Ltd. reject claims made by taxpayers during assessment proceedings which are omitted to be claimed in the return of income. This causes hardship for the assessee where they have missed to claim certain deductions in the return of income and due date for filing revised return under section 139(5) of the Act has lapsed.

Considering that the Finance Act, 2017 has further limited the time of filing revised return by 1 year, this shall cause severe hardship for assessee who have missed to claim certain deductions in return of income.

Recommendation

Reference is placed on order – instruction dated 11 April 1955 given by Income tax department in which it is clearly specified that "Department Officers should adopt the right attitude in matters affecting the assesses interest and It is their duty to assist a taxpayer in every reasonable way, particularly in the matter of claiming and securing reliefs".

Further, to avoid undue hardship to the assessee, we suggest that the Act should be suitably modified to provide that tax officer is duty bound to allow legitimate claims of taxpayers made during assessment proceedings. This will surely improve the ease of doing business in India.

13. Carry forward/ Refund of excess Foreign Tax Credit (FTC)

The foreign tax credit is a non-refundable tax credit for taxes paid to a foreign government.

Residents are allowed to claim FTC in the year in which the income corresponding to such tax has been offered to tax or assessed to tax in India as per Rule 128 of the Income tax rules.

At present, the Income Tax Act allows credit of FTC paid on foreign income. However, in case of loss/ inadequate profits, no set off may be possible. In the current economic scenario of the global economy, business outlook has become extremely uncertain and results have become very volatile.

Recommendation

In case assessee is not able to utilize the entire FTC due to loss or inadequate taxable income computed as per the provisions of Income Tax Act, assessees should be allowed to claim refund of the unutilized FTC paid in the same year in which the foreign income is offered to tax.

Without prejudice to the abovementioned recommendation, assessees should at least be permitted to carry forward such unutilized FTC for adjustment in future years if refund could not be granted.

14. Section 35D - Amount paid for increase in authorized capital

As per Section 35D, any capital expenditure did before the commencement of operation of specified business then such expenditure is allowable as a deduction under the income tax in 5 equal annual installments subject to the fulfilment of different conditions given under the Income Tax Act.

Issue

Currently, amount paid for increase in authorized capital is not allowed as deduction. After a company is incorporated with a minimum paid up capital, if it wishes to increase its authorised capital, the company is required to pay registration fee to Registrar of companies. Fee on incorporation of a company is allowed as per specified limits in 5 installments u/s 35D, however amount paid for increase in authorized capital is not allowed as deduction at all, though the amount is paid to government as a fee.

Recommendation

It is suggested that fee paid to Registrar of companies for increase in authorized capital may be allowed as revenue expenditure in 5 equal instalments u/s 35D.

15. Tax treatment in normal tax computation of Ind AS adjustments made in financial statements

With Ind AS applying for many companies, the Government has come up with tax treatment under MAT provisions of various Ind AS adjustments done in the financial statements. However, many such adjustments represent notional income or expense for which the tax treatment is neither specified under the Act nor there are any specific judicial precedents to provide clarity to the taxpayers.

Also, Income Tax Act provisions are not very clear on Ind AS adjustments relating to fair value of assets and liabilities.

Recommendation

To avoid unnecessary litigation and interpretational issues regarding the tax treatment of Ind AS adjustments in normal tax computation, it is recommended that Government should come up with specific provisions to address this issue. It is suggested that MAT on notional transactions and capital items under Ind AS should not be levied. This will not only promote consistency amongst taxpayers but also reduce chances of litigation in future.

16. Abolish Minimum Alternate Tax ("MAT") provisions

The Income tax Act provides for taxation of companies under two provisions i.e. under normal provisions of the Act and under MAT provisions. The objective behind introduction of MAT provision is to tax those companies which have profits in the books of accounts but end up in not paying tax due to computation of income as per the provisions of the Act. After introduction of ICDS, the computation of income as per normal provisions are also in lines with the accounting principles only.

Recommendation

To avoid notional taxation on companies, the provisions of computation of tax under MAT should be abolished. Further, the companies shall be allowed to carry forward and set off MAT credit available with them.

17. Depreciation in case of succession/ slump sale

- The proviso to section 32 provides that the aggregate deduction, in respect of depreciation shall be allowable to the predecessor and the successor in the case of succession or to the amalgamating company and the amalgamated company in the case of amalgamation or to the de-merged company and the resulting company in the case of de-merger in the ratio of the number of days for which the assets were used by them.

- However, due to practical and administrative difficulties, there may be a time gap between holding of the asset and using the asset so transferred.

- Further, law is not clear regarding the claim of depreciation in case of slump sale. Issue arises whether depreciation can be claimed on the basis of proportionate number of days by the transferor and the transferee company in case of slump sale considering the proviso to section 32 read with section 170 of the Act.

Recommendation

- To avoid genuine difficulties in such cases, instead of the words, "used by them", the words "held by them" should be substituted in the proviso to section 32.

- Section 32 should be amended to clarify the legal position as to whether depreciation can be claimed based on proportionate number of days by the transferor and the transferee company in case of slump sale.

18. Expenditure incurred on power from renewable sources

As part of the Union Budget 2015, the finance minister emphasized on achieving the 1,75,000-megawatt target set for clean energy installations by 2022. In this regard, emphasis has been given on the installation and increasing the capacities from renewable sources of energy. However, no incentive or emphasis has been given to the corporate end users for using clean energy sources as against conventional sources of energy. Considering installation of renewable energy technology involves huge investment, tax incentives on the same may be provided.

Recommendation

Tax benefits should be made available to the users of green technologies to incentivize and popularize clean energy sources in the following forms:

- Weighted deduction at the rate of 125% should be granted to users on technological spend of capital nature incurred on implementation of clean energy which will contribute to the Swachh Bharat vision.

- Weighted deduction at the rate of 100% on technological spend of revenue nature should be made available to its users

19. Allowance of Corporate Social Responsibility (CSR) Expenses

Section 135 of Companies Act, 2013 (Cos Act 2013) provides that companies having net worth of INR 500 crores or more, or turnover of INR 1,000 crores or more, or a net profit of INR 5 crores or more need to spend 2 percent of their average profits for CSR purposes (Applicable w.e.f. 1 April 2014). Activities specified in Schedule VII of Cos Act 2013 alone qualify as CSR.

Issue

- Finance Act 2014 has clarified that expenditure incurred u/s 135 of Cos Act 2013 shall not be deemed to be an expenditure for purposes of business under section 37 of the Act. Accordingly, CSR expenditure shall be disallowed if it's not of the nature described under section 30 to 36 of the Act.

- Currently companies incur large expenditure towards its corporate social responsibilities. These expenses are essential for the companies to establish their reputation and brand in the market. However, due to clarification given in Finance Act, 2014, such expenses shall not be considered as business expense and thus shall not be allowed as tax deductible expense to the assessee unless specifically allowed under any provisions of the Act.

Recommendation

- As the Companies Act 2013 mandatorily requires companies to spend on CSR activities, specific provisions to allow 100 per cent deduction should be provided under section 37(1), in keeping with the fact that it is a charge on the profits of the company to avoid hardship on corporates.

- Alternatively, at least 50 percent expenditure should be allowed as deduction applying same principal as applicable to "Donation" which is allowed to the extent of 100% or 50% under section 80G.

20. Conditions applicable to certain re-organizations - Section 47

Section 47A(1) of the Act provides that in case holding company does not continue to hold 100% of shares of the subsidiary company or converts/treats the transferred asset as stock-in-trade, within a period of 8 years from the date of the transfer of capital asset, the gains exempted under Section 47(iv)/ (v) of the Act shall be taxable in the hands of the transferor company in the year of transfer.

Issue

- It shall be noted that a period of 8 years is too long.
- Further, in any case such income should be taxable in the year of event specified in the Section and not in the year of transfer of capital asset.

Recommendations

- Section 47A(1) of the Act should be amended to reduce "period of 8 years" to a reasonable time i.e. "period of 5 years".
- Further, in any case, such income should be taxable in the year of event specified in the section and not in the year of transfer of capital asset.
- Words 'profits & gains' in Section 47A (1) of the Act should be replaced with the word 'income'.

21. Time limit for holding a Taxpayer to be an 'Assessee in Default' for Payments

Section 201(3) of the Act states that no order under section 201 of the Act shall be passed holding an assessee to be in default for failure to deduct whole or part of tax from a person "resident" in India after the expiry of 7 years from the end of the financial year in which payment is made or credit is given.

Issue

However, no such time limit exists where payment is made to a non-resident without deduction of taxes.

Recommendation

In order to provide certainty to taxpayers, it is recommended that similar time barring provisions should be introduced even in cases where payments are made to non-residents without deduction of taxes.

22. Assessee in default under section 201

Issue

- Various Indian Automotive manufacturer companies make payments to foreign companies for services rendered (FTS/Installation/Consultancy etc.). This arrangement is inevitable for capital intensive technology driven companies due to inadequate vendors in India. The payments in such contracts are made based on NO PE certificate and tax residency certificate obtained from the foreign company.

- It may be noted that the final tax position (i.e. having a PE or not) of a foreign company in India depends on fact of the case and such facts would not be available with the Indian company. However, if later during the assessment proceedings of foreign company in India, the tax authorities hold that foreign company has a PE in India, the Indian company is held as assessee in default under section 201 of the Act for non-withholding of tax on payments to such a foreign company.

- It is emphasized that even though the Indian company exercised due diligence while determining TDS liability on the payment to a foreign company it is still liable to face consequences for default in non-withholding of tax.

Recommendation

It is suggested that appropriate provisions should be introduced in the Act to provide that where the resident company exercised due diligence while making the payment to non-resident by collecting No PE declaration, TRC and Form 10F from the foreign company, no proceedings under section 201 of the Act should be initiated against the

Indian company for said payments. The requirement of obtaining a No PE certificate may be incorporated in the provisions of the law.

23. The threshold for applicability of master file regulations has been kept at consolidated group turnover of INR 500 crore accompanied with aggregate international transaction(s) of INR 50 crore

This is significantly lower than the OECD recommendations/global trend. This has brought a lot of mid-sized taxpayers into the net of master file compliance, increasing the compliance burden on them.

Recommendation

- This is significantly lower than the OECD recommendations/global trend. This has brought a lot of mid-sized taxpayers into the net of master file compliance, increasing the compliance burden on them.

- This will avoid a lot of mid-sized taxpayers from master file compliance thereby reducing the compliance burden on them.

24. Direction for Special Audit under sub-section (2A) of Section 142 of the Act

The Finance Act, 2013 has made an amendment to Section 142(2A) of the Act which widens the power of the Assessing Officer to direct the taxpayer to get accounts audited and furnish the report in certain circumstances. The expression "nature and complexity of the accounts" has been replaced with the "nature and complexity of the accounts, volume of the accounts, doubts about the correctness of the accounts, multiplicity of transactions in the accounts or specialized nature of business activity of the assessee".

Issues

- The amendment seeks to enlarge the scope of Section 142(2A) of the Act and gives sweeping powers to the assessing officer to direct special audit in most of the cases.

- The conditions prescribed for referring the case for special audit are not inter dependent i.e. even one of the conditions could trigger recommendation for special audit. The applicability of this provision merely on the basis of volume of the accounts or multiplicity of transactions in the account is unreasonable since in such a case, all big companies with voluminous transaction could be referred for special audit.

- Reasons such as volume of accounts, multiplicity of transactions in the accounts, specialized nature of business activity of taxpayer etc. are not defined categorically to state the quantum/ threshold etc. for initiating a special audit.

Recommendations

- Applicability of this provision should not be invoked merely on the basis of volume of the accounts or multiplicity of transactions in the account. The provision should be amended to require satisfaction of all the conditions cumulatively for directing for special audit under Section 142(2A) of the Act.

- The terms such as "volume of accounts", "multiplicity of transactions in the accounts" and "specialized nature of business activity of assessee" would need to be defined very clearly in the Section in order to avoid litigation/ ambiguity in the interpretation of the Section.

25. Withholding tax on reimbursement of expenses

- Due to lack of clarity, companies are deducting TDS on inter-company transactions, which is not in the nature of income, on which TDS is already deducted. This is adding unnecessary paperwork and resulting in double TDS on same transactions. Further, there are transactions which represents cost-to-cost reimbursement of expenses on which TDS is deducted in the absence of specific provisions under the Act.

- This is causing difficulty due to double deduction of TDS on same transaction and increases unnecessary documentation. Moreover, deduction of taxes on cost-to-cost transaction causes difficulties in cross border transactions wherein a foreign company is liable to undertake compliances in India due to deduction of tax at source.

Recommendation

It is recommended to add explanation or clarification in the TDS provisions for non-deduction of tax in cases where the tax has already been deducted in principle transaction or when the transaction represents cost-to-cost reimbursement of expenses.

26. Deduction of tax at source on payment to contractors

As per the existing provisions of the Act, the “work” for the purpose of deduction of tax at source on payment to contractors has been defined to include “manufacturing or supplying a product according to the requirement or specification of customer by using material purchased from such customer or its associate”.

Issue

- The above provision has resulted in deduction of tax by companies wherein even a small component is supplied on free of cost basis or otherwise to the supplier and supplier in turn supplies the final product along with the component supplied by the customer.

- Also, as per the existing provisions of section 194C of the Act, the ‘work’ for the purpose of deduction of tax at source on payment to contractors has been defined to include “manufacturing or supplying a product according to the requirement or specification of customer by using material purchased from such customer or its associate”.

- This has resulted in deduction of tax by companies wherein even a small component is supplied on free of cost basis or otherwise to the supplier and supplier in turn supplies the final product along with the component supplied to the customer.

Recommendation

- It is suggested that the definition in the above clause should be modified as “manufacturing or supplying a product according to the requirement or specification of a customer by using all / significant material purchased from that customer or its associate” as will avoid unnecessary hardship to assessee for claiming refund of TDS from Income Tax Department.

- In order to avoid genuine and avoidable hardship to job workers, it is suggested that the definition of "work" under section 194C in the appropriate clause may be modified as "manufacturing or supplying a product according to the requirement or specification of a customer by using all/ significant material purchased from that customer or its associate"

27. Enhancement of limits for TDS payments and deductions in certain cases

- **Section 194C:** Any payment for contract services rendered which exceeds INR 30,000 for a single payment or INR 100,000 (for aggregate payments in a financial year) requires the persons responsible for making such payments to deduct tax at source.

- **Section 194I:** At present, tax is required to be deducted at source if the amount of rent credited/paid during the financial year exceeds INR 180,000.

- **Section 193:** At present, tax is required to be deducted at source if the amount of interest credited/paid during the financial year exceed Rs. 10,000.

- **Section 194J:** As per the recent amendment brought in Finance Act 2020, rate for TDS in section 194J in case of fees for technical services (other than professional services) has been substantially reduced to 2% from 10%. Further, the existing definitions of professional services and technical services are very ambiguous which has led to profound interpretational issues in order to avail the reduced rate of TDS. Despite having plethora of judicial precedents in place, this issue is very confusing and litigative.

Recommendation

- **Section 194C:** Considering the existing inflation, it is recommended that the threshold limit be increased to INR 50,000 for single payment and to INR 150,000 for aggregate annual limit.

- **Section 194I:** It is suggested that the basic exemption limit for deduction of TDS be increased from INR 180,000 per annum to INR 240,000 as this will help in avoiding unnecessary hardship to assessee for claiming refund of TDS from Income Tax Department.

- **Section 193:** This limit was fixed in 2007 (w.e.f 01.06.2007). Considering the inflation, it is suggested that the basic exemption limit for deduction of TDS be increased from Rs.10,000 p.a to Rs. 20,000 p.a.

- **Section 194J:** In order to reduce ambiguity around the issue, the Income tax department should provide necessary and comprehensive clarifications by way of providing clear definitions. It is also suggested that rate of TDS w.r.t professional services should also be reduced to 2%.

28. Section 201(1A); Interest on delay in deposit of TDS

In case of late deposition of tax deducted by the deductor. The deductor is required to pay simple interest @1.5% for every month or part of a month from the date of deduction to the date of actual payment.

Recommendation

Interest should be calculated for the period from the date of TDS deduction to date of actual payment and not be rounded off to month as is presently being computed by TRACES System.

29. Deduction of tax at source on the value of the transfer of immovable properties

As per the subsisting provisions, TDS at the rate of 1 per cent is applicable on the value of the transfer of immovable properties (other than Agricultural land) where consideration exceeds INR 5,000,000.

Recommendation

Reason given for introduction of this provision was that as per the records of registrars many transactions in properties having value at INR. 3,000,000 or above was registered without PAN. Thus, issue is with certain transactions only. However, due to certain wrong doers, genuine small purchasers have been posed to severe hardships. Thus, this provision should be deleted.

Alternatively, the threshold limit for the applicability of the above provision should be increased from INR 5,000,000 to INR 10,000,000 as considering the existing inflation condition, when a small building cost exceeds INR 10,000,000.

30. TCS @ 0.1% on Sale of Goods. Section 206C (1H) has been amended by Union Budget 2020, where in all goods/services sold except those which attract TDS provisions are subject to TCS.

As per the current provisions, if the seller makes sale of goods of value or aggregate value to a buyer exceeding Rs. 50 lakhs, he needs to collect TCS at 0.10 % at the time of receipt of the consideration on the amount exceeding Rs. 50 lakhs. The TCS rate will be 1% if there is no PAN/Aadhaar of the buyer available with the seller.

Issue

In auto ancillary industry, the sales are accounted based only on the GRN made by the OEM, there is always a time gap between the invoice date and the GR made by the OEM, and this spills over to the next quarter / next financial year in case invoices are raised during Jun/Sep/Dec/Mar hence these would affect the tax payments, as to which accounting year it would be made, as the vendor is supposed to make the TCS payment by 7th of the next month, whether the OEM do the GR or not. Also, there could be instances where the goods are returned back/rejected to the ancillary industry, however by the time the TCS amount would have been paid.

Recommendation

- It is suggested that intra-group transactions should not be covered in the ambit of the said section.
- Without prejudice to the above, it is suggested to delete the sub section (1H) of section 206C since the implementation of this provision will result into huge amount of administrative and reconciliation work at the end of seller and buyer considering the large volume of transactions and it is against the government principle of ease of doing business. This will avoid unnecessary burden the assessee and reduce compliance burden to the entire industry.

31. Clarification regarding services delivered by the employees of SEZ units from their home locations

Government should explicitly clarify that services delivered by the employees of SEZ units from their home locations will be eligible for tax holiday under section 10AA of the Act to avoid ambiguity in tax treatment.

Issue

Explicit clarification on eligibility to claim tax holiday under section 10AA of Income Tax Act, 1961 (the Act) even in case of work from home (WFH) by SEZ employees

Recommendation

- Due to Covid-19 pandemic, almost 90% of workforce of IT Industry is working from home since March 2020. There is also uncertainty as to when the pandemic would be completely eradicated, and life would come to normalcy. The IT/ITeS Companies are now looking at work from home as a permanent feature for certain part of their workforce including the ones based in SEZs.

- As per section 10AA (10)(i), the tax holiday is given with respect to export of goods and services. The section states "Export in relation to the Special Economic Zones" means taking goods or providing services out of India from a Special Economic Zone. Thus, one may contend that the tax holiday is not available if employees work from home and not from SEZ itself.

- While SEZ rules allows companies to provide WFH, but there is no explicit clarity in the rules as to whether the WFH can be enabled on a permanent basis for certain employees.

- In this regard, Government should explicitly clarify that employees of SEZ units can work from home on a permanent basis & the services provided by them from home location can be considered as export of services provided from SEZ to be eligible for tax holiday under section 10AA of the Act.

- This will help industry plan their operations from a long-term perspective and in efficient manner.

32. Clarity on Restriction on Carry Forward and Set-off of Losses - Section 79

- The extant provisions of section 79 of the Act restrict closely held companies from carrying forward and setting off losses in case shareholding varies by more than 49 percent in the year in which the loss is considered to be set off vis-a-vis the year in which the loss is incurred.

- In the event of a business reorganization by which a holding company transfers the shares of its 100% subsidiary to another subsidiary, the first subsidiary will not be in a position to carry forward and set-off its losses (if any) as there is a 100% change in its shareholding.

- However, in such a situation, the holding company continues to hold 100% of the shares of the second subsidiary, which in turn holds 100% of the shares of the first subsidiary.

- There are conflicting decisions of the courts on this issue, one viewpoint is that the immediate change in shareholding should be tested whereas other viewpoint is that the ultimate change in shareholding should be tested, in order to invoke rigors of section 79 of the Act.

Recommendation

It is recommended that necessary clarification be provided by the Government to settle the ambiguity surrounding on this issue by providing that the restriction posed by section 79 of the Act will not apply to intra group reorganization where a holding company transfer shares of its subsidiary to another subsidiary since the ultimate (beneficial owner) remains the same.

33. Deduction in respect of employment of new employees – 80JJAA

Taxpayers can claim a deduction equal to 30% of the amount of additional employee cost for three assessment years under section 80JJAA of the Act.

Issue

Additional employee means an employee who has been employed during the previous year and whose employment has the effect of increasing the total number of employees employed by the employer as on the last day of the preceding year, but does not include an employee who total emoluments are more than Rs. 25,000 per month. Salary levels across have increased substantially from 2016.

Recommendation

Threshold of Rs. 25000 per month should be raised to at least Rs. 50000 per month for the purposes of section 80JJAA of the Act. This would provide impetus to industry to employ higher number of employees which would be in line with the employment generation objective of Government.

34. Employee Contribution to Provident Fund (PF) or Superannuation Fund or any fund set up under the provisions of the Employees' State Insurance Act, 1948 or any other fund for the welfare of such employees

As per the existing provisions of the Act, the deduction is provided for any sum received by the assesseee from any of his employees, if such sum is credited by the assesseee to the employee's account in the relevant fund or funds on or before the due date specified under the relevant Act, rule, order or notification governing that fund.

Recommendation

It is suggested that the section 36(1)(va) should be made clear and aligned with other provisions of the Act to provide that the employee contribution will be allowed as a deduction if it is paid by the due date of filing the return of income for the previous year and in case it is paid thereafter, it will be allowed as a deduction in the year in which it is paid.

35. Taxability of annual accretions on excess of INR 7.5 Lacs made by employer to an employee's account to Provident fund, Superannuation fund and NPS.

Issue

As per subsisting provision, contributions exceeding INR 7.5 Lacs made by employer to an employee's account to Provident fund, Superannuation fund and NPS is taxable as perquisite in the hands of the employees. The annual accretion by way of interest, dividend or any other amount of similar nature on such excess contributions is also considered as taxable perquisite.

Recommendation

It is proposed to exclude the tax on the annual accretions in excess of contributions beyond Rs. 7.50 lakhs, since this is against the principle of PF contributions being fully on EEE (exempt, exempt, exempt) basis. Also, this will avoid double taxation in the hands of employees once at the time of contribution and again at the time of pension benefit received on vesting age from NPS and superannuation funds.

36. Tax implication on receipt of maturity proceeds from Keyman insurance policies (KIP)

Under the current provisions, entire maturity proceeds from a Keyman Insurance Policy is taxed resulting in double taxation first at the time of assignment of KIP to employee and then at the time of maturity of such assigned policy. The recommendation is intended to eliminate double taxation.

Recommendation

The government should eliminate double taxation of surrender value under KIP.

37. Clarification on Group Insurance Policies Group Life Insurance Policies (GLIP) cover all employees whereas Keyman Insurance Policies cover only "Key" employees critical to business.

If group LIP is construed as a Keyman Insurance Policy, amount received by nominee on death of employee becomes taxable. It should be noted here that the amount received on death of deceased Employee helps in meeting future expenses of family.

Recommendation

The government should clarify that group LIP are not treated as a KIP and consequently, amount received by nominee on death of the employee should be exempt.

38. Suggestions to rationalize Personal tax rate

A salaried taxpayer has hardly any deductions to claim from his taxable income which leads to huge outflow of taxes and leaves very little cash flow in the hands of the individual. It is needless to say that any tax relief to the taxpayer will increase the purchasing power and will fuel the industry growth be it auto or retail or service sector

Recommendation

- Interest received from bank deposits in any form should be included within the ambit of section 80TTA apart from savings account with banks, post offices and co-operative societies carrying on business of banking.

- Appropriate provisions should be introduced to allow deduction of the amount paid to ex-employer for not serving the notice period against the amount received from the current employer for joining the company early by not serving the notice period of ex-employer.

- Deduction under section 10(32) of the Act, providing for deduction of INR 1,500 where the income of minor is clubbed in the hands of parent should at least be raised to INR 10,000 per minor child.

- The value of car perquisite based on cubic capacity of engine may be reviewed. The basic models may be exempt from car perquisite valuation.

- Leave Travel Allowance should be allowed annually instead of two journeys performed in a block of four calendar years. Further, the provisions for leave travel allowance should provide exemption for travel through any mode as well as should provide exemption for amount paid to hotels not above 3-star hotels in order to boost travel in India.

- The exemption limit of Leave Encashment should be increased to INR 500,000 and the same should be fully exempt if received at the time of retirement.

- Children education allowance should also be increased to INR 2,000 per month, as the current limit of INR 100 per month, is too less and does not reflect the high expenses involved in the current education system. Similarly, Children hostel allowance should be increased to INR 6,000 per month from the current limit of INR 300.

- Deduction under section 80C should be raised from Rs. 1.50 Lakhs to Rs. 2.50 Lakhs.

39. Increase in the basic exemption limit for individuals/ HUFs

It is recommended to increase basic exemption limit to provide reliefs to individual assesses as under:

Category	Present exemption Limit	Proposed exemption Limit
Individual	2.50 Lakhs	3.00 Lakhs
Senior citizens (who is 60 years or more)	3.00 Lakhs	4.00 Lakhs
Super senior citizens (who is 80 years or more)	5.00 Lakhs	8.00 Lakhs

40. Inclusion of limited liability partnership (LLP) for the applicability of section 44AD

While tax on presumptive basis is available to firms, LLPs have been excluded for which there appears to be no convincing reason. This would ensure that there is parity in taxation of LLPs and firms.

Recommendation

The benefit of section 44AD should also be made available to LLPs. This benefit will have relieved them from tedious job of maintenance of books of accounts, this ultimately will contribute to ease of doing business and the productivity of the LLPs will increase.

41. Tax on Dividend in hands of Resident shareholders

As per existing provision, the dividend is taxable in the hands of the shareholder, as per the normal rates of tax applicable to the shareholder.

Issue

Earlier to Finance Act 2020, dividend received above Rs. 10 lakhs were taxable at specialized rate @ 10% under section 115BBDA. Due to shift from DDT to taxability in the hands of shareholders, resident shareholders who are in higher tax bracket will face higher tax liability going up to 42.74%.

Recommendation

It is suggested to restrict the rate of dividend taxation up to 20% (plus applicable surcharge and cess) in hands of resident shareholders to make it at par with non-residents. Alternatively, the provision may be made applicable for the investments made on or after applicability of the new provisions so that the investor may take decision accordingly. This will avoid hardship to resident taxpayers in higher tax brackets with huge tax liabilities.

******

Annexures

Annexure-1 of ACMA PBM 2021-2022
List of Auto Components (114 tariff items), where duty rates are sought to be increased from 7.5% and 10% (as applicable) to 15%

Sr. No.	HS Codes	Items	ACMA Description	BCD In India	ACMA Recommendation
1	40081190	Other: Plates, Sheets, Strip, Roads and Profile Shapes of vulcanised Rubber	Rubber Components	10.0%	15.0%
2	40081990	Other: Plates, Sheets, Strip, Roads and Profile Shapes of vulcanised Rubber	Rubber Components	10.0%	15.0%
3	40082990	Other: Plates, Sheets, Strip, Roads and Profile Shapes of vulcanised Rubber	Rubber Components	10.0%	15.0%
4	40092100	Reinforced or otherwise combined only with metal: without fittings	Engine Components	10.0%	15.0%
5	40093100	Tubes, Pipes and hoses of vulcnised rubber other than hard rubber: Without fitting	Engine Components	10.0%	15.0%
6	40094100	Reinforced or otherwise combined with other materials : without fittings	Engine Components	10.0%	15.0%
7	40094200	Reinforced or otherwise combined with other materials : With fittings	Engine Components	10.0%	15.0%
8	40103290	Other	Engine Components	10.0%	15.0%
9	40103490	Other	Engine Components	10.0%	15.0%
10	40129041	Tyre flaps of a kind used in two-wheeled and three- kg. 10% - wheeled motor vehicles	Consumables & Misc.	10.0%	15.0%
11	40129049	Other: Retreaded or used pneumatic tyres of Rubber, solid or cushion tyres, tyre Treads and tyre flaps, of rubber	Consumables & Misc.	10.0%	15.0%
12	40161000	Of cellular rubber	Rubber Components	10.0%	15.0%
13	40169320	Rubber rings (O-ring)	Rubber Components	10.0%	15.0%
14	40169330	Rubber seals (Oil seals and the like)	Rubber Components	10.0%	15.0%
15	40169340	Gaskets	Rubber Components	10.0%	15.0%
16	40169350	Washers	Rubber Components	10.0%	15.0%
17	40169990	Others : Arcticles of Vulcanized Rubber other than hard rubber	Rubber Components	10.0%	15.0%
18	68129921	Asbestos packing joints and gaskets - Packing joints	Engine Components	10.0%	15.0%

Annexure-1 of ACMA PBM 2021-2022
List of Auto Components (114 tariff items), where duty rates are sought to be increased from 7.5% and 10% (as applicable) to 15%

Sr. No.	HS Codes	Items	ACMA Description	BCD In India	ACMA Recommendation
19	68129922	Asbestos packing joints and gaskets -Gaskets	Engine Components	10.0%	15.0%
20	70071100	Toughened (tempered) safety glass :Of size and shape suitable for incorporation in vehicles, aircraft, spacecraft or vessels	Interiors (non-electronic)	10.0%	15.0%
21	70072110	Bullet proof glass	Interiors (non-electronic)	10.0%	15.0%
22	70072190	Safety glass for vehicles- others	Consumables & Misc.	10.0%	15.0%
23	70072900	Other	Interiors (non-electronic)	10.0%	15.0%
24	70099200	Other : Framed	Interiors (non-electronic)	10.0%	15.0%
25	83023010	Curve drive stakes	Body / Chassis / BiW	10.0%	15.0%
26	83023090	Other	Body / Chassis / BiW	10.0%	15.0%
27	84133010	Injection pumps for diesel engines	Engine Components	7.50%	15.0%
28	84133020	Oil pump	Engine Components	7.50%	15.0%
29	84133030	Water pump	Engine Components	7.50%	15.0%
30	84133090	Other	Engine Components	7.50%	15.0%
31	84138120	Hydraulic Ram (Power Steering Pump Assembly)	Engine Components	7.50%	15.0%
32	84139190	Others (Parts of Steering Pump Assembly	Engine Components	7.50%	15.0%
33	84148011	Of a kind used in air-conditioning equipment	Cooling System	7.50%	15.0%
34	84148030	Gas compressors:Turbo charger	Engine Components	7.50%	15.0%
35	84149011	Of Gas Compressors of a kind used in refrigerating and air conditioning appliances and machinery	Cooling System	7.50%	15.0%
36	84152010	For buses	Engine Components	10.0%	15.0%
37	84152090	Other	Engine Components	10.0%	15.0%
38	84159000	Parts-air conditioning machines	Cooling System	10.0%	15.0%
39	84212300	Oil or petrol-filters for internal combustion engines	Engine Components	10.0%	15.0%
40	84213100	Intake air filters for internal combustion engines	Engine Components	10.0%	15.0%

Annexure-1 of ACMA PBM 2021-2022
List of Auto Components (114 tariff items), where duty rates are sought to be increased from 7.5% and 10% (as applicable) to 15%

Sr. No.	HS Codes	Items	ACMA Description	BCD In India	ACMA Recommendation
41	84213920	Air Purifiers or Clearners	Interiors (non-electronic)	10.0%	15.0%
42	84213990	Other	Interiors (non-electronic)	10.0%	15.0%
43	84219900	Other: Parts of Machinery and apparatus for filtering	Interiors (non-electronic)	7.50%	15.0%
44	84314990	Other : Wheels and Components for Construction and Earthmoving Equipments	Suspension & Braking	7.50%	15.0%
45	84821011	Adapter ball bearings (radial type) : Not exceeding 50mm of bore diameter	Drive Transmission & Steering	7.50%	15.0%
46	84821012	Adapter ball bearings (radial type) : Of bore diameter exceeding 50 mm but not exceeding 100 mm	Drive Transmission & Steering	7.50%	15.0%
47	84821013	Adapter ball bearings (radial type) : Of bore diameter exceeding 100 mm	Drive Transmission & Steering	7.50%	15.0%
48	84821020	Adapter ball bearings (radial type) :Other ball bearing (radial type) of bore diameter not exceeding 50 mm	Drive Transmission & Steering	7.50%	15.0%
49	84821030	Adapter ball bearings (radial type) :Other ball bearing (radial type) of bore diameter exceeding 50 mm but not exceeding 100 mm	Drive Transmission & Steering	7.50%	15.0%
50	84821040	Adapter ball bearings (radial type) :Of bore diameter exceeding 100 mm	Drive Transmission & Steering	7.50%	15.0%
51	84821051	Thrust ball bearings : Of bore diameter not exceeding 50 mm	Drive Transmission & Steering	7.50%	15.0%
52	84821052	Thrust ball bearings : Of bore diameter exceeding 50 mm but not exceeding 100 mm	Drive Transmission & Steering	7.50%	15.0%
53	84821053	Thrust ball bearings : Of bore diameter exceeding 100 mm	Drive Transmission & Steering	7.50%	15.0%
54	84821090	Thrust ball bearings : Other	Drive Transmission & Steering	7.50%	15.0%
55	84822011	Tapered roller bearings (radial type) :Of bore diameter not exceeding 50 mm	Drive Transmission & Steering	7.50%	15.0%
56	84822012	Tapered roller bearings (radial type) :Of bore diameter exceeding 50 mm but not exceeding 100 mm	Drive Transmission & Steering	7.50%	15.0%
57	84822013	Tapered roller bearings (radial type) :Of bore diameter exceeding 100 mm	Drive Transmission & Steering	7.50%	15.0%

Annexure-1 of ACMA PBM 2021-2022
List of Auto Components (114 tariff items), where duty rates are sought to be increased from 7.5% and 10% (as applicable) to 15%

Sr. No.	HS Codes	Items	ACMA Description	BCD In India	ACMA Recommendation
58	84822090	Tapered roller bearings (radial type) :Other	Drive Transmission & Steering	7.50%	15.0%
59	84823000	Spherical roller bearings	Drive Transmission & Steering	7.50%	15.0%
60	84824000	Needle roller bearings	Drive Transmission & Steering	7.50%	15.0%
61	84825011	Radial type :Of bore diameter not exceeding 50 mm	Drive Transmission & Steering	7.50%	15.0%
62	84825012	Radial type :Of bore diameter exceeding 50 mm not exceeding 100 mm	Drive Transmission & Steering	7.50%	15.0%
63	84825013	Radial type :Of bore diameter exceeding 100 mm	Drive Transmission & Steering	7.50%	15.0%
64	84825021	Thrust roller bearings :Of bore diameter not exceeding 50 mm	Drive Transmission & Steering	7.50%	15.0%
65	84825022	Thrust roller bearings :Of bore diameter exceeding 50 mm but not exceeding 100 mm	Drive Transmission & Steering	7.50%	15.0%
66	84825023	Thrust roller bearings :Of bore diameter exceeding 100 mm	Drive Transmission & Steering	7.50%	15.0%
67	84829900	Other: Part of balls and roller bearings	Drive Transmission & Steering	7.50%	15.0%
68	84831099	Other	Engine Components	7.50%	15.0%
69	84832000	Bearing housings, incorporating ball or roller bearings	Drive Transmission & Steering	7.50%	15.0%
70	84833000	Bearing housings, not incorporating ball or roller bearings plain shaft bearings	Drive Transmission & Steering	7.50%	15.0%
71	84834000	Gears and gearing, other than toothed wheels, chain sprockets and other transmission elements presented separately; ball or roller screws; gear boxes and other speed changers, including torque converters	Drive Transmission & Steering	7.50%	15.0%
72	84835010	Pulleys, power transmission	Drive Transmission & Steering	7.50%	15.0%
73	84835090	Other	Drive Transmission & Steering	7.50%	15.0%
74	84836010	Flexible coupling	Drive Transmission & Steering	7.50%	15.0%
75	84836020	Fluid coupling	Drive Transmission & Steering	7.50%	15.0%
76	84836090	Other: Clutches and Shaft couplings, including Universal joints	Drive Transmission & Steering	7.50%	15.0%

Annexure-1 of ACMA PBM 2021-2022
List of Auto Components (114 tariff items), where duty rates are sought to be increased from 7.5% and 10% (as applicable) to 15%

Sr. No.	HS Codes	Items	ACMA Description	BCD In India	ACMA Recommendation
77	84839000	Toothed wheels, chain sprockets and other transmission elements presented separately; parts	Drive Transmission & Steering	7.50%	15.0%
78	84841010	Asbestos metallic packings and gaskets (excluding gaskets of asbestos board reinforced with metal gauze or wire)	Drive Transmission & Steering	7.50%	15.0%
79	84841090	Other	Drive Transmission & Steering	7.50%	15.0%
80	84842000	Mechanical seals	Consumables & Misc.	7.50%	15.0%
81	84849000	Other	Consumables & Misc.	7.50%	15.0%
82	85011011	DC motor :Micro motor	Electricals & Electronics	10.0%	15.0%
83	85011012	DC motor :Stepper motor	Electricals & Electronics	10.0%	15.0%
84	85011013	DC motor :Wiper motor	Electricals & Electronics	10.0%	15.0%
85	85011019	DC motor :Other	Electricals & Electronics	10.0%	15.0%
86	85011020	DC motor :AC motor	Electricals & Electronics	10.0%	15.0%
87	85013111	DC motors :Micro motor	Electricals & Electronics	10.0%	15.0%
88	85013112	DC motors :Stepper motor	Electricals & Electronics	10.0%	15.0%
89	85013113	DC motors :Wiper motor	Electricals & Electronics	10.0%	15.0%
90	85013119	DC motors :Other	Electricals & Electronics	10.0%	15.0%
91	85013120	DC motors :DC generators	Electricals & Electronics	10.0%	15.0%
92	85013210	DC motor	Electricals & Electronics	10.0%	15.0%
93	85030090	Other	Electricals & Electronics	7.50%	15.0%
94	85129000	Parts	Electricals & Electronics	10.0%	15.0%
95	85443000	Ignition wiring sets and other wiring sets of a kind used in vehicles, aircraft or ships	Electricals & Electronics	10.0%	15.0%
96	87099000	Parts	Drive Transmission & Steering	10.0%	15.0%
97	87142010	Others: Parts and Accessories of Vehicles of Headings 8711 to 8713-Mechanically propelled	Drive Transmission & Steering	10.0%	15.0%

Annexure-1 of ACMA PBM 2021-2022
List of Auto Components (114 tariff items), where duty rates are sought to be increased from 7.5% and 10% (as applicable) to 15%

Sr. No.	HS Codes	Items	ACMA Description	BCD In India	ACMA Recommendation
98	87142090	Others: Parts and Accessories of Vehicles of Headings 8711 to 8713	Drive Transmission & Steering	10.0%	15.0%
99	87149100	Other :Frames and forks, and parts thereof	Body / Chassis / BiW	10.0%	15.0%
100	87149290	Other	Body / Chassis / BiW	10.0%	15.0%
101	87149390	Other	Body / Chassis / BiW	10.0%	15.0%
102	87149400	Brakes, including coaster braking hubs and hub brakes, and parts thereof	Suspension & Braking	10.0%	15.0%
103	87149600	Pedals and crank-gear, and parts thereof	Drive Transmission & Steering	10.0%	15.0%
104	87149990	Other	Suspension & Braking	10.0%	15.0%
105	87169010	Parts and accessories of trailers	Body / Chassis / BiW	10.0%	15.0%
106	87169090	Other	Body / Chassis / BiW	10.0%	15.0%
107	90158030	Geophysical instruments	Electricals & Electronics	7.50%	15.0%
108	90291010	Taximeters	Electricals & Electronics	10.0%	15.0%
109	90291090	Other	Electricals & Electronics	7.50%	15.0%
110	90292010	Tachometers, non-electrical	Interiors (non-electronic)	7.50%	15.0%
111	90292020	Speedometers, non-electrical	Interiors (non-electronic)	7.50%	15.0%
112	90319000	Other optical instruments and appliances :Parts and accessories (Measuring & Checking Insturments -Sensors)	Consumables & Misc.	7.50%	15.0%
113	90328990	Other	Electricals & Electronics	10.0%	15.0%
114	91040000	Instrument Panel Clocks and Clocks of a similar type for vehicles, Aircraft, Spacecaft or Vessels	Consumables & Misc.	10.0%	15.0%