



Automotive Component Manufacturers Association Of India

PRESS RELEASE

ACMA's expectation's from upcoming Budget July 2019

- *Emphasises uniform 18% GST on all Auto Components*
- *Recommends measures to encourage Technology Development & Acquisition Fund*

New Delhi, June 27, 2019: The Automotive Component Manufacturers Association (ACMA), the apex body of the Indian auto component industry, in its recommendations to the Government for the forthcoming Budget July 2019, has stressed on the need to ensure a uniform GST rate of 18% on all auto components. It has also requested for an urgent need to increase the rate of weighted deduction on R&D spend.

Commenting on ACMA's recommendations for the forthcoming budget, **Vinnie Mehta, Director General, ACMA** said, *"The automotive industry is witnessing one of the most challenging times ever. Domestic consumption of all vehicle segments is witnessing negative growth. We hope that the measures in the forthcoming budget will lift the market sentiments and help the industry to be back on track."*

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

"As we know that entire auto industry is undergoing major transition with implementation of BSVI and newer safety norms. That apart, the government is keen to usher in electric mobility. Enhancing spend on R&D and creating infrastructure for innovation are therefore need of the hour for the industry to stay relevant. Facilitating new product development through a technology development and acquisition fund, as also enhancing the rate of weighted deduction on R&D spend will be steps in the right direction by the government," added Mehta.

Some of ACMA's salient recommendations for the Budget are:

- **Technology Development & Acquisition Fund**

A fund for supporting R&D and indigenous technology development for shift from BS IV to BS VI, electric mobility and to meet new regulations on safety emission and environment is highly recommended. Such a fund could also be utilised for in-house development or for acquisition and assimilation of technologies through licensing agreements, acquisitions etc.

- **Reduction of basic custom duty on Raw Material**
Steel and aluminium alloys attract basic custom duty i.e 15% and 10% respectively. The sector, largely dominated by MSMEs is facing a huge challenge in availability of raw materials at right price. A reduction in customs duty on all alloy steel and secondary Aluminium Alloy items including scrap is strongly recommended.
- **Incentivising R&D Spend**
To encourage domestic R&D and testing, it is important to provide exemption on import duty on auto component prototypes. Also retaining of weighted tax deduction on R&D expenditure is critical. The 2016-17 Budget reduced weighted deduction benefit from 200% to 150% and has further restricted the deduction to 100% from 1st April 2020.
- **MSME Definition**
A new MSME definition will allow larger number of companies to avail government incentives e.g. 25% corporate tax and allow for better GST compliance. As per the proposed definition, MSMEs are categorized on the basis of their annual turnover instead of investment in plant & machinery/equipment as under:
 - Micro enterprise - annual turnover that does not exceed Rs. 5 crore.
 - Small enterprise - annual turnover more than Rs. 5 crore but does not exceed Rs 75 crore.
 - Medium enterprise - annual turnover that is more than Rs. 75 crore but does not exceed Rs. 250 crore.
- **Investment Allowance**
Provision to reintroduce investment allowance at 15% for manufacturing companies that invest more than Rs. 25 crore in plant and machinery.

About ACMA:

The Automotive Component Manufacturers Association of India (ACMA) is the apex body representing the interest of the Indian Auto Component Industry. Its membership of over 800 manufacturers contributes more than 90% of the auto component industry's turnover in the organized sector. ACMA is an ISO 9001:2008 Certified Association.

The Indian Auto-Component Industry showed healthy growth of 18.3% posting Rs. 3,45,635 crore (USD 51.2 billion) turnover in the FY 2017-2018. While the exports showed a growth of 23.9% scaling to Rs. 90,571 crore (USD 13.5 billion) in FY 2017-18. The Aftermarket grew by 9.8% to Rs. 61,601 crore (USD 9.2 billion) from Rs 56,096 crore (USD 8.4 billion) in the previous fiscal.

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