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Shri Ajay Prakash Sawhney
Secretary
Ministry of Electronics & IT

Subject: Increase in duties in the Union Budget 2021 relating to Electronic Sector

Respected Sir,

Greetings from MAIT!

We thank the Ministry of electronics and IT for the support and encouragement provided to the Electronics Manufacturing Sector.

At the outset, we would like to highlight the fact that concerns the electronics sector, which is the backbone of digital India. The recent increase in Basic Customs Duties on import of inputs to the sub-assemblies and components of Mobile Phones is a complete departure from the Phased Manufacturing Plan notified on the 28th of April 2017. Moreover, no industry consultation held under the aegis of the Ministry of Electronics & IT.

This duty imposition on inputs of components will lead to a disruption to manufacturing and further, it would discourage any expansion. India will rapidly lose its advantage that it has gained from progressing towards Production Linked Incentive (PLI) scheme from Phased Manufacturing Programme (PMP). This will be the gain of other Global Manufacturing hubs.

This recent announcement imposing Basic Customs Duties has served a setback to Electronics Manufacturing in the country especially on Mobile Phones for reasons mentioned below:

1. The Ministry has always endeavoured to offer a stable tax regime to investors. Such ad-hoc changes without a prior consultation may jeopardise further investments in the electronics manufacturing eco-system. An extract of the National Policy of Electronics 2019 is below for reference:

“5.1.8. Promote a forward looking and stable tax regime, including advance intimation to the industry to plan their investments in the form of Phased Manufacturing Programme (PMP) in various segments of electronics, with a sunset clause.”

2. The sector has strategically moved towards an Export-led manufacturing growth model which will deliver a far higher scale of production necessary to build a local eco-system of Electronic Components. This was a departure from the Import Substitution.
3. The PMP for mobile phone manufacturing has been in vogue since 2015-2016 starting with duties on Mobile handset imports. This led to manufacturing in India for the domestic market. However, now we have embarked on a far greater objective of “making in India for the world” an export-led growth to exponential increase in

production, employment, localisation, etc. Further, duties will hamper this stated national objective.

4. The PMP was fully implemented on the 1st of October 2020. The mobile manufacturing industry had continuously represented that it was not ready for localisation of display assemblies due to several extraneous circumstances, however, duties were imposed on Display assemblies impacting Mobile handset manufacturers with costs and continued local unavailability of global quality approved display assemblies.
5. Duties and Exports are substitutes for market development which cannot co-exist. Duties lead to globally uncompetitive prices which will impact the sector's export capability.
6. Moreover, Duties on inputs of sub-assemblies and components will lead to over burdening the manufacturing wherein the combined import duties on inputs will be almost equal to the import duty of a finished product, thereby taking the advantage of manufacturing in India away.
7. The PLI Scheme will be severely impacted by such ad-hoc increases in duties of components. Instead of leading to localisation, it may serve an adverse impact on the objective. Localisation as an objective is best served by the PLI Scheme, with an incentive to overcome the cost disabilities, offers a far higher scale of production than just the domestic demand. This will lead to manufacturing of Mobile handsets and components in India at globally competitive prices.
8. Moreover, on the one hand, there is an attempt to levy duties on components and their inputs on the other hand manufacturers from neighbouring countries are not being able to get permissions for foreign investment to set up manufacturing.

The recent announcement of duties include the following:

- With effect from April 1, 2021, BCD on import of inputs/parts/sub-parts for the use in manufacture of printed circuit board assembly (PCBA), camera modules and connectors are proposed to be raised to 2.5%.
- PCBA and moulded plastic for manufacture of charger or adapter, duty will go up from existing 10% to 15%.
- The other inputs and parts (other than PCBA and molded plastic) of mobile chargers will attract 10% duty.
- The Concessional exemption to battery cover, front/ back/ middle cover, main lens and camera lens has been withdrawn and now they will attract a scheduled rate of 15%.
- Metal shield has been included in the exclusion list.
- The Industry request for reversal of GST from 18% to 12%, remained unheard.

We request you to kindly consider the submissions above from the industry and recommend a roll back of any duties introduced on the inputs of sub-assemblies and components of the mobile handset industry.

We hope our submission merits your kind consideration for an early action.

With regards,



George Paul
Chief Executive Officer