Role of CBEC in implementing “Make in India” Program

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PRESENTATION PLAN

• What is Make in India Program

• Evaluation

• Comparable Programs in the world

• Role Played by CBEC

• Way Forward
What is Make in India Program

• Launched in September 2014

• Timely response to a critical situation:
  – much-hyped emerging markets bubble had burst,
  – India’s growth rate had fallen to its lowest level in a decade

• To transform India into a global design and manufacturing hub
What is Make in India Program Contd....

• Overhaul of out-dated processes and policies
• A complete change of the Government’s mindset
• Tenet of ‘Minimum Government, Maximum Governance’
• Aimed at raising the contribution of the manufacturing sector to 25% of the GDP by 2020.
Mandate

• To inspire confidence in India’s capabilities amongst potential partners abroad, the Indian business community and citizens at large

• To provide a framework for a vast amount of technical information on 25 industry sectors

• To reach out to a vast local and global audience via social media and constantly keep them updated about opportunities, reforms, etc.
25 Industry Sectors

- Automobiles
- Automobile Components
- Aviation
- Biotechnology
- Chemicals
- Construction
- Defence Manufacturing
- Electrical Machinery
- Electronic Systems
- Food Processing
- Information Technology and Business Process Management
- Leather
- Media and Entertainment
- Mining
- Oil and Gas
- Pharmaceuticals
- Ports and Shipping
- Railways
- Renewable Energy
- Roads and Highways
- Space and Astronomy
- Textiles and Garments
- Thermal Power
- Tourism and Hospitality
- Wellness
Evaluation

• Ease of Doing Business Rank:
  ➢ 130th in 2017 from 142nd in 2015 report

• Global Competitiveness Index:
  ➢ 39th rank in 2016 from 71st position in 2014

• Global Innovation Index:
  ➢ 66th position in 2016 from 81st in 2015

• Logistics Performance Index:
  ➢ 35th position in 2016 from 54th in 2014

• Global Retail Development Index:
  ➢ 2nd position 2016 from 15th in 2015

• World’s Leading Manufacturers:
  ➢ 6th position from 9th in previous year
Specific examples in manufacturing

- **Schneider Electric** – to invest around US$ 110 million in the coming 5 years

- **US chipmaker Qualcomm** – to establish an **innovation lab** (Bangalore)...... launched ‘Design in India’ initiative with the aim to mentor up to 10 Indian hardware companies

- Japan – setting up a US$ 12 billion fund in the name of ‘**Japan-India Make in India Special Finance Facility**’

- French aircraft manufacturing company **LH Aviation** signed a MoU with Indian OIS Advanced Technologies (OIS-AT) – manufacturing of **tactical drones**
Specific examples in manufacturing contd. . .

- **Lenovo and Motorola** plan to manufacture smartphones in India in Chennai. The facility currently can create 6 million smartphone units per year.

- **Xiaomi** launched local manufacturing in Visakhapatnam in August 2015. The plant exclusively assembles Xiaomi phones and is Xiaomi's second manufacturing unit outside China.

- **Mercedes Benz** India inaugurated its second manufacturing facility in Chakan, Maharashtra.

- Taiwan’s **Foxconn** signed a pact with Maharashtra to invest US$ 5 billion over 5 years in a semiconductor manufacturing facility.
Specific examples in manufacturing contd....

- **Hyundai Heavy Industries** partnered with Hindustan Shipyard Ltd., Visakhapatnam to build naval ships
- **Huawei** invested US$ 170 million – new R&D campus in Bengaluru
- **Spice Group** to invest US$ 75.16 million to manufacture budget smartphones in UP
- **Daimler India Commercial Vehicles Pvt. Ltd.** (DICV), inaugurated new bus manufacturing facility in Oragadam, Tamil Nadu
- **Magneti Marelli** joint venture with Hero MotoCorp, Manesar to manufacture Electronic Fuel Injection (EFI)
- **Hitachi** – to roll out ATMs in India – investment capital of US$ 15 million
Comparable Programs in the world

➢ Germany’s Industrie 4.0

- collaboration between the German government, research institutions and businesses and

- focusses on the development of **fully-automated "smart" factories** for making products on the shop floor fully customizable.
Made in China 2025

- master plan in 2015
- proposes advanced automation, digital systems of factory management and large-scale deployment of robots, along with the development of an indigenous industry for advanced manufacturing equipment through green manufacturing and manufacturing internationalization.

- As Chinese factories move up the value-chain to hi-tech manufacturing, opportunities may open up for Indian entrepreneurs. The coming together of smart entrepreneurs, employees, infrastructure and know-how could overtime become a durable advantage, as had happened in China’s case.
Role played by CBEC

Central Excise

- Online registration of new Central Excise assessee in 2 days.
- Records can be maintained electronically.
- Digitally signed invoices accepted.
- Facility of direct dispatch of goods by registered dealer from seller to customer’s premises provided. Similar facility allowed in respect of job-workers.
- Chief Commissioner's Tariff Conference – a platform leveraged to resolve sustained litigation on technical issues.
- Time limit for taking CENVAT Credit increased from six months to one year.
Role played by CBEC . . . Central Excise Contd......

- **E-payment of refunds and rebates**
- Factories can operate from **multiple premises** falling within a range
- **Number of returns** in r/o large manufacturer reduced from 27 to 13.
- Rules for Removal of Goods at **Concessional Rate of Duty for Manufacture of Excisable Goods** simplified.
- **Procedure for** fixation of input-output ratio for payment of rebate simplified.
- **CENVAT Credit Rules** amended to improve credit flows and reduce litigation.
Role played by CBEC . . . . Central Excise Contd......

• Apportionment of credit between exempted and non-exempted goods and services simplified.
• Input services credit flow from Input Services distributor to outsourced manufacturer allowed.
• Maintenance of common warehouse for distribution of inputs and credit allowed.
• Interest rate on late payment of duty reduced to 15% per annum from the present rate of 18% per annum.
Role played by CBEC

Service Tax

• Online registration in 2 days
• Permission to maintain electronic records
• Acceptance of digital signatures
• Granting **provisional payment of 80% of the refund amount** with 5 days in respect of service exporters, subject to fulfillment of certain conditions.

• **Interest applicable on outstanding taxes** has been **reduced** to 15%. Only in cases where service tax has been collected by the assesse and not deposited shall interest, at a higher rate of 24%, be applicable.
Role played by CBEC

Customs

- **SWIFT** (Single Window Interface for Facilitating Trade) clearances.
  - a common electronic Integrated declaration
  - Customs, **FSSAI, Plant Quarantine, Animal Quarantine, Drug Controller, Wild Life Control Bureau and Textile Committee**
    - replaces nine separate forms required by above agencies
- **Integrated Risk Management facility** for Partner Govt. Agencies (PGAs)
- Filing of declarations by importers, exporters, Customs brokers and manifests by shipping and airlines through digital signatures with effect from 01-01-2016
Role played by CBEC . . . . Customs Contd......

- Deferred duty payment for select categories of importers and exporters
- Documents required for Import/Export reduced to 3
- Electronic Delivery Orders - between Shipping Lines and Custodians
- 24X 7 customs clearance facilities extended to 19 sea ports and 17 Air Cargo complexes
- Customs Clearance Facilitation Committee (CCFC) to address the issue relating to Customs Clearance and infrastructure impacting clearance of goods
Warehousing: From physical to Record based controls

Special Valuation procedure revamped,
- Extra Duty Deposits waived
- the provisions for renewal of SVB orders have been dispensed.

Guidelines in r/o valuation of second hand machinery revised
- Including formats for certification by chartered engineers (Indian & Overseas)

Temporary Imports for display/exhibition/demonstration exhibitions
- Process is simplified for availing duty-exemption
- Requirement of India Trade Promotion Organisation certification dispensed.

Role played by CBEC ..... Customs Contd......
Authorized Economic Operator (AEO) Initiative:

– an aim to secure the **global supply chain** by strengthening the **cooperation between Customs administrations** and building a partnership with the Businesses

Prominent features:

• Direct Port Delivery of imports
  – just-in-time inventory management
  – clearance from wharf to warehouse

• Direct Port Entry for exports

• Focus on small and medium scale entities
Role played by CBEC .... Customs......

(AEO) Initiative contd...

- Provision of **Deferred Payment** of duties – delinking duty payment and Customs clearance
- **Fast tracking** of drawback, refunds and adjudications
- **Self-certified** copies of FTA / PTA origin related or any other certificates required for clearance would be accepted
- **Paperless declarations** with no supporting documents
- Recognition by Partner Government Agencies and other Stakeholders as part of this program
- **Mutual Recognition Agreements** with other Customs Administrations
Role played by CBEC

Export Promotion

• 100% disbursal of Drawback electronically

• Provisional payment of drawback to exporters pending fixation of brand rate

• Full transferability of duty credit scrips to pay dues under all three indirect taxes

• Exemption to payment of excise duty in the case of locally procured excisable goods against advance authorization, which shall improve cash flow of exporters

• Electronic monitoring of export proceeds realization

• Installation certificates from private chartered engineers
Role played by CBEC

Dispute Resolution

• Penalty provisions in Customs, Central Excise and Service Tax rationalized

• Withdrawal of cases from High Court and CESTAT
  ▪ On monetary limit basis as well as precedent Supreme Court decision, against which no review is contemplated.

• Pre Show-cause notice consultation

• Mandatory audit done away with.

• Threshold for filing of Appeals by the department
  ▪ Rs. 25 Lakhs - Supreme Court, Rs. 15 Lakhs - High Court and Rs. 10 Lakhs - CESTAT

• Prosecution proceedings in cases older than 15 years involving duty of less than Rs 5 Lakhs to be withdrawn
Role played by CBEC

Tax rates

- **13 cesses levied** by other Ministries / Departments and administered by the Department of Revenue, where the revenue collection from each of them is **less than Rs.50 crore** in a year has been **abolished**.

- Major concessions given to **ship repair units and aircraft maintenance and overhaul operations**.

- **Duty rationalization** done in many commodities to avoid **classification disputes** and consequent litigation.
Role played by CBEC

Capacity Building

a new **Directorate of Tax Payers Services**

- To address **public grievances** and
- To provide improved **access** to the tax payers
- mandated to focus on
  - taxpayer outreach,
  - education,
  - communication and
- would also act as a medium for the CBEC to respond to the taxpayers’ concerns
**Way Forward**

- Clarity in Tax Laws
- Tax laws which are easy to administer
- Tax laws which are non-adversarial and taxpayer friendly
- Fair dispute resolution mechanism
- Improving Ease of Doing Business
Way Forward contd…. 

• Provide **single window** for all Indirect Tax: Central Excise, Service Tax and Customs

• **Tax holidays** to attract new investors: foreign or domestic

• Strict adherence to timelines for **service delivery** as per Sevottam

• Spreading awareness and strengthening **Advance Rulings System** for all Indirect Rulings

• An **online repository** for Tariff Rulings

• **Outreach programs** for Start Ups
Way Forward contd....

• GST
  – destination based indirect tax
  – levied on supply of goods and services
  – subsume the various indirect taxes currently levied by the Centre and the states including CE duty, ST, State VAT, CST, octroi, entry tax etc.
  – simultaneously levying it on a common tax base
Thank You

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