
ENERGY EFFICIENCY SERVICES LIMITED
EESL AND NDMC PUBLIC ELECTRIC VEHICLE CHARGING PLAZA
EV CHARGING
INFRASTRUCTURE
EESL
EXICOM
EV
PARKING

INDUSTRY INCENTIVES

4.

Figure 11: **Electric two-wheeler factory in India**

Source: **Ather Energy**

Electric vehicles provide a rare opportunity for new market entrants to counter the heavyweights of the automotive industry, and for new regions to capitalize on the projected industrial growth within this sunrise sector. Industry incentives, or supply-side incentives, are aimed at vehicle manufacturers, battery producers, and ancillary companies, to encourage the production of electric vehicles and component parts of the EV value chain. Incentives are generally in the form of subsidies, grants, and tax waivers, as well as infrastructural support in terms of land allocation and industrial park creation.

The central government has laid out a production-linked incentive (PLI) scheme to boost manufacturing in the automotive sector, which also benefits EV manufacturers. However, there are no specific incentives in GoI schemes for the EV industry. State EV policies, on the other hand, have focused strongly on supply-side incentives for EV and component manufacturers, to achieve industrial growth and employment generation. While some states have applied industrial incentives for the EV sector on par with other industries, others have explicitly provided more favorable incentives by earmarking it as a “thrust sector” or “priority sector.”

Some states have prioritized specific components of the EV value chain, notably battery manufacturing, with higher incentives to promote the localization of this critical component. In addition to financial incentives, state EV policies provide incentives for innovation, research and workforce development, to create a competitive advantage. Table 7 below provides an overview of the industry incentives being offered by state EV policies.

Table 7: **Matrix of EV industry incentives**

States	Capital subsidies	Tax exemptions and interest subsidies	Land development incentives	Infrastructure concessions and subsidies	Battery recycling initiatives	Employment incentives	Skill development	R&D initiatives
Andhra Pradesh	Addressed	Addressed	Addressed	Addressed	Addressed	Not addressed	Addressed	Addressed
Bihar	Not addressed	Addressed	Addressed	Not addressed	Not addressed	Addressed	Not addressed	Addressed
Delhi	Not addressed	Not addressed	Not addressed	Not addressed	Addressed	Not addressed	Addressed	Addressed
Karnataka	Addressed	Addressed	Addressed	Addressed	Not addressed	Not addressed	Not addressed	Addressed
Kerala	Addressed	Addressed	Addressed	Addressed	Not addressed	Addressed	Addressed	Addressed
Madhya Pradesh	Not addressed	Not addressed	Not addressed	Not addressed	Addressed	Not addressed	Addressed	Addressed
Maharashtra	Not addressed	Addressed	Not addressed	Addressed	Not addressed	Not addressed	Addressed	Addressed
Punjab	Not addressed	Addressed	Not addressed	Addressed	Addressed	Addressed	Addressed	Addressed
Tamil Nadu	Addressed	Addressed	Addressed	Addressed	Addressed	Addressed	Addressed	Addressed
Telangana	Addressed	Addressed	Addressed	Addressed	Addressed	Not addressed	Not addressed	Addressed
Uttar Pradesh	Not addressed	Not addressed	Addressed	Not addressed	Addressed	Not addressed	Not addressed	Addressed
Uttarakhand	Addressed	Addressed	Addressed	Addressed	Not addressed	Addressed	Addressed	Not addressed

Not addressed in the policy   Addressed in the policy

Capital subsidies for industrial development

States facilitate investment promotion through capital cost subsidies to offset high upfront development costs. These are offered as tiered incentives for industries of different sizes ranging from micro, small and medium enterprises (MSMEs) to ultra-mega projects.

> States are linking subsidy amounts to geographic location of industries, with lower subsidies in more developed regions and higher subsidies in under-developed regions.

In states such as Maharashtra, EV manufacturers can avail of subsidies at one tier above their eligibility, effectively receiving higher incentives than their size or location qualifies them for.

Which states are using it?

- Karnataka and Andhra Pradesh provide varying capital subsidies by size of industry (see Table 8 for details). Both states offer differentiated subsidies based on industry type as well. Karnataka's subsidies for large to ultra-mega industries are restricted to battery manufacturing/ assembly and charging infrastructure manufacturing companies. In addition to these, Andhra Pradesh offers subsidies for EV manufacturers (of 2Ws, 3Ws, 4Ws and buses) and hydrogen storage and fueling equipment manufacturers, too.

- Tamil Nadu offers capital subsidies only for intermediate products used in the manufacture of EVs and charging infrastructure, where State Goods and Services Tax (SGST) reimbursement is not applicable.

- The Kerala government will proffer a 20% capital subsidy on new EV manufacturing units, while Telangana offers capital subsidies up to 20% of investment capped at INR 300 million for mega enterprises.

- In Maharashtra, while there is no capital subsidy for new industries, expansion projects of MSMEs get a 25% subsidy only on additional capital equipment acquired for technology upgrade, subject to a maximum of INR 2.5 million.

Table 8: **Capital subsidies by size and type of industry**

Capital Subsidies	MSME	Large	Mega	Ultra-mega
Karnataka	INR 1.5 million to 5 million (25% of investment)	EV battery manufacturing/assembly - 20% up to INR 200 million for first 2 units EV charging equipment manufacturing - 20% up to INR 50 million for first 5 units		
Andhra Pradesh	1.5 million to 50 million	10% of investment (max INR 100 million) for first 2 units in various segments	10% (max INR 200 million) for first 2 units in various segments	Special incentives for mega, ultra-mega and integrated automotive projects
Tamil Nadu	All industries - 15% of eligible investment (payable over 10 years) EV battery manufacturing - 20% of eligible investment (payable over 20 years) MSMEs - additional capital subsidy for e-vehicle component or charging infrastructure manufacturers			
Kerala	20% capital subsidy for new EV manufacturing units			
Telangana	Up to 20% capital subsidy capped at INR 300 million for mega enterprises			

Tax exemptions and interest subsidies

Apart from capital subsidies, tax exemptions or reimbursements of the SGST and interest subsidies on loans are the two other fiscal incentives deployed by states under the umbrella of industrial promotion subsidies.

Which states are using it?

- Uttar Pradesh, Uttarakhand, and Maharashtra offer SGST exemptions/ reimbursements and interest subsidies on loans (see Table 9 for details).

- Bihar, Punjab, Tamil Nadu, Andhra Pradesh, and Telangana offer SGST reimbursements for periods ranging from 5 to 15 years from the date of commencement of commercial production.

- Most states have upper limits on the amount of SGST reimbursement that may be claimed, depending on the size of industry and its location within the state.

- Karnataka, rather than offering an SGST exemption, allows sanctioning of SGST as an interest-free loan for large, mega, ultra-mega and super mega enterprises.

Table 9: **Tax exemptions and interest subsidies by industry size**

<table>
<tr><th>Capital Subsidies</th><th>MSME</th><th>Large</th><th>Mega</th><th>Ultra-mega</th></tr>
<tr><td>Maharashtra</td><td>100% of gross SGST payable 5% interest subsidy on loans</td><td>50% of gross</td><td colspan="2">Customized package of incentives for prestigious mega and ultra-mega projects, on a case-to-case basis</td></tr>
<tr><td rowspan="2">Uttarakhand</td><td>Interest subsidy on loans from 5% to 10% up to INR 800,000 for medium enterprises</td><td>7% interest subsidy up to INR 2.5 million/ year</td><td>10% (max INR 200 million) for first 2 units in various segments</td><td>Special incentives for mega, ultra-mega and integrated automotive projects</td></tr>
<tr><td colspan="2">30% of net SGST payable will be reimbursed</td><td colspan="2">50% of net SGST payable will be reimbursed</td></tr>
<tr><td rowspan="2">Uttar Pradesh</td><td>90% SGST reimbursement for small industries for 5 years</td><td>60% SGST reimbursement for 5 years</td><td>70% SGST reimbursement for 10 years</td><td rowspan="2"></td></tr>
<tr><td colspan="3">5% interest subsidy per annum for 5 years, up to INR 5 million/year</td></tr>
<tr><td>Andhra Pradesh</td><td>100% SGST reimbursement for 5-7 years</td><td>100% SGST reimbursement for 10 years</td><td>NA</td><td>NA</td></tr>
<tr><td>Telangana</td><td>NA</td><td>NA</td><td>100% net SGST reimbursement, up to INR 50 million/year, total cap of INR 250 million over 7 years</td><td></td></tr>
<tr><td>Bihar</td><td colspan="4">80% SGST reimbursement for 5 years</td></tr>
<tr><td>Tamil Nadu</td><td colspan="4">100% SGST reimbursement up to 2030 (up to 100% of eligible investment)</td></tr>
<tr><td>Punjab</td><td colspan="4">100% SGST reimbursement for 15 years (up to 200% of eligible investment)</td></tr>
<tr><td>Karnataka</td><td>NA</td><td colspan="3">100% of net SGST can be sanctioned as interest-free loans for 8-13 years</td></tr>
</table>

Land development incentives

Land acquisition and development costs are significant capital expenditure items for setting up new industrial units. Incentives for land development include subsidies on the cost of land, fee waivers for the conversion of agricultural to industrial land, and stamp duty and registration charge exemptions on the purchase and registration of land.

Through land development incentives, states aim to promote under-developed districts by offering higher incentives in certain regions. The development of industrial clusters is also catalyzed by extending benefits availed by larger auto OEMs to ancillary component suppliers.

Which states are using it?

- Tamil Nadu, Uttar Pradesh, and Uttarakhand offer land cost subsidies for manufacturing units, depending on size and location of industry (see Table 10 for details).