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Offering lower duty for EVs inevitable: Govt to local firms

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The government has made it clear to domestic automakers that allowing greater market access through concessional duty for electric vehicles (EVs) will be inevitable under the proposed free-trade agreement (FTA) between India and the United Kingdom (UK).

However, to give comfort to the industry, the government will make sure that opening up of the market takes place in a calibrated manner, taking the industry's 'concerns' into account.

The domestic manufacturers have opposed import duty cuts on EVs, considering that it is a sunrise industry. India has been pushing for duty reduction in a phased manner.

"We understand that the EV industry is at a nascent stage at the moment. We are looking for a calibrated, safe way to open up the market and will take into account their concerns," a person aware of the matter told *Business Standard*.

"The industry may need five, 10 or 15 years' time, which should be enough (to protect and allow them to grow). If the government allows import of a limited number of vehicles (on a concessional duty), they shouldn't feel threatened. The industry will have to understand this," the person cited above said.

In India, the import tariff for EVs has been steep. Fully-assembled electric cars priced above \$40,000 (₹34 lakh) attract 100 per cent import duty, while those below \$40,000 see a 70 per cent charge.

The rationale behind the high



CALIBRATED MOVE

- Indian industry has been opposing major duty cuts in EVs
- The government said it will take industry's 'concerns' into account

- India is pushing for concessional duty under the FTA in a calibrated manner, which shouldn't threaten the industry
- Next round of negotiations expected this month

tariff has been to protect the domestic EV industry and to also push domestic manufacturing in this segment.

Greater market access for EVs has become one of the key areas of disagreement between India and the UK towards finalising the deal.

Reaching a common ground on the matter will be crucial for both nations, since the window for a trade deal is fast shrinking. This is owing to the general elections expected over the next three-four months.

India has proposed a duty reduc-

tion to 85 per cent from 100 per cent for electric cars priced above \$85,000. The UK has asked for a reduction in duties for all EVs in the range of 15-20 per cent. But the Indian industry has been against major duty cuts.

"When we talk about becoming a developed country by 2047, time has come to feel confident in certain sectors and open up. That has been the mantra all across the globe. The time has come to take the plunge from protectionism," the person said.