
AFTER TESLA PUSH

Centre mulls import tax cut if EV makers build locally

REUTERS

New Delhi, 25 August

The Centre is working on a new electric vehicle (EV) policy that would slash import taxes for automakers that commit to some local manufacturing, following a proposal by Tesla which is considering entering the domestic market, people with direct knowledge said.

The policy being considered could allow automakers to import fully-built EVs into India at a reduced tax as low as 15 per cent, compared to the current 100 per cent that applies to cars which cost above \$40,000 and 70 per cent for the rest, said two of the sources, including a senior Indian government official.

The commerce ministry, which is working on the plan, and Tesla, did not respond to requests for comment.

Asked about the move, Finance Minister Nirmala Sitharaman told reporters “there is no proposal in front of me” to reduce import duties on electric vehicles. “There is an understanding with Tesla’s proposal and government is showing interest,” said the official.

If such a policy is adopted, it could amount to a drastic reduction in the cost of imported EVs that

local carmakers have been keen to avoid. It could also open the door for global automakers, beyond Tesla, to tap the world’s third-largest car market where sales of EVs are less than 2 per cent of total car sales, but growing rapidly.

The lower import taxes could help Tesla sell its full range of models in India, and not just the new car it wants to make locally, said a third source.



TESLA'S INDIA PLANS

■ Tesla tried to enter India in 2021 by pushing officials to lower the 100% import tax for electric vehicles

■ In 2022, talks between Tesla and Indian government collapsed when officials told the company would have to first commit to local manufacturing

■ Tesla said it is keen to set up a local factory in India and make a new EV in the range of \$24,000, around 25% cheaper than its current entry model
