

ENGINEERING DEVELOPMENT BOARD
Ministry of Industries and Production

**INCENTIVES UNDER AUTO INDUSTRY DEVELOPMENT AND EXPORT POLICY
(AIDEP 2021-26)**

AIDEP includes promotion of small cars, localization, incentivizing introduction of new products in tractors and motorcycles, consumer protection, promotion of new technologies i.e. EVs and Hybrids, targeting export markets and

Following incentives have been provided to auto sector under Auto Industry Development and Export Policy (AIDEP 2021-26). The incentives were announced in budget 2021-22 and other announcements/notifications/incentives have been approved by the cabinet on 21st December 2021.

Sr No	Description
1	<p>Affordable cars, vans & Light Commercial Vehicles (LCVs) up to 1000 cc (Meri Garri Scheme)</p> <p>a. All taxes removed (ACD(0%), AST(0%),WHT(0%) & FED(0%), ST reduced to 12.5%) on locally manufactured cars</p> <p>b. Reduction in taxes on CBUs (ACD 0%)</p> <p>c. New Product Policy CD (15-30%) +ST @12.5%</p> <p>- Applicable to new models of all existing and new entrants for vehicles up to 1000 cc</p> <p>- New Product Policy CD (15-30%), three years from manufacturing certificate or 30 June 2026, whichever is earlier – cut-off date of approval: 30th June 2023</p>
2	<p>Bringing prices of locally manufactured cars down (above 1000 cc)</p> <p>Reduction of FED (by 2.5 percent on each category of cars/SUVs/LCVs) [From 1001-2000cc 5% to 2.5%] [Upto 1000cc 2.5% to 0%] [Above 2000cc-7.5% to 5%]</p>
3	<p><u>New Product Policy</u></p> <p>a. For Agricultural Tractors of new make or new model as certified by EDB, the custom duty on localized parts will be 15% (20 % advantage) for three years from date of manufacturing certificate or up to 30th June, 2026,</p>

	<p>whichever is earlier.</p> <p>b. For motorcycles exceeding 125 cc, motorcycle rickshaws and auto rickshaws exceeding 200 cc as certified by EDB, the Custom Duty on localized parts will be 30% (reduced by 16%) for three years from the date of issuance of manufacturing certificate or upto 30th June, 2026 whichever is earlier, whereas non-localized parts attract CD @ 15%.</p> <p>c. The cut-off date for issuance of manufacturing certificate in 30th June 2023</p>
4	<p><u>Tackling 'on money'</u></p> <p>a. Taxes amounting to Rs 50,000/- Rs 100,000/- and Rs 200,000/- for different CCs of vehicles on registration, where booking is made by Person A and registration is made in name of Person B</p> <p>b. Compulsory payment of KIBOR+3% interest by manufacturers on delivery beyond 60 days on initial deposited amount</p>
5	<p><u>Ensuring safety</u></p> <p>a. The importer-cum-assembler or OEM shall comply with short listed WP-29 Regulation as determined by EDB, whereas EDB shall ensure the compliance.</p> <p>b. No vehicle shall be locally manufactured/ imported after 30th June 2022 which is not compliant of shortlisted WP 29 regulations.</p> <p>c. However, manufacturers may get total waiver of up to a total of 24 months (ending on 30.06.24) from EDB subject to showing reasonable progress in compliance of WP 29 Regulations of UNECE or any practical difficulty whereas, MoIP on recommendation of EDB shall grant relaxation for one year in case of difficulty in compliance.</p>
6	<p><u>Incentives on EVs</u></p> <p>a. Customs Duty (CD) on Specific Parts for electric vehicles @ 1 %</p> <p>b. Reduction of sales tax on locally manufactured EVs having battery pack below 50 KWH to 1% from 17 %</p> <p>c. Import of EV CBU @ 10% CD for one year instead of 25 %</p> <p>d. Incentives for EV specific parts on motorcycles (CD 1%), 3 wheelers and heavy commercial vehicles. Further details are mentioned in the policy document</p> <p>e. Complete Details of Incentives are elaborated in the policy.</p>
7	<p><u>Allowing hybrid manufacturing in policy</u></p> <p>a. Customs Duty (CD) on Specific Parts for hybrid electric vehicle and Plug-in hybrid electric vehicle to attract 4 % and 3 % respectively.</p> <p>b. Reduction of sales tax (8.5%)</p> <p>c. Reduction in Regulatory Duty on CBU Import of Hybrids (15% for above 1800 cc, 0 % for 1800 cc and below</p>
8	<p>Custom Duty on import of CKD non-localized for rigid trucks above 5 ton GVW</p>

	Falling under HS Code 8704 reduced from existing 10% to 5%.												
9	Custom Duty on sub-assemblies of vehicles of PCT heading 87.11 (except for motorcycle rickshaw of PCT heading 8711.3020) reduced from existing 20% to 12.5. These measures removed anomaly as CKD non-localized is @ 15%.												
10	<p><u>Localization/ Indigenization</u></p> <p>a. The Appendix-I and Appendix-II of SRO 693(I)2006 will be updated bi-annually by December 31, and June 30 of every year on recommendation of EDB. The components or assemblies localized by any OEM or vendor in respective vehicle category shall qualify for inclusion in Appendix-I and Appendix-II.</p> <p>b. All components or sub-assemblies shall not be eligible for the benefit of exemption under SRO 655(I) 2006 where IORC, as determined by EDB or IOCO, is less than 30% value addition for the manufacture of specified components or assemblies.</p>												
11	Continuity of ADP 2016-21 for CKD Manufacturing till 2026 or 3 to 5 years from issuance of manufacturing certificate on case to case basis)												
12	Online booking system to be introduced by all OEMs for cars, LCVs & HCVs to ensure traceability.												
13	Upfront payment restricted to 20% for cars, LCVs, SUVs i.e. OEMs will entertain booking request on payment of 20% of total invoice amount, at the time of booking												
14	Approval/Issuance of Notification/SRO to allow import of CBUs 10 per variant maximum 100 units for cars and 200 units for 2-3 Wheelers at 50% of levied CD per company for marketing and showcase purposes												
15	Approval/Issuance of Notification/SRO for duty free import of plant and machinery for setting up plants for EV manufacturing												
16	Sales Tax reduction up to 1000cc not provided to Light Commercial Vehicle (e.g. Ravi) & Vans due to use of word "Motor Cars" which has been approved to be changed to "Motor Vehicles" for provision of sales tax reduction to vans and LCVs also												
17	<p><u>Fixation of Export Targets</u></p> <p>Following export targets have been fixed</p> <table border="1"> <thead> <tr> <th>Financial Year</th> <th>Obligatory Export as % of import</th> </tr> </thead> <tbody> <tr> <td>2021-22</td> <td>0</td> </tr> <tr> <td>2022-23</td> <td>2</td> </tr> <tr> <td>2023-24</td> <td>4</td> </tr> <tr> <td>2024-25</td> <td>7</td> </tr> <tr> <td>2025-26</td> <td>10</td> </tr> </tbody> </table>	Financial Year	Obligatory Export as % of import	2021-22	0	2022-23	2	2023-24	4	2024-25	7	2025-26	10
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18	<p>Engineering Development Board to analyze following</p> <ul style="list-style-type: none"> - Promotion of manufacturing of local car/local brand - Promotion of manufacturing of specialized vehicles including fire fighting vehicles, refrigerated trucks, oil tankers, etc - Rationalize sales of aftermarket parts through detailed analysis in consultation with National Tariff Commission (NTC)
19	<p><u>Formulation of Auto Sector Monitoring Committee (ASMC)</u></p> <ul style="list-style-type: none"> - Formulation of committee under chairmanship of Secretary MoIP having representatives from EDB, M/o Commerce, FBR, CCP, MoST, SBP, PAMA, PAAPAM with following TORs <ul style="list-style-type: none"> ☐ Addressing consumer grievances including 'ON-Money'/ delayed deliveries ☐ Monitoring, Targeting, Verification and Oversight of Localization ☐ Safeguarding customers on quality issues ☐ Implementation of WP-29 safety regulations ☐ Surveillance of minimum initial payment not to exceed 20% of price - In case of non compliance of policy interventions, the committee will have the right to recommend stoppage of incentives
20	<p><u>Formulation of Auto Industry Development and Export Committee(AIDEC)</u></p> <p>A recommendatory committee to deal with technical matters of auto sector under the chairmanship of CEO EDB has been approved whereas EDB will act as a secretariat of the committee.</p>