

Budget 2023: SMEV shares wishlist to drive EV growth in India

The total number of electric vehicle sales across categories – two-, three-, autorickshaw, passenger vehicle, CVs – crossed the one million mark in India in 2022. In fact, as per Vahan data, an average of 83,585 electric vehicles were registered every month in the country.

The Society of Manufacturers of Electric Vehicles (SMEV), the apex body representing electric vehicle manufacturers in the country has shared its expectations from the upcoming Budget 2023, which it believes can further accelerate adoption of the green vehicles.

It says there is positive momentum in the EV industry and there is a growing acceptance amongst customers. SMEV acknowledges the government's commitment to promote and prioritise e-mobility through initiatives such as the FAME scheme, which emphasises demand creation.

Taxation and FAME II subsidy

While 5% GST is levied for the vehicle; for spare parts, there is no clarity and the industry ends up paying 28% (except for batteries). The request, therefore, is for levying a uniform 5% GST for all EV spare parts.

Since the manufacturing of lithium-Ion cells within the country is still in its nascency; would request that the government of India review the percentage of customs duty for cells used for EV production. Reduce customs duty to zero until cells start getting manufactured in India, also because of a major increase in cost on account of AI 156.

The validity of FAME II is set to expire on March 31, 2024. The validity of the scheme needs to be extended since the penetration of EVs for which the subsidy was supposed to catalyse has not been met.

The new FAME II scheme should be linked to e-mobility conversion rather than being time-based. According to market trends, e-mobility, particularly electric two-wheelers, has the potential to continue growing once it reaches 20 percent of the total 2W market. The subsidy can be tapered thereafter.

The FAME II scheme should have provisions to directly transfer the subsidy to EV customers.

Provision to support electric commercial vehicles & e-tractors

Increase the scope of FAME scheme to include commercial vehicles on a project mode basis. At present, trucks account for over 40 percent of India's fuel consumption and over 40 percent of the Greenhouse gas emissions across the road transport sector.

Expanding the FAME subsidy to electric tractors to help India reduce fuel imports and GHG emissions. The centre should allocate special funds and advise the Agriculture Department to announce exclusive provisions for a subsidy to e-tractor buyers (for use both on the farm and commercially) in the SMAM guidelines and allocate state-wise yearly targets for electric tractors.

Incentivise battery R&D, skill development

There is a lack of R&D on battery storage for EVs, hence, the government should consider creating grants/incentives to stimulate innovation in this sector.

Then there is the non-availability of skilled manpower for R&D, production, or repair. Allocating incentives for building academic or skill training courses on EVs will further help the industry.

CAFE II norms and access to finance

SMEV says pure electric vehicle OEMs are not incentivised. The government should allow pure EV companies to trade credits acquired through production with ICE OEMs. It will de-incentivise ICE production and offer a level playing field for new-age companies.

The Budget 2023 should help reduce interest rates charged to EV customers. Extension of the guarantee being offered by NITI Aayog and the World Bank through SIDBI even for commercial four- and six-wheeler vehicles. Furthermore, the government should help reduce the interest rate for loans taken by pure EV OEMs for setting up manufacturing facilities.

For EV penetration, a critical requirement is to enable a wide network of charging infrastructure. The government should provide a CAPEX subsidy of 50 percent for setting up charging infrastructure across the country.

PLI scheme and DVA norms

SMEV says the Production Linked Incentive (PLI) scheme drafted is not designed for startups and MSMEs to benefit from it. There is a need to include them within the PLI ambit. In its current avatar, the PLI Scheme favouring only established big corporates and multinationals, which leads to startups and MSMEs to lose because they are already struggling for capital.

On the other hand, SMEV says there is no clarity on the proposed DVA (domestic value addition) norms under PLI. DVA under FAME II was quite different than whatever is supposed to be there under the PLI DVA. Both FAME DVA and PLI DVA must be same in order to avoid confusion, multiplicity and complexity of implementation. The industry body like SMEV should be fully involved in such critical policies.

Battery swapping & recycling

The industry body has asked for implementation of the Battery Swapping Policy, which was committed in last year's budget. NITI Aayog has consulted stakeholders, but the final policy is waited for accelerating this segment.

Need for GST Rationalisation: Furthermore, a reduction in GST on swap batteries will lower the cost of EV ownership among fleet operators, last-mile delivery companies, and connectivity sector.

To accelerate the adoption of e-mobility, there should be a focus on the creation of EV charging and swapping infrastructure. This objective can be achieved through FAME incentives for charging and swapping infrastructure.

To make a consortium of four large oil and gas PSUs – Indian Oil Corporation, Bharat Petroleum Corporation, Maharashtra Natural Gas and Indraprastha Gas and create a special corpus to install battery swapping stations at all the gas stations.

Providing FAME II subsidy for extra or float batteries for battery swapping: At present, the FAME II subsidy is given to vehicle OEMs; however, for float batteries for a battery swapping network, there is no subsidy on the battery; as per the draft EV policy, it is proposed that the FAME II subsidy will be provided to the extra (float) batteries in the network as well.

Battery recycling, Battery as a Service

Policy towards Lithium-Ion battery recycling may be provided as we are in 5th year of operations and may need these guidelines immediately.

Electronic component buying and recycling agencies may be recruited by Gol. The tender may be called upon for Agency recruitment.

For research & development expenses related to battery recycling, a 200% tax rebate, as before, may be considered.

At present, the customers are charged 18% GST on every transaction that they undertake at an EV Charging Station and every battery swapped at a Battery Swapping Station.

Corporate customers can take the input tax credit on the GST paid during this transaction; however, retail customers do not have such an option and they absorb the tax as a cost.

The Union Budget 2023–24 is being presented at a crucial juncture of geo-political uncertainties, high-inflation, and slowing world economic growth. The budget will help the EV industry move forward on its way towards faster adoption of EVs. SMEV says calibrated steps will be needed to maintain the ongoing positive economic growth curve. The industry can further go through a phase of an unstable supply chain if a recession hits the major markets and the extremely rigid stand taken on some of the policies like FAME on premature localisation.