EV industry seeks extension of subsidies under FAME-II in Budget

The Society of Manufacturers of Electric Vehicles (SMEV) has sought an extension of subsidies for EVs under the FAME-II scheme, reports said on Tuesday. The industry has also sought the inclusion of light to heavy commercial vehicles in it to promote electric mobility.

In its pre-Budget recommendations, the industry body also called for a uniform 5 per cent **GST** on spare parts for electric vehicles

"The validity of **FAME II** is set to expire on March 31, 2024. We believe FAME's validity needs to be extended since we have yet to meet the penetration the subsidy was supposed to catalyse," news agency PTI reported SMEV as saying in a statement. The new FAME II scheme should be linked to e-mobility conversion rather than being time-based, it added.

The EV industry body said market trends suggest that e-mobility, particularly electric two-wheelers (E2W) has the potential to continue growing once it reaches 20 per cent of the total two-wheeler market.

"The subsidy can be tapered thereafter," it said, adding the FAME II scheme should have provisions to directly transfer the subsidy to customers.

EV sales in India have seen a robust uptick over the last few years. While 48,179 EVs were sold in 2020-21, the firgures increased to 2,37,811 in 2021-22 and 4,42,901 in 2022-23 (till December 9).

Minister of Heavy Industries, Mahendra Nath Pandey, said in a written reply in the **Lok Sabha** that the ministry has implemented a scheme titled 'Faster Adoption and Manufacturing of Electric Vehicles in India Phase II' (FAME India Phase II) to promote adoption of electric/hybrid vehicles in the country.

At present, Phase-II of the FAME India scheme is being implemented for a period of five years from April 1, 2019 with a total budgetary support of Rs 10,000 crore.

This phase focuses on supporting electrification of public and shared transportation through subsidies for 10 lakh e-two-wheelers (e-2Ws), 5 Lakh e-three-wheelers (e-3Ws), 55,000 e-four-wheeler (e-4Ws) passenger cars, and 7090 e-buses.

Inclusion of CVs

SMEV also suggested inclusion of light commercial vehicles (**LCV**) and medium and heavy commercial vehicles (M&HCV) on a project-mode basis as India must prepare for the transition to e-mobility in trucks and heavy commercial vehicles in three to four years.

For this, it said,"Increase the scope of FAME to include commercial vehicles on a project mode basis. Today, trucks account for over 40 per cent of India's fuel consumption and over 40 per cent of the greenhouse gas emissions across the road transport sector."

Further, SMEV also sought expansion of the FAME II subsidy to electric tractors. On taxation, SMEV said while 5 per cent GST is levied on electric vehicles, for spare parts, there is no clarity and the industry ends up paying 28 per cent, except for batteries.

"The request, therefore, is for levying a uniform 5 per cent GST for all EV spare parts," it said.

SMEV also asked the government to consider reducing the basic customs duty on cells to zero until these are manufactured in India as "the manufacturing of Lithium-Ion cells within the country is still in its nascency ".

It also said the PLI (production linked incentive) scheme drafted for promotion of electric mobility "is not designed for startups and MSMEs to benefit from it" and asked for their inclusion in the PLI ambit.

"With the PLI scheme favouring only established big corporates and multinationals, startups and MSMEs tend to lose because they are already struggling for capital," it added.

SMEV also asked the government to allow pure EV companies to trade credits acquired through production with internal combustion engine OEMs (original equipment manufacturers) as pure EV OEMs are not incentivised under CAFE (corporate average fuel efficiency) II norms.

In order to further accelerate electric mobility in the country, SMEV said EV financing needs to be included as part of priority sector lending to ensure more pools of capital are unlocked, while also drawing the government's attention to help reduce the interest rates charged to EV customers.

"For EV penetration, a critical requirement is to enable a wide network of charging infrastructure. The government is required to provide a CAPEX subsidy of 50 per cent for setting up charging infrastructure across the country," SMEV added.

With Union **Budget** 2023-24 to be presented at a crucial juncture of geo-political uncertainties, high inflation, and slowing world economic growth, SMEV hoped that it would help the EV industry move forward on its way towards faster adoption of EVs.