



Automotive Component Manufacturers Association Of India

PRESS RELEASE

ACMA's expectations from upcoming Union Budget 2020

- *Uniform 18% GST on all Auto Components*
- *Recommends concrete measures to encourage R&D and technology development*

New Delhi, January 27, 2020: The Automotive Component Manufacturers Association (ACMA), the apex body of the Indian auto component industry reiterated the need for a uniform 18 per cent GST rate on all auto components in its recommendations for the Union Budget 2020. Given the sector is challenged due to the prolonged slowdown, the industry association that represents over 850 companies in the auto component sector recommended, supportive measures that would enable revival of automotive growth and a smooth transition to the next phase in the year to come.

Commenting on ACMA's recommendations for the forthcoming budget, **Deepak Jain, President, ACMA** said, *"The automotive industry in India is undergoing a significant transformation due to new regulations and policy changes. On top of it the economic slowdown has deterred domestic consumption, we hope that the forthcoming budget will help uplift both the consumer and industry sentiments."*

Jain further emphasised that, *"The auto component industry contributes significantly towards employment generation and exports. To meet the Government of India's Vision of a USD 5 trillion economy by 2025, of which the manufacturing industry would be USD 1 trillion, it is critical that steps be taken to get the automotive industry back on track. The automotive industry accounts for almost half of India's manufacturing economy, while the component industry accounts for a quarter. We are hopeful that the Government would consider our long-standing recommendation of 18 per cent GST on all auto components as also extend impetus to R&D and indigenous technology development."*

Some of ACMA's salient recommendations for the Budget are:

- **Technology Development & Acquisition Fund:** A fund needs to be created for supporting R&D and indigenous technology development especially in light of the technological disruptions the automotive industry is witnessing. The fund could be utilised for technology development of e-mobility components, and to meet new regulations on safety, emission and environment, among others. Such a fund could also be utilised for in-house development or for acquisition and assimilation of technologies through licensing agreements, acquisitions etc.

- **Incentivising R&D Spend:** To encourage domestic R&D and testing, it is important to provide exemption on import duty on auto component prototypes. Also retaining of weighted tax deduction on R&D expenditure is critical. The 2016-17 Budget reduced weighted deduction benefit from 200 per cent to 150 per cent and has further restricted the deduction to 100 per cent from 1st April 2020.
- **MSME Definition:** A new MSME definition will allow larger number of companies to avail government incentives. As per the proposed definition, MSMEs will be categorized on the basis of their annual turnover instead of investment in plant & machinery/equipment as under:
 - Micro enterprise - annual turnover that does not exceed Rs. 5 crore.
 - Small enterprise - annual turnover more than Rs. 5 crore but does not exceed Rs 75 crore.
 - Medium enterprise - annual turnover that is more than Rs. 75 crore but does not exceed Rs. 250 crore.
- **Investment Allowance**
Provision to reintroduce investment allowance at 15 per cent for manufacturing companies that invest more than Rs. 25 crore in plant and machinery.

About ACMA:

The Automotive Component Manufacturers Association of India (ACMA) is the apex body representing the interest of the Indian Auto Component Industry. It represents over 850 manufacturers in the organized sector.

The Indian Auto-Component Industry contributes 2.3% to India's National GDP and provides employment to 5 million people. The Industry witnessed a growth of 14.5% posting a turnover of Rs. 3,95,902 crore (USD 57.10 billion) in the FY 2018-19. While the exports showed a growth of 17.1% scaling to Rs. 106,048 crore (USD 15.16 billion) in FY 2018-19. The Aftermarket grew by 9.6% to Rs. 67,491 crore (USD 10.1 billion) from Rs 61,601 crore (USD 9.2 billion) in the previous fiscal.

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