Sl No 1 (PUC)

(1)

F.No.9/112/2019-HE&MT
Ministry of Heavy Industry
Department of Heavy Industry

Udyog Bhawan,New Delhi
31st December 2019

DATE BOUND

Office Memorandum

Subject: Regarding review of concessions allowed under the Project Imports Scheme

The undersigned is directed to refer to the record of discussions of the meeting taken by Additional Secretary, DPIIT on December 13th on the subject on the above subject. A copy of the minutes are enclosed.

2. In view of the directions given in the meeting:

a) It is requested to kindly examine the project imports concerning your Ministry/Department at the earliest and also check if these products being imported are also being manufactured in India. For such products manufactured in India, the suggestion of excluding these from the project import facility may kindly be considered. A list of products to be excluded may accordingly be prepared.

b) A number of import concessions are being provided under project imports under Chapter 9801 and also under Chapters 84 and 85 of the ITC HS Codes. It is requested to kindly examine the available concessions for the items in these Chapters and provide suggestions/comments on the need for continuation of these concessional imports for the products under the domain of your Ministry/Department.

c) Further, it may also be examined whether the same concessions require to be given to old/second hand machines under these aforementioned three Chapter of the ITC HS Codes. A list of products to be excluded may accordingly be prepared.

d) It is also proposed to frame an incentive scheme to create and strengthen the domestic capacity for the manufacture of capital goods. Your suggestion in are solicited for framing an Investment allowance scheme for incentivising manufacturing in India.

3. The above comments may kindly be sent to this office within the next ten days to zakir.its@gov.in, jssl-dhi@gov.in. This may kindly be treated as **MOST URGENT**.

G25/PM1-II/2020
08/01/2020

13/DS(PMI)/20
7/1/2020

31-12-2019
(Mohd. Zakir Hussain)
Director

6/1

To

1. Secretary, Ministry of Steel
2. Secretary, ,Ministry of Power
3. Secretary, MeiY
4. Secretary, Dept. of Fertilisers
5. Secretary, Ministry of Textiles
6. Secretary, Dept. of Telecom
7. Secretary, Ministry of Coal
8. Secretary, Department of Defence Production

JS(GS)
Discussed with Secy (Fert.)
Since Project Imports related T are dealt with by the EA, the matter is transferred to EA for further y/a.
7/1/20

ASO(PM1-3) 07/01/2020

DS(PMI) 7-1-20 EA

9. Secretary , Ministry of Food Processing Industries
10. Secretary, Department of Chemicals and Petrochemicals
11. Secretary, Ministry of Mines
12. Secretary, Ministry of petroleum and Natural Gas
13. Secretary, Ministry of railways
14. Secretary, Ministry of Road Transport and Highways
15. Secretary, Ministry of Shipping
16. Secretary, Department of Atomic Energy
17. Secretary, Department of Space
18. Secretary, Ministry of New and Renewable Energy
19. Secretary, Department of Pharmaceuticals

Copy for Information to:

1. Shri Shailendra Singh,AS(DPIIT)
2. JS(SL)/JS(AV)/JS(PLA)
3. Shri Kuntal Sen Sharma(EA),DPIIT
4. PS to Minister HI&PE
5. PS to MoS HI&PE
6. PSO to SHI

31-12-2019

(3)

Record of Discussions of the Meeting to discuss Project Imports Scheme

13th December, 2019

A meeting was held under the Chairpersonship of Mr. Shailendra Singh, Additional Secretary at 3:00 PM on 13th December in Room no. 47, Udyog Bhawan, New Delhi to discuss the Project Import Scheme and its future course along with representatives from Ministries/Departments concerned. The meeting was attended by senior officials from DPIIT and representatives from Department of Revenue, Department of Heavy Industry (DHI), Ministry of Electronics and Information Technology (MeitY), Ministry of Steel and Ministry of Power. List of participants is at Annex I.

2. At the outset, Additional Secretary, DPIIT briefed about the agenda of the meeting to participants. He informed that Hon'ble Commerce & Industry Minister desired that present concessions given under Project Import Scheme may be reviewed and policy be framed to promote domestic capital goods industry. The possibility of providing incentives to create domestic capacity in the capital goods sector may be explored. It was noted that on an average the concession provided to capital goods imports under Chapter 9801 is of about 2.5%, which at the current value of import works out to a foregone revenue of approximately Rs 414 crore.

3. The representative from MeitY highlighted that the capital goods sector in India, both in terms of components and assembly, is under-developed. It is for this reason that concession to import capital goods is needed. Till now there has been only one case of grant of concessions under Project Imports, which is the relocation of Samsung OLED factory from China to Noida. The Modified Special Incentive Package Scheme (M-SIPS) for providing 25% capital subsidy is important, but would come to a close on 31.12.2019.

4. The representative from Ministry of Steel took the example of CRGO steel used for building transformers specifically, wherein he mentioned that efforts have been made by the Ministry to develop several local manufacturers. However, the desired quality and technology have not been achieved.

5. Further, the representative from Ministry of Power said that hydro-sector components are cheaper if imported from abroad. Most of the machinery/equipment for the renewables and nuclear power plants are not available in India.

6. The official from Department of Heavy Industry highlighted that only around USD 2.4 billion worth of imports came under Project Imports during 2018-19, which is very small as compared to the total imports of India. He mentioned about the National Capital Goods Policy, 2016 of DHI that has a vision to increase the share of capital goods contribution from the present 12% to 20% of total manufacturing activity by 2025. The document proposes a comprehensive policy agenda to achieve

these goals comprising initiatives like setting up a Technology Development Fund, standardisation, skill development, cluster approach, etc.

7. The scope of giving direct tax benefits on royalties and payments for technology transfer of specific technologies was also discussed, along with the initiative to identify specific technologies requiring direct tax benefits. The matter would be taken up in subsequent meetings.

8. The official from Department of Revenue said that bulk of the imports under the scheme are imported at 5% duty. Coal Mining Projects, Mega Power Plants, Water Supply Projects and Nuclear Projects are imported at 0% duty. He mentioned that apart from concessions under Chapter 98, there are also concessions for import of equipment under Chapters 84/85, and the same needs to be reviewed. The possibility of excluding old machinery from the concessions scheme for all sectors may also be considered.

9. Additional Secretary, DPIIT said that every product imported under Project Imports needs to be analysed specifically by the line Ministries in terms of whether there is domestic capacity available or not. An incentive scheme similar to M-SIPS under MeiTY can be looked at to design an incentive scheme to promote domestic capacity, instead allowing concessional imports under Project Imports.

10. Key decisions taken in the meeting were as follows:

a) Individual Ministries may identify products with local production capacity. For goods where sufficient local capacity exists, imports under Project Imports may not be allowed. DHI may lead the exercise of interacting with the line Ministries for identifying these goods/products.
b) The possibility of giving incentives to local manufactures for sourcing machinery from domestic producers rather than importing them, may be explored. An Investment Allowance Scheme may be looked at for the incentives. DHI may be the nodal department for devising such a scheme under which financial support can be received by other line Ministries importing capital goods. To start with, a fund of an amount equivalent to the revenue foregone under Project Imports may be created for such a scheme.
c) DHI may review the existing exemptions under Chapter 84/85 for each sector.
d) Line Ministries like M/o Power, DHI, M/o Steel, MeiTY etc. may review the case of importing second-hand capital goods under both Chapter 98 and Chapters 84/85.

11. The meeting ended with a vote of thanks to the chair.

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Annex I

List of Participants in the Inter-Ministerial meeting to review Concessional Duty allowed under Project Imports

Sl .No.	Name of the Officer	Department/ Ministry	Designation
1.	Mr. Shailendra Singh	DPIIT	Additional Secretary – In the Chair
2.	Mr. Reyaz Ahmad	D/o Revenue	Director
3.	Mr. Sanjay Chavre	D/o Heavy Industries	Sr. Development Officer
4.	Mr. S.K. Marwa	MeitY	Sr. Director
5.	Mr. A.K. Mishra	M/o Steel	Asst. Industrial Adviser
6.	Mr. R.K. Mittal	M/o Power	Deputy Director
7.	Mr. P K Gupta	M/o Power	Director
8.	Mr. R K Jena	M/o Power	Economic Adviser
9.	Ms. Manmeet K Nanda	DPIIT	Joint Secretary
10.	Mr. Kuntal Sensarma	O/o Economic Adviser, DPIIT	Economic Adviser
11.	Mr. Jagdish Kumar	O/o Economic Adviser, DPIIT	Deputy Director
12.	Ms. Supriya Malik	O/o Economic Adviser, DPIIT	Assistant Director