



Budget 2021: Auto Sector Seeks GST Reduction In Lithium Batteries, PLI Details

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Updated: January 27, 2021 5:43 pm IST



Budget 2021: Auto sector expects quick announcements under the PLI scheme

Budget 2021: In recent years, the automobile sector witnessed several challenges in terms of reduction in demand and increase in costs due to the introduction of new safety and emission norms. In last year's budget, the demands for the sector were unmet. Budget 2021 is significant as it will be presented amid the COVID-19 pandemic when the government is trying to revive the economy. In order to provide a significant boost to the auto sector, **Brickwork Ratings** suggests in its report titled 'BWR Pre-Budget Expectations FY22', that an indication towards the transitory rationalisation of GST on automobiles from the current rate of 28 per cent in the budget could be a catalyst in reviving sales.

The report also added that allowing the availability of the input tax credit of GST paid on automobiles for businesses will increase vehicle sales to corporates. Some special deductions for interest paid on auto loans could also be a positive step in boosting demand. As a part of the Atmanirbhar Bharat scheme, the automotive and related ancillary sector is included in the production-linked incentive (PLI) scheme.

According to Brickworks, the sector expects quick announcements of details of the PLI scheme, followed by the faster disbursement of incentives. The incentives have the potential to start significant investments in coming years. The sector also seeks measures to incentivise electric vehicle ownership and promoting component localisation. The government should provide financing options, reduce GST on raw materials, reduce duties on lithium ion cell batteries. These measures could boost the sales of electric vehicles.

"We are expecting a GST reduction in Lithium batteries from 18 per cent to five per cent. Also, if nationalized banks provide affordable loans for the purchase of low-speed electric vehicles. These will speed up EV adoption in India," said Nishcal Chaudhary, Founder and CEO - BattRE, a tech-driven, electric mobility startup.