

**GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA**

UNSTARRED QUESTION NO:284

ANSWERED ON:22.07.2015

Manufacturing of PCs

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Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

Will the Minister of COMMUNICATION AND INFORMATION TECHNOLOGY

- (a) whether as per the industry body manufacturing association for information technology an estimated Rs.25,000 crore worth of personal computers manufacturing capacity is lying idle;
- (b) if so, the details and reasons therefor;
- (c) whether the Government has proposed to offer special incentives for companies to manufacture smart phones and tablets in India;
- (d) if so, the details thereof and the time by which the final decision is likely to be taken in this regard; and
- (e) the other steps taken to improve the infrastructure for IT and electronics manufacturing?

Answer

ANSWER

MINISTER FOR COMMUNICATIONS AND INFORMATION TECHNOLOGY
(SHRI RAVI SHANKAR PRASAD)

(a): As per information provided by Manufacturers' Association for Information Technology (MAIT), Personal computer (PC) manufacturers have idle capacity in different parts of the country.

(b): The capacity is lying idle because domestic manufacturing of PCs is not found competitive by these companies as compared to imports. PCs are freely importable at zero Basic Customs Duty under the Information Technology Agreement.

(c), (d) and (e): The steps taken by the Government to promote electronics hardware manufacturing (including smart phones and tablets) in the country are given in Annexure. The Government has under Customs Notification No.12/2012 dated 17.3.2012, as amended from time to time (S.Nos. 407A & 431) and Central Excise Notification No.12/2012 dated 17.3.2012 as amended from time to time (S.Nos. 254A, 254B, 263A and 272) provided special incentive to promote domestic manufacturing of mobile handsets and tablets. The Department of Revenue vide Notification No. 35/2015-Central Excise and Notification No. 36/2015-Central Excise dated 17.07.2015 has further clarified that such benefits of exemption from CVD would not be available to the buyers of such goods.

Annexure

Steps taken by the Government to promote electronics hardware manufacturing in the country

1. Promotion of electronics manufacturing with target of 'Net Zero Imports' is one of the pillars of Digital India Programme.
2. A meeting of State IT Ministers and State Government Officials was held on 26.08.2014 to encourage them to actively promote electronics manufacturing. Several States have shown keen interest.
3. Modified Special Incentive Package Scheme (M-SIPS) provides financial incentives to offset disability and attract investments in the electronics hardware manufacturing including chip manufacturing. The scheme provides subsidy for investments in capital expenditure - 20% for investments in Special Economic Zones (SEZs) and 25% in non-SEZs.
4. Electronics Manufacturing Clusters (EMC) Scheme provides financial assistance for creating world-class infrastructure for electronics manufacturing units. The assistance for the projects for setting up of Greenfield Electronics Manufacturing Clusters is 50% of the project cost subject to a ceiling of Rs. 50 Crore for 100 acres of land. For larger areas, pro-rata ceiling applies. For lower extent, the extent of support would be decided by the Steering Committee for Clusters (SCC) subject to the ceiling of Rs. 50 Crore. For setting up Brownfield Electronics Manufacturing Cluster, 75% of the cost of infrastructure, subject to a ceiling of 50 Crore is provided. Government has accorded final approval to two (2) Greenfield Electronics Manufacturing Clusters and in-principle approval to sixteen (16) Greenfield Electronics Manufacturing Clusters and three (3) Common Facility Centres in Brownfield Cluster.
5. Policy for providing preference to domestically manufactured electronic products in Government procurement is under implementation.
6. Approvals for all foreign direct investment up-to 100% in the electronic hardware manufacturing sector are under the automatic route.
7. Government has approved setting up of two semiconductor wafer fabrication (FAB) manufacturing facilities in India.
8. Investment linked deduction under Section 35AD of the Income Tax Act is available for setting up and operating a semiconductor wafer fabrication manufacturing unit, if such unit is notified by the Central Board of Direct Taxes (CBDT), Department of Revenue in accordance with the prescribed guidelines.

9. Tariff Structure has been rationalized to promote indigenous manufacturing of electronic items.
10. Under the Electronics Hardware Technology Park (EHTP) Scheme, approved units are allowed duty free import of goods required by them for carrying on export activities, CST reimbursement and excise duty exemption on procurement of indigenously available goods, as per the Foreign Trade Policy.
11. For the promotion of Research & Development (R&D), a weighted deduction of 200% of expenditure incurred on in-house R&D is available in terms of Section 35(2AB)(1) of the Income Tax Act.
12. The Department of Electronics and Information Technology (DeitY) provides funding under several schemes for promotion of R&D, including support for International Patents in Electronics & IT (SIP-EIT); Multiplier Grants Scheme and Scheme for Technology Incubation and Development of Entrepreneurs (TIDE) in the area of Electronics, ICT and Management.
13. The Policy for setting up of the Electronics Development Fund (EDF) has been approved by the Government and notified on 09.01.2015. The objective of the EDF Policy is to support Daughter Funds including Early Stage Angel Funds and Venture Funds in the area of ESDM, Nano-electronics and IT.
14. Mandatory compliance to safety standards has been notified for identified Electronic Products with the objective to curb import of sub-standard and unsafe electronics goods. As of now, 30 electronic products are under the ambit of this Order.
15. The Scheme to enhance the number of PhDs in the Electronics System Design and Manufacturing (ESDM) and IT/IT Enabled Services (ITES) sectors has been approved. 3000 PhDs are proposed to be supported under the Scheme. A Scheme for skill development of 90,000 persons in the ESDM sector has been approved to provide human resource for ESDM industry. An expanded Scheme for 'Skill Development in ESDM for Digital India' has been approved with a target of skilling 3.28 lakh candidates.
