

Union Budget and E-Vehicles

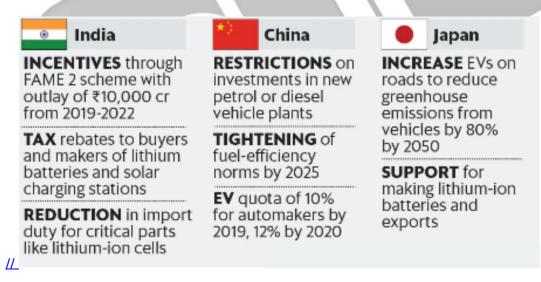
The <u>Union Budget 2019-20</u> included several incentives for developing <u>electric vehicle industry (EV Industry) in India.</u>

- Income tax rebates of up to ₹1.5 lakh to customers on interest paid on loans to buy electric vehicles, with a total exemption benefit of ₹2.5 lakh over the entire loan period.
- Customs duty exemption on lithium-ion cells, which will help lower the cost of lithium-ion batteries in India as they are not produced locally.
 - This is in addition to the ₹ 10,000 crore allocated for EVs under the FAME II scheme.
- Makers of components such as solar electric charging infrastructure and lithium storage batteries and other components will be offered investment linked income tax exemptions.
- Proposal to reduce GST rate on electric vehicles from the current 12% to 5%.

The State of EVs in India

- According to the <u>Economic Survey</u>, the market share of electric cars is only 0.06 % in India when compared to 2 % in China (world's largest EV market) and 39 % in Norway.
- Reasons for lesser market presence of EVs in India are lack of charging infrastructure and high cost.

Steps Taken by Other Countries



- In major cities in developed markets such as Frankfurt (Germany) and others, EVs are given free
 parking space and in certain parts of cities only such eco-friendly vehicles are allowed.
- <u>European Union (EU)</u> countries are also trying to evolve into a **hub for developing batteries**and other spare parts for electric vehicles through the Strategic Action Plan For Batteries.
 - The continent hosts the countries with the **largest base of electric car sales.** Norway, for instance, leads the electric vehicle market—EVs comprised 46% of the total vehicles

sold in the country in the year 2018.

• In the US, **California** is legislating tough emission norms for vehicles and providing **fiscal incentives** for plug-in hybrid and battery electric vehicles.

Way Forward

- The government can think of giving a mandate to leading manufacturers that they should have a certain share of their sales from EVs after a particular time period.
 - The <u>NITI-Aayog</u> is considering a policy <u>proposal</u> to ban all internal combustion engine two-wheelers under 150cc by the year 2025 and three-wheelers by the year 2023.
- Access to **fast-charging facilities** must be fostered to increase the market share of electric vehicles. **Investments from private players** is required for the same.

