



Union Budget and E-Vehicles




The [Union Budget 2019-20](#) included several incentives for developing [electric vehicle industry \(EV Industry\) in India](#).

- **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 [Economic Survey](#), 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

 India	 China	 Japan
INCENTIVES through FAME 2 scheme with outlay of ₹10,000 cr from 2019-2022	RESTRICTIONS on investments in new petrol or diesel vehicle plants	INCREASE EVs on roads to reduce greenhouse emissions from vehicles by 80% by 2050
TAX rebates to buyers and makers of lithium batteries and solar charging stations	TIGHTENING of fuel-efficiency norms by 2025	SUPPORT for making lithium-ion batteries and exports
REDUCTION in import duty for critical parts like lithium-ion cells	EV quota of 10% for automakers by 2019, 12% by 2020	

- 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.
- [European Union \(EU\)](#) 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 **NITI-Aayog** is considering a policy **proposal** 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.

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