

# PROMOTING DOMESTIC MANUFACTURING

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector  
incl. MSMEs and PSUs

Ministry of Commerce & Industry

## Promoting Domestic Manufacturing

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Promoting growth of industries is a continuous and ongoing effort of the Government. Recently, Government has taken various steps, in addition to the ongoing schemes, to boost industrial production of India.

### 1. Infrastructure:

2. The National Infrastructure Pipeline (NIP) was launched in December, 2019, under which expenditure of Rs 102 lakh crore is proposed as capital expenditure in infrastructure sectors in India during the fiscals 2020 to 2025.

3. To reduce logistics cost in India, Budget 2020-21 announced release of a National Logistics Policy.

4. Accelerated development of highways is being undertaken. This will include development of 2500 Km access control highways, 9000 Km of economic corridors, 2000 Km of coastal and land port roads and 2000 Km of strategic highways.

5. **Reduction in Corporate Tax:**A new provision has been inserted in the Income-tax Act with effect from FY 2019-20 which allows any domestic company an option to pay income-tax at the rate of 22% subject to condition that they will not avail any exemption/incentive. For new manufacturing companies incorporated on or after 01.10.2019, the rate was brought down to 15 per cent. Budget 2020-21 announced that this reduction of corporate tax rate to 15 per cent for new manufacturing companies will be extended to new power generation companies as well.

6. **Start-ups:**The government proposes to provide early life funding, including a seed fund to support ideation and development of early stage Start-ups. Further, time period within which Employee Stock Options (ESOPs) can be issued by Startups recognized by the Department for Promotion of Industry & Internal Trade (DPIIT) to promoters or Directors holding more than 10% of equity shares, has been enhanced from 5 years to 10 years from the date of their incorporation.

7. **For easing Liquidity Problems of NBFCs and Banks:**Government announced capital infusion of Rs 70,000 crore into public sector banks, formulated a Partial Credit Guarantee scheme for the NBFCs after the Union Budget 2019-20, and merged 10 major Public Sector Banks into four.

### 8. Measures to promote domestic manufacturing:

9. Some Trade Policy measures were announced in Budget 2020-21 to promote domestic manufacturing such as **increasing basic customs duties (BCD)** on footwear, toys and furniture; modification of Customs Act for strict enforcement of Rules of Origin norms for sensitive imports; strengthening of safeguard duties and anti-dumping duty etc.

10. Domestically Manufactured Iron and Steel Products Policy (DMI&SP) has been notified with an objective to encourage consumption of domestically produced steel by

Government organizations. The Government has notified Steel and Steel Products Quality Control (QC) Orders and introduced Steel Imports Monitoring System (SIMS) to monitor steel imports.

11. The Government on the recommendation of Food Safety and Standard Authority of India, has prohibited imports of different products from various countries.
12. With a view to assessing the impact of Free Trade Agreements, the Government held regular **stakeholders' consultations** and received inputs from the Apex Chambers of Commerce and Industry, Industry Associations, exporters, trade experts and concerned Ministries/Departments.

The general rule of origin under India's existing Free Trade Agreements (FTAs) and their enforcement provides for prevention of diversion of imports from non-FTA countries. This general rule includes both change in tariff classification and a value addition criteria. Moreover, new provisions have been made in the Union Budget 2020-21 for placing the onus on the importer to verify the rules of origin for imports under the FTAs. In these provisions, verification requests can be made by the customs authorities until 5 years from date of claim of preferential duty.

This information was given by the Minister of Commerce and Industry, Shri Piyush Goyal, in a written reply in the Lok Sabha today.

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