

Govt working on linking vehicle tax with emissions, says official

SHALY SETH MOHILE

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The government is working towards establishing a correlation between a vehicle's fuel emission and the tax levied on it, a top official has said.

In India, electric vehicles (EVs) attract a GST of 5 per cent, while hybrids incur a much higher 43 per cent. CNG-powered cars, too, come under the highest tax bracket.

"The point you have made is a relevant one of taxation rates having a correlation with the emission norms. We are working on it. We have data on it from other countries and we have data from the people sitting here and there's logic in it," said Arun Goel, secretary, Ministry of Heavy Industries. Goel was responding to a question during a panel discussion on why hybrids attract a high GST despite low emissions.

Japanese carmakers including Toyota, Maruti Suzuki and Honda Cars have been lobbying for a lower GST in line for hybrids for many years. Despite the higher duty, they have chosen hybrid — at least in the near term — as a technology option instead of pure electric as a means to curb emissions.

According to Goel, the diversity of demand in India will keep the demand for ICE (internal combustion engine) alive for many more years. Government policies including the production-linked incentive scheme are fuel-agnostic and



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do not promote one fuel over the other, he said. "We are encouraging zero-emission vehicles — EVs, we are also giving the same payouts for hydrogen fuel cells, and promoting ethanol in a big way. In the Indian scenario, for the next 20 years varied technologies will co-exist."

Having said that, the industry has to ensure future growth is in higher value and higher end "the industry cannot remain wedded to ICE", he added, stressing the need for more focus on R&D and

manufacturing with scale vis-à-vis emerging technologies. "We are going to have a great medley of varied fuel types in India," he said.

In a recent interview, Maruti Suzuki India Chairman R C Bhargava told *Business Standard* that an EV with a ₹12 lakh price tag would not be affordable for most middle-income buyers. At present, a hybrid car costs around ₹4 lakh more than an ICE-only car. A reduction in the GST, as in the case of electric cars, would bring down their price. While hybrids cost more than ICE cars, they are still cheaper than EVs.

India recorded sales of 115,032 hybrids in FY22 — a mere 4.2 per cent of the 2.7 million passenger vehicles sold.

