

GOVERNMENT OF INDIA
MINISTRY OF HEAVY INDUSTRIES & PUBLIC ENTERPRISES
LOK SABHA
UNSTARRED QUESTION NO. 3457
ANSWERED ON 10.12.2019

DECLINE IN SALE OF VEHICLES

3457. SHRI VENKATESH NETHA BORLAKUNTA:

Will the Minister of HEAVY INDUSTRIES AND PUBLIC ENTERPRISES भारी उद्योग एवं लोक उद्यम मंत्री be pleased to state:

- (a) whether the sale of vehicles have come down including 2-wheelers, 3-wheelers and 4-wheelers in the country, if so, the details thereof and the reasons therefor;
- (b) whether some dealers have closed their shops due to less demand of sale of vehicles in the market and if so, the details thereof;
- (c) whether the Government needs to reduce GST on sale of vehicles from 28 per cent, if so, the details thereof and the action taken thereon;
- (d) whether there is a need to give tax incentives to the vehicle sector, if so, the details thereof and the steps being taken in this regard;
- (e) whether the vehicles are switching from BS 4 to BS 6 by April, 2020 and this is also one of the reasons for less demand of sale of commercial vehicles and if so, the details thereof; and
- (f) the corrective steps being taken by the Government to encourage the Automobile industry?

ANSWER

**THE MINISTER OF STATE FOR HEAVY INDUSTRIES & PUBLIC ENTERPRISES
(SHRI ARJUN RAM MEGHWAL)**

(a) to (f) : There is cyclical slowdown across sectors including automotive sector since last few months. There are various financial and regulatory together with perceptual reasons for decline in automobile sales, which are as follows:

- Reduction in finance availability to Auto Sector
- Increase in Axle Load limit for commercial vehicles by up to 25% expanded freight capacity leading to shrinkage of new vehicle demand
- Increase in vehicle cost due to Supreme Court order for upfront collection of long-term 3rd party insurance premium for 3 years (new cars) and 5 years (new two-wheelers)
- Increase in collateral for dealers from 25% to 60% resulted in reduction in inventory finance to dealers
- Postponement of purchase in anticipation of discounts by OEMs for clearing of stock with BS IV norms (situation similar to the transition from BS III to BS IV)

Contd...2/-

As per information shared by Federation of Dealers Association (FADA), a total of 286 dealerships belonging to different OEMs have been closed, due to various reasons.

The Government, as a policy maker, always attempts to keep and improve the momentum of the economy through a package of measure for comprehensive and continued development of the industry as and when required. Some of the steps taken by the Government to encourage automobile industry are as follows:

- Reduction in Corporate tax to 22%
- Continuation of registration of ICE and EV in future
- Scrappage policy under consideration
- Proposed increase in registration of new cars deferred till June 2020
- Funds worth Rs. 70,000 crores released to PSU banks
- Linking of repo rate to interest charged for vehicle purchased
