

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE
LOK SABHA**

**UNSTARRED QUESTION NO. 3579.
TO BE ANSWERED ON TUESDAY, THE 17TH DECEMBER, 2024.**

REDUCTION IN TAXES ON CARS

3579. SHRI GURMEET SINGH MEET HAYER:

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:

वाणिज्य एवं उद्योग मंत्री

- (a) whether as of October, 2024, approximately 7.9 lakh unsold cars worth 79,000 crore are lying in dealer yards due to declining sales, Inventory levels have rises to 80-85 days compare to the ideal 30-35 days, if so, the details thereof, the effective tax around 42 per cent. on cars has rendered vehicles increasingly unaffordable, if so, the details thereof;
- (b) whether the Government is considering reducing taxes on passenger vehicles to a flat 18 per cent. GST without cess or surcharges to improve affordability for the middle class, if so, the details thereof, if not, the reasons therefor;
- (c) the details of maintaining high taxes on vehicles that are a middle-class necessity rather than a luxury; and
- (d) the details of alternative measures that the Government is exploring to support the automotive sector and alleviate the financial burden on consumers?

ANSWER

वाणिज्य एवं उद्योग मंत्रालय में राज्य मंत्री (श्री जितिन प्रसाद)

**THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY
(SHRI JITIN PRASADA)**

- (a): Passenger Vehicles posted its highest ever sales in October 2024 of 3.93 Lakh units, with a growth of 0.9% in comparison to October, 2023. This high growth was also reflected in the Vahan vehicle registration data, wherein more than 30% growth in registration was witnessed for Passenger Vehicles in October 2024, compared to October 2023.
- (b): GST rates are based on the recommendation of the GST Council, which comprises of representatives from the Union and the State /UT Governments. There is no recommendation by the GST Council for reduction in GST or compensation cess rate on passenger vehicles.
- (c): Based on the factors such as the pre-GST tax incidence, the GST Council has recommended a GST rate of 28% along with the compensation cess applicable as per the category of the vehicle. The Compensation rates are as below:

Sl. No.	Type of Vehicle	Compensation Cess rate
1.	Petrol, LPG or CNG motor vehicles with engine capacity less than 1200cc and of length not exceeding 4000mm	1%
2.	Diesel vehicles with engine capacity less than 1500cc and of length not exceeding 4000mm	3%
3.	Motor vehicles with length exceeding 4000mm but engine capacity not exceeding 1500cc	17%

4.	Motor vehicles of engine capacity exceeding 1500cc but not known as utility vehicles	20%
5.	Utility vehicles with engine capacity exceeding 1500cc, length exceeding 4000mm and ground clearance of 170mm and above	22%

- (d):** Government approved the Production Linked Incentive (PLI) Scheme for Automobile and Auto Components Industry in India (PLI-Auto) in September 2021 to enhance the country's manufacturing capabilities for advanced automotive products, with a budgetary outlay of ₹25,938 crores. The Scheme proposes financial incentives to boost domestic manufacturing of Advanced Automotive Technology products and attract investments in the automotive manufacturing value chain. Its prime objectives include overcoming cost disabilities, creating economies of scale and building a robust supply chain in areas of Advanced Automotive Technology products.
