

**GOVERNMENT OF INDIA
MINISTRY OF ROAD TRANSPORT AND HIGHWAYS**

**LOK SABHA
STARRED QUESTION NO. 268
ANSWERED ON 18th DECEMBER, 2025**

IMPACT OF GST RATIONALISATION ON AUTOMOBILE SECTOR

***268. SHRI ASHISH DUBEY:**

SHRI MITESHBHAI RAMESHBHAI PATEL:

Will the Minister of ROAD TRANSPORT AND HIGHWAYS

सड़क परिवहन और राजमार्ग मंत्री

be pleased to state:

- (a) whether the Government has carried out any assessment of the likely impact of the recent GST rationalisation on the affordability of two-wheelers, passenger vehicles, tractors, buses and commercial goods vehicles;**
- (b) if so, the details thereof;**
- (c) the likely impact of the revised GST structure on vehicle demand, fleet renewal and the expansion of public transport services across the urban and rural areas;**
- (d) whether any analysis has been made with regard to the impact of the said changes on logistics efficiency, freight rates and transport operating costs; and**
- (e) if so, the details thereof?**

ANSWER

THE MINISTER OF ROAD TRANSPORT AND HIGHWAYS

(SHRI NITIN JAIRAM GADKARI)

(a) to (e) A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF THE LOK SABHA STARRED QUESTION NO. *268 FOR ANSWER ON 18th DECEMBER, 2025 ASKED BY SHRI ASHISH DUBEY AND SHRI MITESHBHAI RAMESHBHAI PATEL REGARDING IMPACT OF GST RATIONALISATION ON AUTOMOBILE SECTOR.

(a) & (b) The new GST rates came into effect from 22nd of September 2025. As per data at Vahan portal, there has been 29.1% increase in the total number of vehicles registered (except the State of Telangana) in October 2025 vis-à-vis corresponding month of the previous year.

(c) to (e) As per information received from Society of Indian Automobile Manufacturers (SIAM), the vehicle demand is likely to raise based on sales pattern of last 3 months as lower GST reduces on-road prices of the vehicles, financing cost and road tax levied on the vehicles which is encouraging for first time buyers and rural buyers who are more price sensitive.

The commercial vehicle segment has also benefited significantly from the reduction in GST rates from 28% to 18%. In addition to generating incremental sales of new buses and trucks, this rationalisation is expected to stimulate replacement-led demand, thereby accelerating fleet renewal.

The Government through Voluntary Vehicle Modernisation Program (VVMP) has already provided a policy framework to encourage vehicle replacement, including state road tax concessions, waiver of registration fees and automobile manufacturer-led incentives for the purchase of new vehicles against the scrappage of old ones. The additional impetus provided by lower GST rates further strengthens the business case for transport operators to undertake fleet modernisation.

This renewed focus on fleet renewal is also expected to contribute to the expansion and improvement of public transport services across both urban and rural areas, enhancing mobility, increase in logistic efficiency and service reliability.

Increased movement of goods, driven by higher vehicle availability and affordability, will further enhance logistics efficiency and contribute to a reduction in freight rates, thereby lowering the overall transportation cost.
