

# Duty hike won't apply brakes on luxury car demand: Automakers

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Automobile companies expect little impact on demand for high-end imported cars despite a Customs duty hike in the 2023-24 Budget. Luxury carmakers feel that demand for most of their popular models would remain high.

The Budget raised the Customs duty on completely built-up (CBU) vehicles — which have cost and insurance and freight (CIF) value of less than \$40,000 or an engine capacity of more than 3,000 cc (petrol) or 2,500 cc (diesel) — to 70 per cent, from an earlier 66 per cent (60 per cent tax plus 6 per cent social welfare surcharge). The Customs duty on electric vehicles — which are imported as CBUs at a CIF value of less than \$40,000 -- has similarly been raised to 70 per cent from 66 per cent.

Also, the Customs duty on semi-knocked down (SKD) vehicles has been hiked to 35 per cent from earlier 33 per cent (30 per cent tax plus 3 per cent social welfare surcharge).

Puneet Gupta, director, S&P Global Mobility,

pointed out that the effective duty increase, after accounting for social welfare cess reduction, is around 4 per cent only. "For luxury carmakers, the impact would not be much, but a sudden hike in duty is not a good reflection of policymaking for multinational OEMs," Gupta noted.

Santosh Iyer, managing director & CEO, Mercedes-Benz India, said the change in basic Custom duties is, however, going to impact the pricing of "some of our select cars like the S-Class Maybach and select CBUs like GLB and EQB, making them dearer".

"However, as we locally manufacture most of our models, this will not affect 95 per cent of our portfolio," Iyer noted.

A BMW India

spokesperson said that the Customs duty hike does not have any material impact on prices or demand. "Around 13 models are made in India now. The situation is much different from what it was a decade ago when imports were more. The company is working on the quantum of price hikes across their high-end models," the spokesperson said.

Naveen Soni, president, Lexus India, said the Custom duty hikes on SKD and CBU cars — as proposed in the Union budget — would lead to a

hike in the prices of such models. "However, we believe that this will also create an opportunity for manufacturers to further support 'Make in India', as we at Lexus India are continuously striving to explore various opportunities to maximise localisation at our end," Soni said.

The Lexus India president said: "Based on the increase of the Customs duty that is levied on imported cars, we may have to adjust the price of

a few of our models. We are still studying the overall impact of the budget and will be in a position to have clarity on the same soon."

Gupta, however, also pointed out that mass-segment cars may also see some impact of the duty hike. "As such, mass-segment players also get impacted and once again, it's a knock on their door to localise and give a boost to make in India and align them to the vision of our PM for self-reliant India," he told Business Standard.

Hyundai Motor India recently launched its EV Ioniq 5, which is priced above ₹40 lakh. The company spokesperson told Business Standard that the price of the Ioniq 5 would remain unchanged, as it is brought into India 'part-by-part'. It is not a CBU.

Kia EV6, however, may see a price jump as it is a CBU. Another analyst said that the quantum of price hikes across models would be known in a couple of days. "Companies will sit and work out the prices. But since the effective hike will be in low single digits, it is unlikely to dampen demand for cars priced above ₹35 lakh," he added.



## COSTLIER, NOT BY MUCH

■ Mercedes S-Class Maybach 580 to be dearer by approx ₹3 lakh; it currently costs ₹2.57 crore

■ Mercedes GLB's price to increase by ₹1 lakh; it is currently priced at ₹67 lakh

■ Mercedes EQB to cost ₹1 lakh more from ₹75 lakh, its current price'

■ Hyundai Ioniq 5 prices remain unchanged