

Biz may get wider motor vehicle ITC

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Businesses could get wider input tax credit (ITC) on motor vehicles and expenses such as insurance, servicing and repairs, while transporters could face fewer checks on goods moving across states, under a set of transport and logistics proposals likely to come before the Goods and Services Tax (GST) Council this week, according to two sources close to the development.

Other proposals under consideration cover vehicle leasing and rentals, electric vehicles (EVs), demonstration and second-hand vehicles, and delivery of goods ordered through ecommerce platforms.

One key proposal seeks to allow ITC on motor vehicles with a seating capacity of up to 13 people, including the driver. Credit could also be available on insurance, servicing, repairs and maintenance of such vehicles.

Currently, businesses generally cannot claim ITC on passenger vehicles (PVs) with up to 13 seats, including the driver, unless the vehicles are used for specified activities such as resale, passenger transport, or driving training. Credit on insurance, servicing, repairs and maintenance is also restricted in such cases. The proposed change would therefore widen the circumstances in which businesses can claim credit not only on vehicles but also on their running costs.

The proposals are expected to be discussed at the GST Council meeting later this week. They are not final and would require the Council's approval.

Fewer stops for trucks crossing state lines

A separate proposal seeks to reduce repeated physical checks on vehicles carrying goods as consignments move from one state to another.

Under the proposed system, a vehicle could be stopped where there is specific information requiring a check, with prior authorisation from a senior officer. For a transporter carrying the required documents, the proposal seeks to avoid multiple checks during the journey. The document



What's on the agenda

a) Proposals under consideration cover:

- Vehicle leasing and rentals, EVs
- Demonstration and second-hand vehicles
- Delivery of goods ordered through ecom platforms

b) One of the key proposals seeks to allow input tax credit (ITC) on motor vehicles with a seating capacity of up to 13 people, including the driver

c) A separate proposal seeks to reduce repeated physical checks on vehicles carrying goods

gives the example of a consignment crossing five states being verified at one point rather than being subjected to checks in several states.

There would be exceptions. The destination state could intervene in cases where the buyer is liable to pay the tax, while authorities could also act where goods are being transported without the prescribed documents.

These changes could reduce delays for trucks travelling across several states and make transit times more predictable.

EVs, rentals, deliveries get GST rethink

For passenger transportation and vehicle renting, operators currently have the option of a lower GST rate with restricted ITC or an 18 per cent rate with full ITC. The proposal seeks to extend the same treatment to EVs, putting them and conventional vehicles on the same footing for these services. The existing GST framework provides for passenger transport and renting of PVs at 5 per cent with limited credit on specified input services, with an option for 18 per cent with full ITC.

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