

Import duty on cars may be cut; govt to set rates by year-end

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New Delhi:

The government is likely to announce the quantum of import duty to be levied on cars by the end of this year, starting with the UK, to coincide with the free trade agreement (FTA), and eventually help US-based Tesla bring its electric cars to India at an affordable price.

The reduction in duties could be as much as 70-80 per cent from the current rates, said sources. At present, completely built unit (CBUs) cars, whose value is more than \$40,000 or petrol engine >3,000 CC/ diesel engine >2,500 CC, attract import duties of 100 per cent.

CBUs, whose value is less than \$40,000 and petrol engine <3,000 CC/ diesel engine <2,500 CC, attract 70 per cent import duty.

Sources told *businessline*

that the first country to benefit will be the UK, as the FTA will be signed soon, and that is why UK-based companies such as Aston Martin have re-entered the Indian market recently; luxury brand Lotus will enter the India market with its EVs this week.

Other than those, Jaguar Land Rover and Mini (BMW) will also benefit from the move.

"If the reduction in import duties happens, then it will not only happen for electric vehicles (EVs), but also for internal combustion engine (ICE) cars as well...it will start with the UK, and gradually move to the US and European cars," said one of the sources requesting anonymity.

MARKET SIZE

The sources said that since the market size of both luxury cars and EVs is very limited right now, they



GOING ELECTRIC. The move will help Tesla bring its electric cars to India at an affordable price

could be brought via import route for the next two years or so to grow the market first; most of the luxury cars, especially European ones, plan to launch EVs only from 2030 onwards.

They also said that such a step will lead to more competition in the domestic market and bring down the cost of high-end

models. So, not only for petrol, diesel, CNG and hybrids in the mass market, there will also be strong competition in the EV segment as well.

'PANDORA'S BOX'

"The India-UK FTA will open a Pandora's box and lead to many existing companies in the mass market segment to bring their

global cars into India faster, such as Hyundai or Kia Motors," said another source in the know.

"Very recently in Australia and New Zealand, the same thing [FTA] came into effect. It is really helping to reduce the burden on our clients. But let's see if that works out...we will be happy if that happens," Gregory Adams, Regional President - Asia, Aston Martin, had told *businessline*.

According to Santosh Iyer, Managing Director and CEO, Mercedes-Benz India, whatever the policy is, it should be a level-playing field for everyone.

"We have to wait for the policy to come out as everything else is on speculation right now...but hopefully it is a level-playing field for everyone...we always welcome any reduction of duties, but considering the challenges we don't see that happening," said Iyer.