

MHI backs Siam for GST cut on CNG 2Ws

Petroleum ministry pushes for tax reduction on CNG cars

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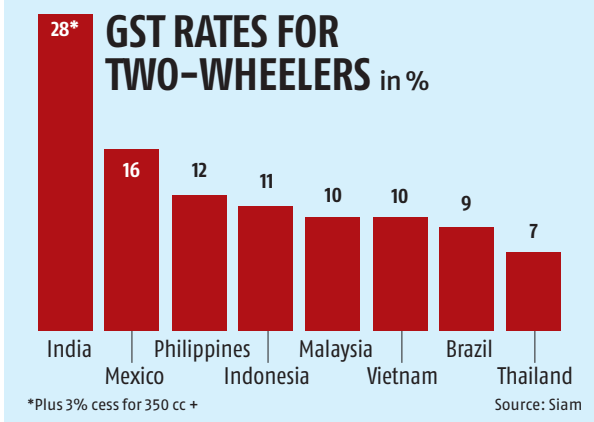
The Ministry of Heavy Industries (MHI) has thrown its weight behind a proposal by the Society of Indian Automobile Manufacturers (Siam), supporting its request to reduce the goods and services tax (GST) on compressed natural gas (CNG)-powered two-wheelers from the current 28 per cent to 18 per cent, and eventually to 12 per cent in stages.

A letter dated January 1, 2025, addressed to the revenue secretary in the finance ministry, highlighted that the proposal was also supported by other key ministries, including the Ministry of Road Transport and Highways, led by Nitin Gadkari, who initially proposed the move, and the Ministry of Environment, Forest and Climate Change.

The Ministry of Petroleum and Natural Gas (MoPNG) has taken it a step further by advocating for a reduction in GST on CNG-powered passenger cars, in addition to supporting the reduction for two-wheelers.

However, MHI has remained silent on the petroleum ministry's request for a reduction in GST on CNG-powered cars. Siam has clarified that its submission focuses solely on the two-wheeler segment.

Bajaj Auto, which has already launched a CNG-powered motorcycle, could be a key beneficiary of this move. Other companies like TVS Motor Company are also considering entering the market. Experts note that the government may face pressure to provide similar concessions for CNG-powered vehicles across other segments like passenger cars, three-wheelers, buses, and trucks to



ensure a level playing field for all flexible (flex)-fuel vehicles. This approach has been applied to electric vehicles, which currently attract a 5 per cent GST. At present, CNG vehicles are subject to a 28 per cent GST across the board. Implementing these reductions would lead to substantial revenue losses for the government.

MHI wrote, "In view of the comments received from the Automotive Research Association of India (ARAI) and other consulted ministries, MHI supports the proposal to reduce GST on CNG two-wheelers."

The MoPNG further said it would request a GST reduction for CNG-powered cars. In its communication, it also supported the two-wheeler proposal, suggesting that a GST reduction would boost sales and help India move closer to its carbon-neutral goals.

MHI pointed out that ARAI also endorsed the proposal, saying that "CNG two-wheelers

should be considered for lower GST".

Siam has urged a reduction in the base GST for two-wheelers from 28 per cent to 18 per cent. For internal combustion engine (ICE) flex-fuel and ICE CNG two-wheelers, Siam proposed a GST reduction to 18 per cent until the general GST rate for two-wheelers is lowered to 18 per cent. Once this happens, Siam suggests a further reduction to 12 per cent for ICE flex-fuel and CNG two-wheelers to maintain the differential.

Bajaj Auto's CNG motorcycle has seen a strong response, with 38,172 units registered from its launch in July last year through December.

CNG car sales have also surged. In 2024, sales reached 715,000 units, with Maruti Suzuki India dominating the segment. CNG cars accounted for 17 per cent of total passenger car sales in the January-September period. Also, 348,885 CNG three-wheelers were sold in 2024.