

Carmakers for tax cut on imports in UK trade deal

Propose reduction to 30% from 60-100%

REUTERS
New Delhi, 7 October

Carmakers in India have proposed cutting to 30 per cent the tax rate on imported cars as part of a trade deal with Britain, sources told *Reuters*, an unprecedented move that could ease access to one of the world's most protected automobile markets. It is the first time that car makers have backed such cuts, caving to pressure from a government that wants them to give up their protectionist position and lower entry barriers, sources said with direct knowledge of the matter said.

Import taxes from 60 per cent to 100 per cent in the world's fourth-largest car market rank among the highest globally, drawing criticism from companies such as Tesla, which shelved entry plans because of the high tariffs.

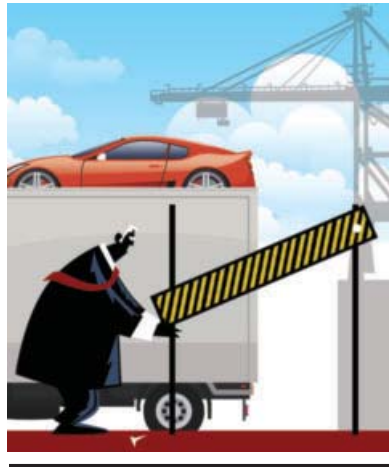
Lobby group the Society of Indian Automobile Manufacturers (SIAM) has written to the government backing phased cuts to 30 per cent over five years, following a grace period of five years with none, three sources said, speaking on condition of anonymity.

It was not immediately clear if India had presented the offer to Britain in trade talks due to end soon, with the signing of a final deal expected by the end of the month.

SIAM, which groups car makers from India's top-seller Maruti Suzuki, to major companies such as Tata Motors and

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Mahindra & Mahindra, did not immediately respond to a request for comment.

The commerce ministry, which is leading the trade talks, also did not respond.

For years, Indian car makers have resisted tax cuts so as to protect their turf, while arguing that such a move would dry up investment in domestic manufacturing by making imports cheaper and easier for global automakers.

While Britain has few car factories run by the likes of Nissan, BMW and Tata's Jaguar Land Rover, companies fear the move could set a precedent in negotiating deals with others like the European Union (EU), Japan or South Korea, the sources said.

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▶ **First time Indian car makers have backed such cuts**

▶ **For years, car makers in India have resisted tax cuts to protect their turf**

▶ **Shift in stance comes after the Centre told executives of companies that India needed to make some kind of offer to Britain on autos**

▶ **High tax on imported cars was one of the deal breakers** in previous EU trade talks that ended in 2013

The shift in stance comes weeks after commerce minister Piyush Goyal firmly told senior executives of companies such as Maruti Suzuki, Tata Motors and Mahindra that India needed to make some kind of offer to Britain on autos.

Maruti, Tata and Mahindra did not immediately respond to a request for comment.

However, the plan to cut tax rates to 30 per cent over 10 years "is not enough", said a government source, while conceding that not reducing tax rates this time was "not an option".

One of the sources said, "One view is to ease access for luxury cars sooner than other categories".