

Trade Promotion Ministry backs lower tax on hybrid vehicles in green push

Reuters
New Delhi

India's trade department has backed lowering taxes on hybrid vehicles to help the transition to cleaner energy sources, following demands by Japanese car makers, five government and industry sources told Reuters.

The move could irk some local carmakers. India's combined sales and additional taxes on hybrid vehicles sales are as high as 43 per cent, based on the size of the car, compared with the highest rate of 50 per cent imposed on petrol and diesel cars. India taxes electric vehicles (EVs) at

just 5 per cent. "Hybrid vehicles are less polluting than diesel vehicles and there is merit in taxes on hybrid vehicles being somewhere between what's levied on diesel vehicles and electric vehicles," said one of the government sources, who did not want to be named.

The move could boost the prospects in India of Japan's Toyota Motor, the world's largest carmaker, which has been lobbying for months for lower taxes for hybrid cars, arguing such vehicles are far less polluting than petrol cars.

According to two government sources, the Trade Promotion and Industry Ministry has asked the Heavy Industries Ministry

to rationalise cess on hybrid cars, two government sources said.

LUXURY GOODS

Cess is an additional tax typically levied on the sale of products identified as luxury goods by New Delhi. Cess on hybrid cars goes up to 15 per cent, based on the size of the vehicle.

The move would eventually need a nod from the Ministry of Finance. In a letter written last month to Heavy Industry Secretary, Kamran Rizvi, the country's Trade Promotion and Industry Secretary, Rajesh Kumar, Singh cited representation by a foreign carmaker that hybrids attract higher levies than electric vehicles.

The letter stated that India needed hybrids and EVs to meet its climate goals and stakeholders should work in sync to meet the targets, a government and an industry official said.

The move would, however, be a shift from Prime Minister Narendra Modi's government's stance of heavily incentivising EVs. India aims to shift 30 per cent of its fleet by 2030 to electric vehicles.

"Such policy flip-flops will delay the transition to EVs and hurt investment sentiments," said the industry official.

The Indian electric cars market is dominated by local players Tata Motors and Mahindra & Mahindra.

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