

Auto dealers shower discounts before GST shift

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The automotive retail industry is facing a period of intense upheaval as dealers offer steep discounts, particularly on high-value vehicles, in a bid to clear inventory before new GST rates come into effect on September 22.

Dealers say fresh calculations indicate that compensation cess already paid by auto-dealerships exceeds ₹4,000 crore. Industry insiders estimate that despite aggressive discounting and margin sacrifices, the accumulated cess credit will still be over ₹2,000 crore after September 21.

“Calculations showed that the cess paid by Mahindra & Mahindra dealers alone is around ₹500 crore, and another estimate shows that BMW dealers have paid around ₹100 crore in compensation cess,” said a senior dealer who declined to be named.

According to C S Vigneshwar, president of the Federation of Automobile Dealers Associations (Fada), “Thousands of crores of accumulated cess balances will lapse if not addressed. Dealers already paid this cess upfront to OEMs. If it becomes a dead loss, it hurts working capital and festive sales momentum. We urge OEMs to settle credit notes before September 21 and the government to provide a fair transitional mechanism. This is not just about dealers — it is about keeping the wheel of consumption and demand moving in a festive Bharat.”

Approximately a week ago, dealers reported an inventory of around 600,000 vehicles, and they are pulling all the stops to attract customers to showrooms and convince them to purchase ahead of GST 2.0.

Sai Giridhar, vice-president of Fada, said: “According to fresh calculations, the amount of compensation cess the dealers have paid to purchase cars from OEMs exceeds ₹4,000 crore. All dealerships are trying to liquidate stock before September 22, so they can claim as much of the compensation cess as possible before the deadline.”

“In order to entice customers



Bumpy road

- Compensation cess paid by dealers estimated to be over ₹4,000 crore
- Joint dealer-OEM efforts may cut cess balance to ₹2,000 crore by September 21
- Inventory stood at 600,000 vehicles last week

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Auto Inc may shift to Vahan-based stock management by Jan

Automotive original equipment manufacturers (OEMs) are likely to shift to a Vahan-based system for forecasting production and dealer dispatches by January next year, senior industry executives said. The move aims to line up dispatches more closely with dealer inventory, preventing channel stock from ballooning.

- E20 row ‘propaganda’ by petrol lobby: Gadkari

during the inauspicious period of Shraddh and to encourage them to advance their purchase decisions, dealers are offering an additional 2-3 per cent in discounts and other incentives such as accessories. Some major OEMs have announced they will absorb the difference in GST on the car to cushion dealers and sustain sales,” Giridhar said.

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Trump, Modi reignite hopes of trade deal

Despite the positive remarks on an early trade deal with India, Trump has reportedly urged European Union (EU) officials to hit India and China with secondary tariffs of up to 100 per cent as part of a strategy to pressure Russian President Vladimir Putin, according to Reuters. China and India are the largest purchasers of Russian oil. The EU is currently considering a 19th round of sanctions against Russia for its war in Ukraine.

According to the report, Trump made the request to EU sanctions envoy David O'Sullivan and other EU officials. The US indicated it would be willing to impose similar tariffs if the bloc followed through on the request. Meanwhile, White House trade adviser Peter Navarro said on Wednesday that the US does not need "unfair trade" with India, but suggested that New Delhi is "desperately" seeking access to American markets.

Delhi-based think tank Global Trade Research Initiat-

ive (GTRI) cautioned against misplaced optimism regarding Trump's remarks on an early deal. "Top Trump aides like Peter Navarro and Scott Bessent have used abusive language against India, showing the real tone of Washington's approach. Unless the US drops these tariffs — which looks unlikely given the Supreme Court case — no trade negotiation can realistically move forward. Trump's warm words may simply be a tactic to weaken India's resolve in pursuing multipolar ties with Russia and China," GTRI said.

In February, Modi and Trump announced their intention to conclude the first phase of a bilateral trade agreement (BTA) by the fall of 2025. The terms of reference were finalised in March, and both sides held five rounds of intensive negotiations until July. Talks stalled, however, over India's refusal to grant the US unhindered market access to its politically sensitive agriculture and dairy sectors.

cover the GST differential as it involves a few thousand rupees. Dealers, however, are less inclined to push these, as the compensation cess amounts are much lower," said a multi-brand dealership owner.

Another significant shift is OEMs supplying vehicles to dealerships on credit, as fresh dispatches cannot be invoiced at old GST rates. Vigneshwar told *Business Standard* that most customers want deliveries beginning September 22, coinciding with Navratri, necessitating advance planning for manufacturing, dispatch, and transit. "OEMs are either parking vehicles at stockyards or factories, or sending them to dealerships on credit notes," said multiple dealers.

The industry, including OEMs and dealers, has made repeated representations to the government seeking a solution. Speaking at the 7th Fada Auto Retail Conclave, Shailesh Chandra, president of the Society of Indian Automobile Manufacturers (SIAM) and MD of Tata Motors Passenger Vehicles and Tata Passenger Electric Mobility, said: "We are fully cognisant of the compensation cess steps lying in the books of dealers. SIAM has represented this matter to the

Ministry of Finance and is hopeful of a suitable resolution to tide over this short-term concern. The growth achieved over recent years is due to the close partnership between OEMs and dealers."

On September 8, Fada wrote to Prime Minister Narendra Modi, pleading the balance in the compensation cess ledger as of September 21 be transferred to the IGSTCGST credit ledger for utilisation against regular tax liabilities.

Dealers hope for a quick resolution. "India's auto retail is not just about vehicles — it supports the livelihoods of five million people, ₹20 trillion investments, and ₹3 trillion in annual taxes. We are three times bigger than all organised retail combined," said Vigneshwar, adding that though GST 2.0 represents a "historic" simplification, the withdrawal of compensation cess from September 22 has left dealers in distress.

Dealers are optimistic about a festival sales boost, with the new GST rates reducing car prices by a few thousand to several lakhs, depending on the model. "Once the new GST rates kick in, discounts will end," a dealer noted.

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Mahindra & Mahindra, for example, has said it will pass on the full GST benefits to customers starting September 6.

The problem is particularly acute for high-value cars. For example, a vehicle priced at ₹21-22 lakh carries a compensation cess of roughly ₹2.5 lakh already paid by the dealer. "Most dealers are willing to forego their margin in order to invoice the car by September 21 and claim the cess amount. OEMs are bearing around 5-7 per cent, the effective change post-GST rate reduction, while dealers offer another 2-3 per cent discount and forego their own margin, around ₹50,000 in this case, to ensure the cus-

tomers get the car cheaper than the post-GST rate," said Giridhar. If the post-GST price is ₹19.5 lakh, dealers are working to offer it at ₹19 lakh to encourage bookings now. Most customers will take delivery during the festival period, he added.

A major concern is working capital. "If a dealer typically has ₹2-3 crore in working capital, the compensation cess credit amounts to around ₹50 lakh. One cannot forgo 20-25 per cent of working capital," said a dealer source. Dealers are prioritising high-value car sales to free up capital trapped in cess credit. "For smaller cars, OEMs are more willing to

iPhone 17 series in India

Similarly, the new iPhone Air, priced at ₹999 (around ₹88,018), comes to roughly ₹92,000 after 5 per cent tax in the US, while Indian buyers must shell out ₹1,19,900.

Tarun Pathak, research director at Counterpoint Research, cited three key factors for the disparity: India's high GST on smartphones, the depreciating rupee, and import duties on components used for local assembly. A senior executive at a mobile EMS player adds, "Unlike in India, where Apple Inc faces an 18 per cent GST for phones sold domestically, even those manufactured here, US customers face local sales taxes ranging from 0 to 10 per cent,

and in Dubai, there's zero duty." Crucially, import duties on components, absent in China or Vietnam, inflate material costs by 5-6 per cent, costs that must be passed on to Indian consumers while export duties are refunded.

Despite this, Pathak is bullish on Apple's India prospects. "Momentum will continue... It's destined to be their fastest-growing market," he said, pointing to its current market share of 7 per cent by volume and 23 per cent by value. By Q4FY26, Apple is expected to top value rankings in India. As for consumer impact, Pathak noted: "Around 60-65 per cent of iPhone buyers opt for EMIs,