

Auto industry bodies meet CBIC to flag cess concerns

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Automobile industry stakeholders, including the Society of Indian Automobile Manufacturers (SIAM), on Friday had a meeting with the Central Board of Indirect Taxes and Customs (CBIC) chief Sanjay Kumar Agarwal, seeking relief regarding concerns over the removal of compensation cess on cars, which may lead to a hit in excess of ₹2,000 crore for the automobile dealers.

According to the sources, the industry is unlikely to get any refund of cess or adjustments, as the government is

expected to notify it within a few days. The GST Council, in its meeting last week, had decided to make GST a two-tier structure of 5 and 18 per cent as against the current four-slab regime, in addition to a compensation cess.

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

before the deadline." Dealers are trying to woo customers with discounts and offers to liquidate as much stock as possible by September 21. However, industry estimates that as of September 22 the compensation cess balance would be around ₹2,000 crore or more as the inventory levels for passenger vehicles is around 600,000 units.

The industry will now have to figure out a solution to this deadlock. Of the 15,000 dealers in the country, many are MSMEs, and dealer sources indicated that 20-25 percent of working capital is stuck in compensation cess.