

Tax waiver criteria met: Hybrid carmakers to UP

Strong hybrid car sales won't affect growth of electric cars, they argue

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Maruti Suzuki India (MSIL), Toyota Kirloskar Motor (TKM), and Honda Cars India (HCIL), which are the main hybrid carmakers in the country, have informed the Uttar Pradesh (UP) government that their strong hybrid cars fulfil all performance and efficiency criteria specified in the state's policy and, therefore, they are eligible for waiver of registration fees. During a meeting with the UP government's transport department on July 11, the three carmakers also mentioned that any increase in strong hybrid car sales would come at the expense of petrol and diesel cars, and would not affect the growth of electric cars, sources told *Business Standard*.

On July 5, the UP government issued an order stating that the registration tax of 8-10 per cent on strong and plug-in hybrid cars has been waived. Companies such as Tata Motors and Mahindra & Mahindra, which manufacture just electric cars and not strong hybrid cars, opposed this move, saying any incentive to boost strong hybrid car sales will affect the growth in electric car sales.

As a result, on July 9, the state government issued a notice and asked car companies that if they want to take the benefit of registration tax waiver, they must comply with the "technical specifications" set under the government's Electric Vehicle Manufacturing and Mobility Policy (EVMMP) 2022, sources mentioned. The notice also called for a meeting of all carmakers with the state government on July 11. According to EVMMP 2022, only strong hybrid cars meeting the "specifications of performance and efficiency" mentioned in the central government's FAME-II (Faster Adoption & Manufacturing of Electric Vehicles-II) scheme are eligible for the tax waiver. The state policy refers to the FAME-II notification issued on March 28, 2019, which provided "performance eligibility criteria" for hybrid cars, setting a limit based on "gasoline equivalent fuel consumption per 100 km". Notably, the FAME-II



THE STORY SO FAR

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July 9: The UP government issues a notice to auto firms that if they want to take the benefit of registration tax waiver, they must comply with the "technical specifications" set under the government's Electric Vehicle Manufacturing and Mobility Policy 2022

July 11: Meeting held between officials of the state government and carmakers

scheme itself expired on March 31 this year.

During the July 11 meeting, MSIL, TKM and HCIL informed the state government that their strong hybrid cars satisfy the performance eligibility criteria mentioned under the FAME-II scheme, and consequently under EVMMP 2022, making their cars eligible for the registration tax waiver. The three companies have submitted all necessary documents to the state to support their case. MSIL, TKM,

Auto ancillaries bet on e-mobility to drive FY25 growth

With analysts forecasting a slowdown in the auto components industry in FY25, several companies are betting on the EV sector, besides diversifying their markets, forging international collaborations and strengthening supply chains to navigate any potential decline in growth. The analysts have forecast growth moderating to 5-7 per cent in FY25 in the auto components industry, as opposed to 14 per cent in the last financial year. Industry players are optimistic about improving operating margins, driven by factors such as better operating leverage, increased component value, and higher content per vehicle.

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HCIL, Tata Motors and Mahindra & Mahindra did not respond to *Business Standard's* requests for their reactions on this matter.

MSIL, TKM and HCIL strongly argued that growth in hybrid car sales will come at the expense of petrol and diesel cars, not electric cars. Consequently, the government's goal of reducing overall carbon emissions would be met.

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