

GST fitment panel clarity on SUV ground clearance soon

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The Goods and Services Tax (GST) Council's fitment committee, composed of revenue officials from both the Centre and states, is expected to provide an explanation of the "ground clearance" criterion and its implementation in the context of utility vehicles (UVs) for purposes of taxation.

A ground clearance (also known as ride height) of above 170 millimetres (mm) is one of the three key parameters for categorising a UV and attracting a 22 per cent compensation cess.

In its July meeting, the GST Council decided that all UVs, including sports utility vehicles (SUVs) and multi utility vehicles (MUVs) — regardless of their commercial names — are subject to a 22 per cent compensation cess if they meet three specifications — engine capacity, length, and ground clearance.

The Council also approved that the unladen (tare) weight will be used to calculate the ground clearance of vehicles qualifying for a higher cess.



TAX IMPACT

- ▶ GST Council recently decided that all utility vehicles will attract 22% compensation cess over and above 28% GST if:
 - Engine capacity exceeds 1500cc
 - Length exceeds 4000 mm
 - Unladen ground clearance is 170 mm and above
- ▶ SIAM and automakers approached Finmin, seeking clarity on unladen ground clearance criterion

- ▶ Implementing the rules will require some changes in car models, increasing their costs

GST...

“There are issues with the ground clearance parameter that require clarification. The panel, which is scheduled to meet next week, is expected to make suggestions, and accordingly, the final rules will be notified,” stated a senior government official familiar with the matter. The explanation from the GST panel is expected to address certain suggestions and concerns raised by the automotive (auto) industry association Society of Indian Automobile Manufacturers and car manufacturers, seeking clarity on how ground clearance should be measured and implemented.

Sources indicate that the auto industry is concerned about the criterion for unladen ground clearance, as it might need to make changes to existing car models, potentially increasing the overall cost for automakers. “Some of the suggestions proposed calculating ground clearance based on laden weight rather than unladen weight. With laden weight, the ground clearance falls within the range of 150-160 mm, below the threshold of 170 mm,” said the official quoted earlier. The unladen weight of a vehicle refers to its weight

when not carrying passengers, goods, or other items. It includes the body and all parts typically used with the vehicle or trailer when operated on a road. Conversely, laden weight refers to the weight of the vehicle along with passengers, goods, and other items carried on the vehicle, in addition to its standalone weight. “We are in discussions with the finance ministry regarding certain issues related to the new tax structure for UVs. We needed clarity on some of the parameters set by the Council,” stated an industry source, without revealing further details.

Unladen ground clearance may necessitate the re-issuance of certificates for certain car models, the source indicated.

According to definitions, ground clearance — referred to as clearance or ride height — is the space between the base of a vehicle’s tyre and the underside of its chassis. More precisely, it is the shortest distance between a flat, level surface and any part of the vehicle that does not make contact with the ground (such as tyres, tracks, skis, etc.). Sedans such as Škoda Slavia, have been exempted from the higher cess. Previously, all mid-size SUVs and MUVs were subject to a lower cess of 15 per cent.