

Auto sector can't grow with 50% taxes: Bhargava

S Ronendra Singh

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The high tax regime is a critical factor for cars being unaffordable for the common people, rues India's largest passenger vehicles maker Maruti Suzuki India.

Policy-makers and the government treat cars as a luxury item and that is why they are not affordable to a majority of the population, Maruti Suzuki Chairman RC Bhargava said at an annual meet with mediapersons, late on Monday.

"You can't grow an automobile industry with 50 per cent taxation. Where in the world has an industry like automobile grown with 50 per cent taxation? But it's the wisdom of the policymakers and the political leadership... all taxes on automobiles should be rationalised, just like rest of the world," he said. Bhargava said compared with developed markets like Europe



RC Bhargava, Chairman of Maruti Suzuki India BLOOMBERG

and Japan, where taxes are low despite per capita income being far higher, levies on cars in India are much higher.

UNIFORM TAX REGIME

Asked about a uniform tax regime, Bhargava said that if there is a single GST slab then everything will fall in place.

"Electric cars today have one slab of taxation (5 per cent GST) — whether small or big... so there is already that kind of talk on uniform taxation. The current situation is because of regulatory changes and the burden of regulatory

changes on small cars is far higher than on big cars (internal combustion engine or hybrid)," he said.

Bhargava said this is the factor behind the changed market behaviour.. with people no longer buying small cars. "Neither of this is good for the healthy growth of the automobile industry... there should be a steady growth," Bhargava added.

At present, automobiles are taxed at 28 per cent GST with additional cess ranging from 1 per cent to 22 per cent depending on the vehicle type.

Cars imported as completely built units attract Customs duty ranging from 60 per cent to 100 per cent, depending on engine size and the CIF (cost, insurance and freight) value being less or above \$40,000.

ON FREE TRADE PACT

Asked about free trade agreement (FTA), especially the ongoing talks with the UK and the EU, which may have a bearing on the automobile industry, Bhargava said, "I believe we can compete not through the dumping route but by providing good quality, highly competitive vehicles for many parts of the world."

Stressing that these are his personal opinions, Bhargava said India should aggressively reduce tariffs and get into FTAs. "At the same time, we must make our industrial manufacturing much more competitive...I think our interest is best protected by subjecting ourselves to competition," he added.