

Govt must work to cut car ownership cost: Bhargava

ENS ECONOMIC BUREAU

@ New Delhi

MARUTI Suzuki (MSIL) Chairman RC Bhargava called out current Goods & Services Tax (GST) rates on passenger vehicles (PVs) and said the government should take steps to reduce consumer's cost of ownership.

"The slowing in the demand of cars is largely because the cost of acquisition by consumers has increased due to various reasons like regulatory changes, depreciation of the rupee, increase in

cost of raw materials and taxes imposed by state governments. The GST on cars, based on the past rates of excise duty, is much higher than the GST (or equivalent) in all other major countries of the world," said Bhargava in the company's latest annual report.

He added that it is unlikely that the PV industry will experience reasonable rates of growth unless the central and state governments consider how to reduce the initial ac-

quisition cost of cars.

Not only Bhargava but many in the industry have spoken against current GST rates on automobiles and high import duty on imported cars. GST on cars is primarily fixed at 28%. However, if the vehicle exceeds certain body/engine size, there is an additional cess of up to 22%. Thus, most SUVs and sedans attract GST of as much as 50%.

Additionally, high commodity prices and strict emission norms, such as transit from

BS4 to BS6 engines, has made four-wheeler prices expensive by 7-10% in the last one and half years. To note, Maruti has increased prices of its cars by 3 times this calendar year.

Bhargava said it is a matter of some concern that the rate of growth of car sales has been steadily declining in the last decade. During the period 2010 to 2015 the compound annual growth rate of car sales in India dropped from the past 12.9% to 5.9%, and in the next five year period of 2015-2020, the growth rate further declined to 1.3%.

