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Luxury Cars May Get Cheaper By Rs. 50000



Popular sedans, the Maruti SX4, the Honda Civic and luxury cars may become cheaper by up to Rs 50,000, if a proposed duty cut being discussed by the government gets implemented. The ministry of heavy industries has written to the finance ministry to waive off the specific excise duty levied on mid-size and top-end cars.

The government had imposed an additional tax of Rs. 15,000 on cars having engine size between 1,500-2,000cc and Rs. 20,000 on all vehicles beyond 2,000cc. But the actual impact on the selling price of cars was much higher, as the tax was imposed on ex-factory price of vehicles over which consumers have to incur the burden of sales tax and other local levies. Sales of premium cars dipped 20% to 33,642 units in the last fiscal. While there is no time frame for withdrawing the tax, it could bring down the price of these vehicles by Rs. 20,000 to Rs. 50,000 per car.

“There is no rationale to continue with the specific duty, as it makes the tax structure unfair for a particular segment of vehicles,” Surajit Mitra, additional secretary at the heavy industries ministry said.

The additional tax, which was to dissuade consumers from buying the gas guzzling vehicles, has impacted sales of premium cars such as the Honda Civic and the Toyota Corolla. Besides withdrawing the specific excise duty, the heavy industries ministry is also planning to extend help to multi-purpose vehicles such as the Tata Motors’ Sumo and Xenon pick-up truck, and the Mahindra’s Bolero range of jeeps and the Utility & Pik-Up range of one-tonner trucks.

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