

Budget proposals to aid revival of growth of the Auto Sector

Mr. Ravi Kant, President, SIAM



Welcoming the tax proposals on automobile sector, Mr. Ravi Kant, President, SIAM (Society of Indian Automobile Manufacturers) said that the Finance Minister presented an encouraging budget that sought to give fillip to the growth of the auto sector. It was commendable that the Finance Minister has greatly enhanced the outlay in the social sector and yet provided an environment for industrial growth.

The reduction of excise duty to 14% from the current level of 16% across the board and CST from 3% to 2% will definitely help in revival of growth in manufacturing sector.

The positive features of the budget in respect to the auto sector according to Mr. Ravi Kant, was the reduction of excise duty to 12% on small cars, buses and bus chassis and two & three wheelers (upto 7 seaters). Trucks have also come down to 14%. This would reduce the total cost of ownership of vehicles. This together with the incentives given to agriculture sector would boost demand. The elimination of excise duties on electric cars and specified components of electric cars would also help promote alternative fuel vehicles. The reduction of excise duty on Hybrid cars from 24% to 14% is also a positive step and could incentivise the development of such vehicles in India to address issues of emission and climate change. A vehicle retirement policy would have further aided this.

Mr. Kant said that the auto industry welcomed the proposal to allow 125% weighted deduction for outsourced R&D. This will help the industry to undertake more R&D and access state of the art technologies and capabilities to develop advance products, he added.

The excise duty regime coupled with the current customs duty structure would promote value addition in the country as also ensure investments would continue to be made.

Mr. Kant said that while the Finance Minister has addressed many issues related to auto sector, SIAM would have welcomed if the excise duty on large cars and MUVs would have been brought down to the Cenvat rate.

The increase in exemption limit for income tax is also a positive

feature of the budget and the commitment to meet the deadline of introduction of GST is encouraging.

The budget focused on Agriculture, infrastructure and social sector, all of which will have positive impact on the economy. Enhanced allocation in infrastructure especially roads would have positive impact on the automotive sector growth also.

The budget has also addressed one of the concerns of the auto industry related to availability of trained manpower by increasing allocation in skill development programs. The increase in funds for it is and the introduction of a PPP model would also help in the long term, Mr. Kant added.

The President SIAM thanked the Government and the Finance Minister for the steps taken to address the issues in the automotive sector. He, however, said that though vehicle financing is not a Budget issue, SIAM hopes that the Government would address the availability of finance and stability in the rate of interest.

