

Business Standard

Registration fee waiver criteria met: Hybrid carmakers to UP govt

Strong hybrid car sales won't affect growth of electric cars, they argue

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(Photo: Bloomberg)

Maruti Suzuki India (MSIL), Toyota Kirloskar Motor (TKM), and Honda Cars India (HCIL), which are the main hybrid carmakers in the country, have informed the UP government that their strong hybrid cars fulfil all performance and efficiency criteria specified in the state's policy and, therefore, they are eligible for waiver of registration fees.

During a meeting with the UP government's transport department on July 11, the three carmakers also mentioned that any increase in strong hybrid car sales would come at the expense of petrol and diesel cars, and would not affect the growth of electric cars, sources told Business Standard.

On July 5, the UP government issued an order stating that the registration tax of 8-10 per cent on strong and plug-in hybrid cars has been waived. Companies such as Tata Motors

and Mahindra & Mahindra, which manufacture just electric cars and not strong hybrid cars, opposed this move, saying any incentive to boost strong hybrid car sales will affect the growth in electric car sales.

As a result, on July 9, the state government issued a notice and asked car companies that if they want to take the benefit of registration tax waiver, they must comply with the "technical specifications" set under the government's Electric Vehicle Manufacturing and Mobility Policy (EVMMP) 2022, sources mentioned. The notice also called for a meeting of all carmakers with the state government on July 11.

According to EVMMP 2022, only strong hybrid cars meeting the "specifications of performance and efficiency" mentioned in the central government's FAME-II (Faster Adoption & Manufacturing of Electric Vehicles-II) scheme are eligible for the tax waiver. The state policy refers to the FAME-II notification issued on March 28, 2019, which provided "performance eligibility criteria" for hybrid cars, setting a limit based on "gasoline equivalent fuel consumption per 100 km". Notably, the FAME-II scheme itself expired on March 31 this year.

During the July 11 meeting, MSIL, TKM and HCIL informed the state government that their strong hybrid cars satisfy the performance eligibility criteria mentioned under the FAME-II scheme, and consequently under EVMMP 2022, making their cars eligible for the registration tax waiver. The three companies have submitted all necessary documents to the state to support their case. MSIL, TKM, HCIL, Tata Motors and Mahindra & Mahindra did not respond to Business Standard's requests for their reactions on this matter.

MSIL, TKM and HCIL strongly argued that growth in hybrid car sales will come at the expense of petrol and diesel cars, not electric cars. Consequently, the government's goal of reducing overall carbon emissions would be met. Tata Motors and Mahindra & Mahindra urged the state to maintain its focus on electric vehicles, as they are in a sensitive, nascent stage of growth. They cautioned that any sudden policy changes could harm the electric vehicle sector before it matures, sources mentioned.

About 900 electric cars were sold in Noida itself in 2023, according to sources. Noida was one of the top-20 electric car markets in India in 2023 and the removal of registration fees on strong hybrid cars in UP could impact the sales of electric cars there, they added. In FY24, about 100 strong hybrid cars per month were sold in UP.

In India, the percentage volume growth in the hybrid car segment was stronger than that of the electric car segment in FY24. Amid concerns about charging points, the growth of electric car sales in India has recently been slowing down. Strong hybrids can operate on the electric motor alone for short distances, unlike mild hybrids, which always require the engine.

The story so far

July 5: The Uttar Pradesh government issues an order stating that the registration tax of 8-10 per cent on strong and plug-in hybrid cars was waived. Tata Motors and Mahindra & Mahindra — which only manufacture electric cars and not strong hybrid

cars — opposed the move

July 9: The UP government issues a notice to auto firms that if they want to take the benefit of registration tax waiver, they must comply with the “technical specifications” set under the government’s Electric Vehicle Manufacturing and Mobility Policy 2022

July 11: Meeting held between officials of the state government and carmakers

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