

Business Standard

Registration tax waiver on hybrid cars to remain: UP govt to auto companies

The state govt has announced full waiver of registration fee for strong hybrids to boost use of eco-friendly cars

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The Uttar Pradesh government made it clear on Sunday that it had no plans to rescind the full waiver of registration fees on plug-in and strong hybrid cars, following an intense hour-long meeting with major Indian automakers.

According to government and industry sources who took part in the meeting, UP Chief Secretary Manoj Kumar Singh informed the companies that the incentives given to plug-in and strong hybrid cars were intended to replace internal combustion engine (ICE) vehicles, and not electric cars. "A hybrid car customer will be replacing an ICE car customer," he said, according to sources.

However, industry sources present at the meeting highlighted that the quantum of the incentive (in this case in the form of a registration tax waiver) may be different for hybrids and EVs. "A complete rollback of the registration tax waiver is unlikely, the quantum of waiver for hybrids and EVs may be different. This clarity will emerge later," said a senior official of one of the original equipment manufacturers (OEMs) who attended the meeting.

On July 5, the UP government issued an order waiving the 8-10 per cent registration tax on strong and plug-in hybrid cars. This led to a reduction in the on-road prices of these cars by up to Rs 4 lakh. Representatives

from eight companies — Tata Motors, Hyundai, Kia, Mahindra & Mahindra, Maruti Suzuki, Toyota, Honda, and Bajaj — attended the meeting.

During the meeting, Tata Motors, Hyundai, Kia, and Mahindra & Mahindra strongly opposed the July 5 order, arguing that the nascent electric car industry in UP, one of India's largest car markets, needed full focus and support. They expressed concerns over incentivising plug-ins and strong hybrid cars and noted that it would severely impact the electric car segment. They also cited examples of other countries where incentives are provided exclusively to the electric car segment, sources said.

However, Maruti Suzuki, Toyota, Honda, and Bajaj supported the July 5 order, asserting that the incentives should be extended to all green technologies, including plug-ins and strong hybrids, as they can help the state reduce carbon emissions more quickly.

The chief secretary, after talking to all the stakeholders including automakers and transport department officials, underlined that the EV policy was for the promotion of both hybrid and EVs to replace pure petrol and diesel vehicles to achieve the national emission goals. In conclusion, it was decided and reiterated that the UP state EV policy will continue to support both strong hybrid and electric vehicles.

Singh, who chaired the meeting, reminded the carmakers that every country had its own "growth stage" and "context," making it impractical to replicate tax models from other countries in India. He emphasised that the state's focus was on reducing ICE vehicles on the roads by considering all green technologies, according to sources.

He added that while the state government was committed to doing its bit, automakers should also contribute by setting up more charging stations across the state to alleviate customers' range anxiety. Range anxiety is considered one of the primary reasons affecting the sales of electric cars in India.

Singh said the state government would be more than happy to assist with land or capital subsidies if needed to set up more charging stations. He reaffirmed that the registration tax waiver for plug-in and hybrid cars would remain in place, sources said.

While hybrid car sales continue to grow, electric car sales in India have declined over the past three months. According to the Federation of Automobile Dealers Associations (FADA), July saw 7,541 electric cars sold in India, a 2.92 percent year-on-year (Y-o-Y) decrease. In June, sales dropped by 13.51 percent Y-o-Y to 6,894 units. May recorded a 1.24 per cent Y-o-Y decline with 7,638 units sold.

As India aims to be carbon neutral by 2070, automakers are divided over the best path forward. Japanese giants like Maruti Suzuki, Toyota, and Honda are pushing for tax cuts on hybrids, arguing that EVs alone can't bear the entire burden of reducing emissions. However, carmakers like Tata Motors, Hyundai, Kia, and Mahindra & Mahindra insist that only a full commitment to EVs can truly decarbonise India's roads.

Currently, hybrid cars are subject to a GST rate of 28 per cent, while electric cars are taxed at 5 per cent. The Central government is considering the Japanese companies' proposal to reduce the GST rate on hybrids.

Clash of titans

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