



## **FAQ: - GST ON RE-SALE OF MOTOR VEHICLE**

### **1. On what price GST is payable on re-sale of motor vehicle?**

Ans. As per Notification No.8/18-CT (Rate) dt.25.1.18, GST is payable on difference between Depreciated value (As per Section 32 of Income Tax Act) and sale price. However, this concession is applicable only in case where no ITC / Cenvat Credit / VAT credit was availed at the time of purchase of the vehicle.

For example:-

- if sale price is Rs.100 and depreciated value is Rs. 90/-, then GST payable only Rs.10/- and not entire Rs.100/-.
- if sale price Rs.100/- but depreciated value Rs.110/- then GST not payable at all, however, in such case, Rs.100/- will be treated as exempt value and proportionate ITC will have to be reversed under rule 42.

### **2. How to calculate the depreciated value on which the GST is payable?**

Ans. Depreciated Value is Purchase price less depreciation as per Income Tax Act

### **3. What is effective GST rate applicable on re-sale of motor vehicle?**

Ans. The GST rate applicable depends upon the CC of the vehicle (12% / 18%). no cess payable. Please refer Notification No. 08/2018-CT (Rate) dt.25.01.2018. The table given in the Notification dt.25.01.2018 is reproduced below.

<b>S. No</b>	<b>Chapter, Heading, Subheading or Tariff item</b>	<b>Description of Goods</b>	<b>Rate</b>
1.	8703	Old and used, petrol Liquefied petroleum gases (LPG) or compressed natural gas (CNG) driven motor vehicles of engine capacity of 1200 cc or	9%



		more and of length of 4000 mm or more. Explanation. - For the purposes of this entry, the specification of the motor vehicle shall be determined as per the Motor Vehicles Act, 1988 (59 of 1988) and the rules made there under	
2.	8703	Old and used, diesel driven motor vehicles of engine capacity of 1500 cc or more and of length of 4000 mm Explanation. - For the purposes of this entry, the specification of the motor vehicle shall be determined as per the Motor Vehicles Act, 1988 (59 of 1988) and the rules made there under.	9%
3.	8703	Old and used motor vehicles of engine capacity exceeding 1500 cc, popularly known as Sports Utility Vehicles (SUVs) including utility vehicles. Explanation. - For the purposes of this entry, SUV includes a motor vehicle of length exceeding 4000 mm and having ground clearance of 170 mm. and above.	9%
4.	87	All Old and used Vehicles other than those mentioned from S. No. 1 to S.No.3	6%

❖ Coincidentally similar provision is present in Rule 32 (5) of CGST Rules, 2017 for the second hand dealers. The rules is reproduced below:-

*(5) Where a taxable supply is provided by a person dealing in buying and selling of second hand goods i.e., used goods as such or after such minor processing which does not change the nature of the goods and **where no input tax credit has been availed on the purchase of such goods, the value of supply shall be the difference between the selling price and the purchase price and where the value of such supply is negative, it shall be ignored:***



*Provided that the purchase value of goods repossessed from a defaulting borrower, who is not registered, for the purpose of recovery of a loan or debt shall be deemed to be the purchase price of such goods by the defaulting borrower reduced by five percentage points for every quarter or part thereof, between the date of purchase and the date of disposal by the person making such repossession.*

**4. Selling of a motor car which was purchased (before GST Regime). What will be the GST payable if any on Sale of motor car?**

Ans. No GST payable if sale price is below IT depreciated book value. However, this becomes exempt income. Rule 42/43 applies for common ITC reversal.

**5. An individual buys a car for personal use and after a year sells it to a car dealer. Will the transaction be a supply in terms of CGST/SGST Act?**

Ans. No, because the sale of old and used car by an individual is not in the course or furtherance of business and hence does not constitute supply.

**6. What if you had availed GST, ITC on the vehicle sold after GST regime?**

Ans. You will have to either reverse certain portion of ITC or pay GST on sale price, whichever is higher:

Section 18 (6) of the CGST Act,

(6) In case of supply of capital goods or plant and machinery, on which input tax credit has been taken, the registered person shall pay an amount equal to the input tax credit taken on the said capital goods or plant and machinery reduced by such percentage points as may be prescribed or the tax on the transaction value of such capital goods or plant and machinery determined under section 15, whichever is higher:

Input tax credit in the case of supply of capital goods and plant and machinery shall be calculated by reducing five percentage points for every quarter or part thereof from the date of issue of invoice for the capital goods.



ITC as reduced by percentage points would be payable or either tax on transaction would be payable whichever is higher.

**7. At what rate Compensation Cess is applicable if the credit is availed on the vehicle?**

Ans. As the Notification No. 08/2018-CT (Rate) dt.25.01.2018 is not applicable if the supplier of such goods has availed input tax credit as defined in clause (63) of section 2 of the Central Goods and Services Tax Act, 2017, CENVAT as defined in CENVAT Credit Rules, 2004 or the input tax credit of Value Added Tax or any other taxes paid, on such goods. As per Notification No. 1/2017 Compensation Cess (Rate) F.No.354/117/2017-TRU dated 28th June, 2017, motor vehicles shall be subject to GST compensation cess at the rate depending on the nature of the vehicle.

**8. How to invoice tax amount in case sale of old and used car?**

Ans. For eg. Sale consideration: Rs.5000/-

Diff of consideration received and depreciated value: 3000/-

Suppose the applicable GST rate is 12%

Car sale price = Rs. 5,000/-

Taxable value under GST laws

(as per Notification No. 08/2018-CT (Rate)  
dt.25.01.2018) is Rs. 3000/-

CGST @6% (Rs.180/-)

SGST @6% (Rs.180/-)

Total Rs: - Rs. 5,360/-