



# Changes In Custom Duty Rates For Automobile Sector After Union Budget 2023-24

E-mail Id: [info@saurabhdixit.in](mailto:info@saurabhdixit.in)  
Phone No. 0265-2986115 9033088865

# AUTOMOBILE INDUSTRY IN INDIA

- The Indian automobile industry contributes almost 6.4% of India's GDP and 35% of manufacturing GDP and is a leading employment provider.
- Automobile industry, the business of producing and selling self-powered vehicles, including passenger cars, trucks, farm equipment, and other commercial vehicles

# AUTOMOBILE INDUSTRY IN INDIA

- By allowing consumers to commute long distances for work, shopping, and entertainment, the auto industry has encouraged the development of an extensive road system, made possible the growth of suburbs and shopping centers around major cities, and played a key role in the growth of ancillary industries, such as the oil and travel businesses.

# AUTOMOBILE INDUSTRY IN INDIA

- The rising logistics and passenger transportation industries are driving up demand for commercial vehicles. Future market growth is anticipated to be fuelled by new trends including the electrification of vehicles, particularly three-wheelers and small passenger automobiles.

# AUTOMOBILE INDUSTRY IN INDIA

- India enjoys a strong position in the global heavy vehicles market as it is the largest tractor producer, second-largest bus manufacturer, and third-largest heavy trucks manufacturer in the world. India's annual production of automobiles in FY22 was 22.93 million vehicles.

# EFFECT OF UNION BUDGET 2023-24 ON AUTOMOBILE SECTOR

- Following are the major changes in Automobile Sector
  - Electric vehicles (EVs) are likely to be cheaper
  - Stronger focus on flex-fuel vehicles
  - Scrap Old Central and State Government Vehicles

# STRONGER FOCUS ON FLEX-FUEL VEHICLES

- The Indian government has denatured ethyl alcohol (also known as Ethanol) for use in the manufacture of industrial chemicals.
- The government plans to boost ethanol production and expects vehicles to be fully flex-fuel-ready by 2025. The cars are required to be ethanol-material compliant from April 2023.

# SCRAP OLD CENTRAL AND STATE GOVERNMENT VEHICLES

- The vehicle scrappage policy is already in play and the government has announced benefits for it too
- The government vehicles usually consist of old Ambassadors, Gypsies, Qualis, and Boleros, which will soon be scrapped for newer vehicles, for reducing vehicular pollution. Even the old ambulances will be swapped in for new ones, which should be safer and better equipped with amenities.



# SCRAP OLD CENTRAL AND STATE GOVERNMENT VEHICLES

- Increase in spending on infrastructure, setting up of 50 new airports and heliports, creation of 100 transport infrastructure projects are welcome moves, in addition to the central support for replacing old vehicles. All of these should drive consumption and overall demand of vehicles.

# MAJOR CHANGES IN CUSTOMS DUTY RATES FOR AUTOMOBILE PRODUCTS



## I- Changes in BCD rate- New Effective Rates:-

<u>Tariff Item</u>	<u>Commodity</u>	<u>Form (%)</u>	<u>To(%)</u>
8703	Motor cars and other motor vehicles [(excluding electrically operated vehicles)] principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars, new, which have not been registered anywhere prior to importation, If imported,- 1) As a Completely Knocked Down (CKD) kit containing all the necessary components, parts or sub-assemblies, for assembling a complete vehicle, with,- (b) engine or gearbox or transmission mechanism in pre-assembled form but not mounted on a chassis or a body assembly.	30	35

# MAJOR CHANGES IN CUSTOMS DUTY RATES FOR AUTOMOBILE PRODUCTS



## I- Changes in BCD rate- New Effective Rates:-

<u>Tariff Item</u>	<u>Commodity</u>	<u>Form (%)</u>	<u>To(%)</u>
8703	(2) in any other form,- (b) Other than (a) above	60	70
8703	Electrically operated vehicles, if imported,- (1) incomplete or unfinished, as a knocked down kit containing necessary components, parts or sub-assemblies for assembling a complete vehicle, including battery pack, motor, motor controller, charger, power control unit, energy monitor, contactor, brake system, electric compressor, whether or not individually pre-assembled, with, – (b) any of the above components, parts or sub-assemblies interconnected with each other but not mounted on a chassis	30	35

# MAJOR CHANGES IN CUSTOMS DUTY RATES FOR AUTOMOBILE PRODUCTS



## I- Changes in BCD rate- New Effective Rates:-

<u>Tariff Item</u>	<u>Commodity</u>	<u>Form (%)</u>	<u>To(%)</u>
8507 60 00	Lithium ion cell for use in the manufacture of battery or battery pack of cellular mobile phone	5	5*
8507 60 00	Lithium ion cell for use in the manufacture of battery or battery pack of electrically operated vehicle or hybrid motor vehicle	5	5*
39,40,58,70,7 2,73,83,84,85, 87,90	Vehicles, Automobiles parts/ components , sub-systems and tyres specified in List 36, when imported by testing agencies specified in List 37, for the purpose of testing and/or certification	Tariff rate	Nil#

\* BCD rate on this item would operate through the Tariff and consequently said entry shall be omitted from 31.03.24.

#Condition 113 applicable

# MAJOR CHANGES IN CUSTOMS DUTY RATES FOR AUTOMOBILE PRODUCTS



III- Duty on Capital goods used by IT/ Electronics industry, subject to actual user condition :-

<u>Notification No. 25/2002 dated. 01.03.2002</u>	<u>Changes</u>
Sr. No. 69 in Column (3)	Lithium Ion Cell for use in the manufacture of Battery of Mobile Hand sets or <u>Battery of Electrically Operated Vehicles</u> ]

# MAJOR CHANGES IN CUSTOMS DUTY RATES FOR AUTOMOBILE PRODUCTS



Conditional exemptions entries in Notification no 50/2017-Customs extended for one year, i.e. upto 31.3.2024 to be taken up for review this year:-

<u>Sr. No.</u>	<u>Sr. No. of Notification</u>	<u>Description</u>
1	495	Batteries for electrically operated vehicles, including two and three wheeled electric motor vehicles
2	527	Lithium ion cell use in manufacture of battery or battery pack of items other than cellular mobile, EV or Hybrid motor vehicle
3	539A	Scientific and technical instruments etc for launch vehicles and satellites and payloads
4	527B	Lithium –ion cell for use in the manufacture of battery pack of electrically operated vehicle (EVs) or hybrid motor vehicle

# THANK YOU

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