

# GOVT OFFERS SOPS TO BUY NEW VEHICLES, SCRAP OLD

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Centre seeks to push the sales and usage of fuel-efficient, cleaner automobiles

**NEW DELHI** : India will offer tax breaks and financial incentives to encourage owners to scrap their old vehicles as part of a policy that seeks to promote the use of fuel-efficient and cleaner automobiles while driving sales of new vehicles.

Commercial vehicles older than 15 years and passenger vehicles more than 20 years old will have to be scrapped if they fail to pass fitness and emission tests, according to the country's first-ever vehicle scrappage programme unveiled on Thursday. The Centre will help set up vehicle 'fitness centres' across India to test old vehicles as well as scrap yards.

Owners who voluntarily scrap vehicles will earn a road tax rebate of 15-25% and a waiver of registration fees on the purchase of a new vehicle. Automakers have been encouraged to offer a 5% discount on the purchase of a new vehicle against a certificate of vehicle scrapping. The scrap value of old vehicles will fetch owners around 4-6% of the price of a new vehicle, according to the policy.

The government hopes removing fuel-guzzling vehicles and replacing them with fuel-efficient models will rein in vehicular pollution in India, which is home to 22 of the world's 30 most polluted cities. Automakers expect the incentives to scrap old automobiles will generate demand even as it helps the economy grow at a faster pace while curbing costly crude oil imports.

Welcoming the scrappage policy, the Society of Indian Automobile Manufacturers (Siam) said the industry body will work closely with the road transport and highways ministry on issues such as the best way forward to "expedite testing infrastructure in a sustainable and scalable manner" and the possibility of initiating vehicle fitness testing much earlier in the life cycle of a private vehicle, as is done in developed countries, it said in a note.

Nitin Gadkari, minister for road transport and highways, said the policy will help reduce vehicular pollution, increase demand for new, fuel-efficient vehicles and boost employment. The new policy does not have any penal provisions to help protect low-income families that own older vehicles.

"Fitness centres will be established in a public-private-partnership model to check vehicles and this can create a lot of jobs. Investments of around 10,000 crore will be required to set up such centres," said Gadkari, adding government departments will mandatorily scrap vehicles older than 15 years.

The minister has also requested the Union and state governments to cut goods and services tax on new cars for customers who voluntarily scrap their vehicles as they are expected to collect around 30,000 crore in taxes on account of increased sales of new vehicles.

The automobile industry has been demanding a vehicle scrappage scheme to generate demand for new vehicles which has remained subdued for the past two years.

Automakers have reported continuous decline in sales from the second half of the fiscal to March 2019 because of a slowdown triggered by the bankruptcy of Infrastructure Leasing and Financial Services Ltd and jump in prices following a shift to new emission rules.

Tata Motors, one of India's top makers of passenger and commercial vehicles, said the scrappage policy would "encourage removal of old and polluting vehicles" besides addressing pressing needs such as low import bill for scrap and crude oil, job opportunities, potential growth in new vehicle sales, low operation cost for vehicle owners and a sustainable environment.

"The new Voluntary Vehicle-Fleet Modernisation Program, also called the Vehicle Scrapping Policy, can help in three ways: one, lower the cost of passenger vehicles by 8-10% for most segments; two, afford replacement of older, more-polluting passenger vehicles; and three, increase the availability of key raw materials such as steel, copper and aluminium, which can be recycled to lower the cost of production of new vehicles," said Anuj Sethi, senior director, Crisil Ratings.

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