

GST Impact on Automobile Sector

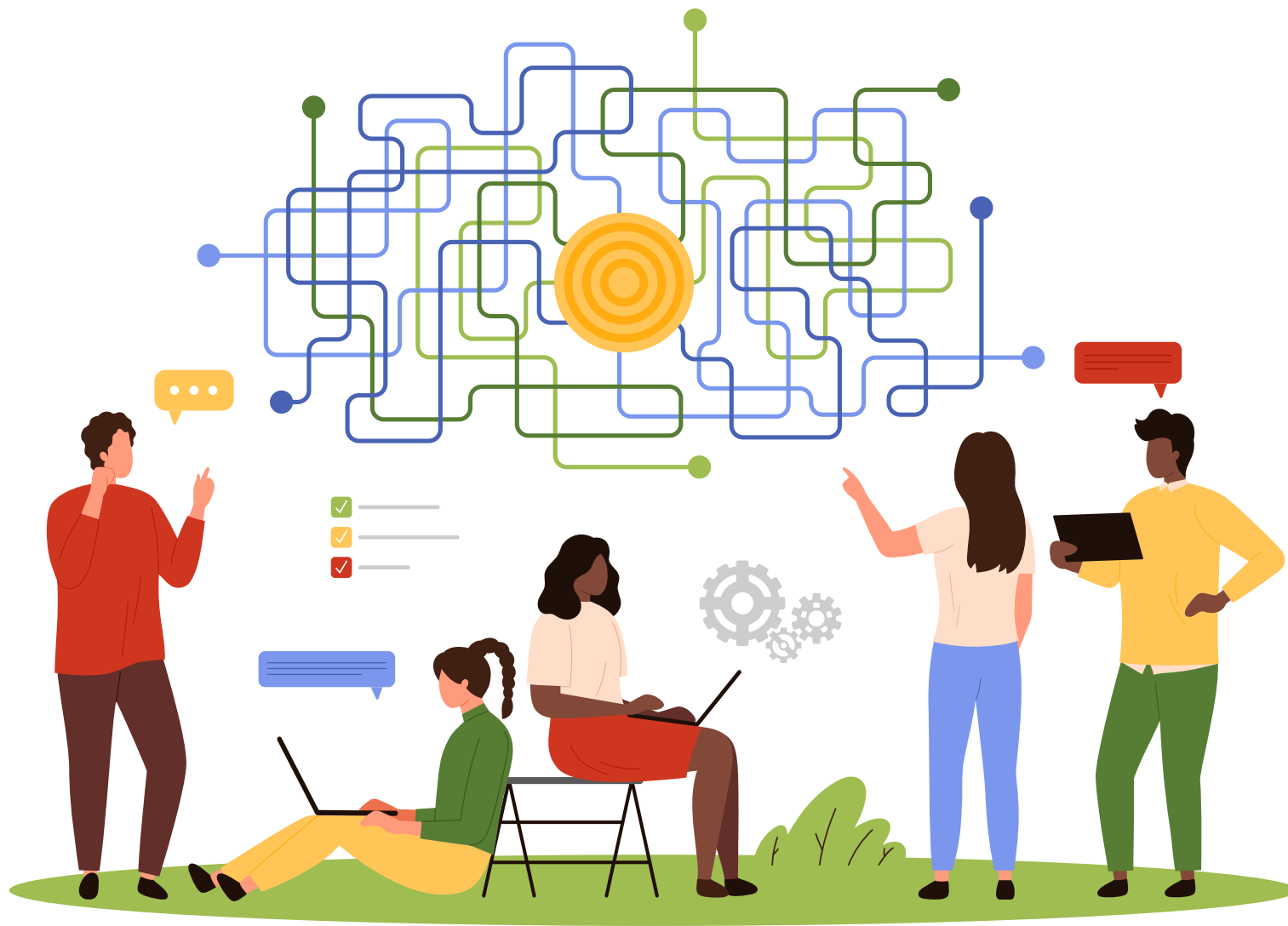
(Post 56th GST Council Meeting)

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Executive Summary

The 56th GST Council meeting held on September 3, 2025, has brought revolutionary changes to India's automobile sector taxation, effective from September 22, 2025. The council has simplified the GST structure from a complex multi-slab system to a streamlined approach, significantly impacting various vehicle categories and their components.

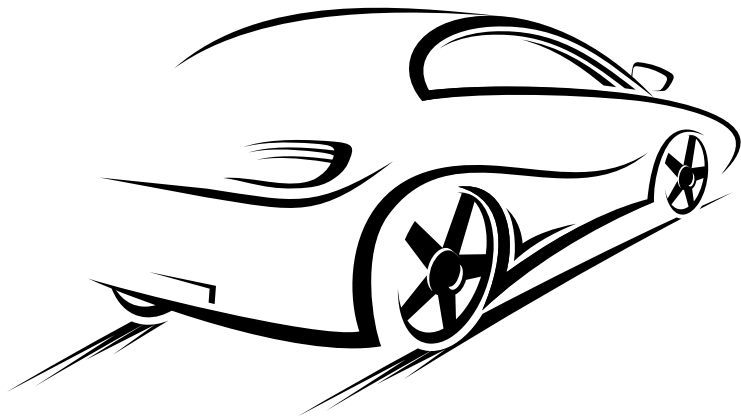


Overview of GST Structure in Automobile Sector

Current GST Structure V/S Post-56th Council Meeting

Category	Old Rate (GST + Cess Rate)	New Rate	Effective From
Small Cars (Petrol $\leq 1200\text{cc}$ & $\leq 4000\text{mm}$)	$28\% + 1\% = 29\%$	18%	22-09-2025
Small Cars (Diesel $\leq 1500\text{cc}$ & $\leq 4000\text{m}$)	$28\% + 3\% = 31\%$	18%	22-09-2025
Large Cars (Above small car limits)	$28\% + 15\text{--}22\% = 43\text{--}50\%$	40%	22-09-2025

Category	Old Rate (GST + Cess Rate)	New Rate	Effective From
Two-wheelers (≤350cc)	28% + 3% = 31%	18%	22-09-2025
Two-wheelers (>350cc)	28% + 3% = 31%	40%	22-09-2025
Electric Vehicles (All)	5%	5%	Unchanged




Category	Old Rate (GST + Cess Rate)	New Rate	Effective From
Commercial Vehicles	28%	18%	22-09-2025
Buses	28%	18%	22-09-2025
Tractors (<1800cc engine capacity)	12%	5%	22-09-2025



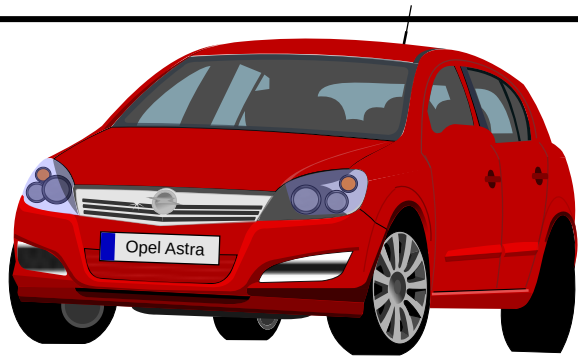
Category	Old Rate (GST + Cess Rate)	New Rate	Effective From
Road Tractors (>1800cc engine capacity)	28%	18%	22-09-2025
Trucks	28%	18%	22-09-2025
Three wheelers	28%	18%	22-09-2025
Ambulances	28%	18%	22-09-2025



Let’s Understand the impact of rate cuts on automobile sector practically!! (Impact on small Cars*) e.g Maruti Swift

Component	Old Amount	New Amount
Pre-tax Price	5,03,100	5,03,100
GST	1,45,900 (28% + 1% (Cess))	90,558 (18% (No Cess))
EX- Show room Price	6,49,000 	5,93,658

Component	Old Amount	New Amount
💰 Cost Saving Highlight	<ul style="list-style-type: none">• Earlier Ex-Showroom Price: ₹6,49,000• New Ex-Showroom Price: ₹5,93,658• Price Drop: ₹55,342 <p>That's a direct saving of 8.53% on the ex-showroom price — a substantial reduction, giving buyers more value at the same quality.</p>	



***Small Car Means Petrol, LPG, or CNG cars with engine capacity up to 1200cc and length up to 4000mm and Diesel cars with engine capacity up to 1500cc and length up to 4000mm**



Now Let's take example of Large car *

Component	Old Amount	New Amount
Pre-tax Price	10,00,000	10,00,000
GST	5,00,000 28% + 22% (Cess)	4,00,000(40% (No Cess)
EX- Show room Price	15,00,000	14,00,000

Component	Old Amount	New Amount
💰 Cost Saving Highlight	<ul style="list-style-type: none">• Earlier Ex-Showroom Price: ₹15,00,000• New Ex-Showroom Price ₹14,00,000• Price Drop: ₹1,00,000 <p>That's a direct saving of 6.67% on the ex-showroom price — making the vehicle more affordable while offering the same features and performance.</p>	

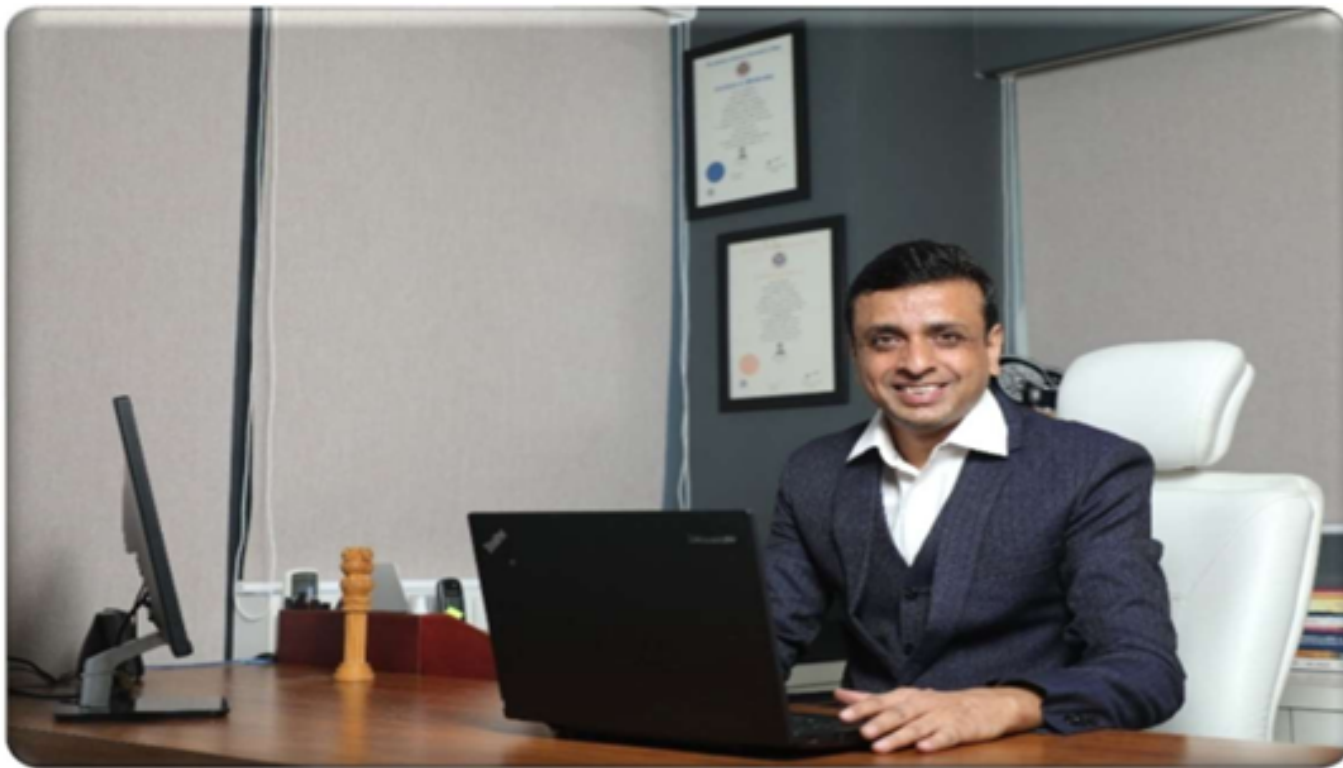
***Large Car Means engine capacity of vehicle exceeding 1500cc or length exceeding 4000mm.**





Conclusion:

- **The GST rate cut largely benefits end consumers, as they directly bear the tax cost.**
- **Businesses eligible for ITC (e.g., car rentals, tour operators, logistics providers, corporates) are tax-neutral on base GST, since ITC offsets their liability.**
- **Cess ITC can be claimed, but it is of no practical use because it can only be set off against output cess, which these businesses typically don't have.**
- **Therefore, the removal of cess on large cars is a genuine saving for both consumers and businesses.**
- **Result: Consumers see lower purchase prices, while businesses enjoy reduced acquisition costs.**



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