

INDIRECT TAX (CUSTOM UPDATES)



INDIRECT TAX IMPACT OF UNION BUDGET 2025 ON AUTOMOBILE AND ANCILLARY INDUSTRY

Gist:

1. In motor vehicles for transport of 10 or more persons or for transport of goods- if the company is importing vehicle other than in a Complete Knocked Down (**CKD**) and Semi Knocked Down (**SKD**) condition, then there is a benefit as Basic Customs Duty (**BCD**) is reduced by **20%**. However, Agriculture Infrastructure and Development Cess (**AIDC**) has been increased by **20%** on such vehicles and Social Welfare Surcharge (**SWS**) of **10%** has been removed.

Final duty structure - 20% BCD + 20% AIDC + Nil SWS

Let us say a company imports a mini bus (seating of 10 or more) for assessable value of INR 50 lakhs. The duty payable pre and post budget will be:

Particulars	Pre-budget	Post-budget
i. Assessable value	50 lakhs	50 lakhs
ii. BCD	20 lakhs [40% of (i)]	10 lakhs [20% of (i)]
iii. AIDC	0	10 lakhs [20% of (i)]
iv. SWS	2 lakhs [10% of (ii)]	0
v. Total duty	22 lakhs (ii+iv)	20 lakhs (ii+iii)

Therefore, there is a benefit of 2 lakhs post budget in the custom duties payable by an importer.

2. In motor vehicles for transport of persons (other than 1 above) - if the company is importing vehicle with CIF value more than US \$40,000 or with engine capacity more than 3000 cc for petrol-run vehicles and more than 2500 cc for diesel-run vehicles,

or with both or EV vehicles with CIF value more than \$40,000 then there is a benefit as BCD is reduced by **30%**. However, AIDC has been increased by 40%.

Final duty structure - 70% BCD + 40% AIDC + Nil SWS

For example –

ABC Ltd imports

- vehicle with CIF value more than US \$40,000
- or with engine capacity more than 3000 cc for petrol-run vehicles and more than 2500 cc for diesel-run vehicles, or with
- or EV vehicles with CIF value more than \$40,000

Then the duty payable pre-budget and post-budget will be:

Particulars	Pre-budget	Post-budget
I. Assessable value	50 lakhs	50 lakhs
II. BCD	50 lakhs [100% of (i)]	35 lakhs [70% of (i)]
III. AIDC	0	20 lakhs [40% of (i)]
IV. SWS	5 lakhs [10% of (ii)]	0
V. Total duty	55 lakhs (ii+iv)	55 lakhs (ii+iii)

In the above case, there seems to be no benefit to the importer as the duty payable remains the same.

3. Motor cycles other than EV –

a. If engine not exceeding 1600 cc

- Not pre-assembled – 5% reduction
- Pre-assembled but not mounted on a body assembly – 5% reduction
- Other than above – 10% reduction

b. If engine exceeding 1600 cc

- Not pre-assembled – 5% reduction
- Pre-assembled but not mounted on a body assembly – 5% reduction
- Other than above – 20% reduction

4. No change in duty in case of EV motor cycles.

Detailed analysis of the above changes:

1. Basic Customs Duty (BCD) rates are given in First Schedule to Customs Tariff Act 1975 but by notification no. 50/2017-Customs (Tariff), government notified revised rates on import of specified goods including vehicles. The table below summarises the rates pre budget and post budget **(w.e.f 02/02/2025)**.

Table 1-

Heading (1)	Commodity (2)	First Schedule (3)	Notification 50/2017 (4)	Post budget (5)
8702	Motor vehicles for transport of 10 or more persons	40%	<u>Motor vehicle (Other than EV) - (1)</u> as a Completely Knocked Down (CKD) kit containing all the necessary components, parts or sub-assemblies, for assembling a complete vehicle, with, -	15% rate – no change 25%/40% rate- reduced to 20%

			<p>(a) engine, gearbox and transmission mechanism not in a pre-assembled condition – 15%</p> <p>(b) engine or gearbox or transmission mechanism in pre-assembled form but not mounted on a chassis or a body assembly – 25%</p> <p><u>EV vehicles, if imported, -</u></p> <p>(1) incomplete or unfinished, as a knocked down kit containing necessary components, parts or subassemblies 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 preassembled, with, –</p>	
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			<p>(a) none of the above components, parts or subassemblies interconnected with each other and not mounted on a chassis – 15%</p> <p>(b) any of the above components, parts or subassemblies interconnected with each other but not mounted on a chassis – 25%</p>	
8703	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702)	125%	<p>Motor cars and other motor vehicles (excluding EV) principally designed for the transport of persons (other than those of heading 8702), including station wagons and racing cars, new, which have not been registered anywhere prior to importation, If imported,</p> <p>1) As a Completely Knocked Down (CKD) kit containing all the</p>	<p>125%/100% rate – changed to 70%</p> <p>Other than 125%/100% rate- no change</p>

			<p>necessary components, parts or sub-assemblies, for assembling a complete vehicle, with-</p> <p>(a) engine, gearbox and transmission mechanism not in a pre-assembled condition- 15%</p> <p>(b) engine or gearbox or transmission mechanism in pre-assembled form but not mounted on a chassis or a body assembly- 35%</p> <p>2) in any other form-</p> <p>(a) with CIF value more than US \$ 40,000 or with engine capacity more than 3000 cc for petrol-run vehicles and more than 2500 cc for diesel-run vehicles, or with both; - 100%</p>	
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			<p>EV vehicles, if imported-</p> <p>(1) incomplete or unfinished, as a knocked down kit containing necessary components, parts or subassemblies 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 preassembled, with</p> <p>(a) none of the above components, parts or sub-assemblies inter-connected with each other and not mounted on a chassis – 15%</p> <p>(b) any of the above components, parts or sub-assemblies inter-connected with each</p>	
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			<p>other but not mounted on a chassis – 35%</p> <p>(2) in a form other than (1) above, -</p> <p>(a) with a CIF value more than US \$40,000- 100%</p>	
8704	Motor vehicles for transport of goods	40%	<p><u>Motor vehicle (Other than EV)</u> -</p> <p>(1) as a Completely Knocked Down (CKD) kit containing all the necessary components, parts or sub-assemblies, for assembling a complete vehicle, with, -</p> <p>(a) engine, gearbox and transmission mechanism not in a pre-assembled condition – 15%</p> <p>(b) engine or gearbox or transmission mechanism in pre-assembled form but not mounted on a chassis or a body assembly – 25%</p>	<p>15% rate – no change</p> <p>25%/40% rate- reduced to 20%</p>

			<p><u>EV vehicles, if imported, -</u> (1) incomplete or unfinished, as a knocked down kit containing necessary components, parts or subassemblies 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 preassembled, with, –</p> <p>(a) none of the above components, parts or subassemblies interconnected with each other and not mounted on a chassis – 15%</p> <p>(b) any of the above components, parts or subassemblies interconnected with</p>	
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			each other but not mounted on a chassis – 25%	
8711	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor	100%	<p>Motor cycles (including mopeds) and cycles fitted with an auxiliary motor, (excluding electrically operated motor cycles and cycles) with or without side cars, and side cars, new, which have not been registered anywhere prior to importation-</p> <p>(1) as a completely knocked down (CKD) kit containing all the necessary components, parts or sub-assemblies, for assembling a complete vehicle, with-</p> <p>(a) engine, gearbox and transmission mechanism not in a pre-assembled condition – 15%</p>	<p>Motor cycles (other than EV) engine capacity not exceeding 1600 cc –</p> <p>1) as a completely knocked down (CKD) kit containing all the necessary components, parts or sub-assemblies, for assembling a complete vehicle, with</p> <p>(a) engine, gearbox and transmission mechanism not in a pre-assembled condition – 10%</p>

			<p>(b) engine or gearbox or transmission mechanism in pre-assembled form, not mounted on a body assembly – 25%</p> <p>(2) in a form other than (1) above – 50%</p> <p>EV vehicles, if imported-</p> <p>(1) incomplete or unfinished, as a knocked down kit containing necessary components, parts or subassemblies for assembling a complete vehicle, including battery pack, motor, motor controller, charger, power control unit, energy monitor, brake system, whether or not individually pre-assembled, with</p>	<p>(b) engine or gearbox or transmission mechanism in pre-assembled form, not mounted on a body assembly – 20%</p> <p>(2) in a form other than (1) above – 40%</p> <p>Motor cycles (other than EV) engine capacity exceeding 1600 cc –</p> <p>1. as a completely knocked down (CKD) kit containing all the necessary components, parts or sub-assemblies, for</p>
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			<p>(a) none of the above components, parts or subassemblies interconnected with each other and not mounted on a chassis – 15%</p> <p>(b) any of the above components, parts or subassemblies interconnected with each other but not mounted on a chassis- 25%</p> <p>2) in a form other than (1) above – 50%</p>	<p>assembling a complete vehicle, with</p> <p>(a) engine, gearbox and transmission mechanism not in a pre-assembled condition – 10%</p> <p>(b) engine or gearbox or transmission mechanism in pre-assembled form, not mounted on a body assembly – 20%</p> <p>(2) in a form other than (1) above – 30%</p>
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2. Further, Agriculture infrastructure and development cess (**AIDC**) has been revised in case of (**w.e.f. 02/02/2025**):

Table 2

Heading	Commodity	Notification no. 11/2021 (Pre-Budget)	Post budget
8702	Motor vehicles for transport of 10 or more persons	Nil	<p>All goods other than goods covered under column (4), sub-items (a) and (b) of item (1) of Table in Point 1 above – 20%</p> <p>Sub-item (b) of item (1) of column (4) of Table in Point 1 above – 5%</p>
8703	Motor vehicles for the transport of persons (other than 8702)	Nil	<p>All goods other than goods covered under notification 50/2017 as covered under column (4) of Table in Point 1 above – 67.5%</p> <p>All goods covered under column (4), sub-item (a) of item (2) of Table in Point 1 above – 40%</p>
8704	Motor vehicles for transport of goods	Nil	All goods other than goods covered under column (4), sub-items (a) and (b) of

			<p>item (1) of Table in Point 1 above – 20%</p> <p>Sub-item (b) of item (1) of column (4) of Table in Point 1 above – 5%</p>
8711	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor	Nil	All goods other than goods covered under notification 50/2017 as covered under column (4) of Table in Point 1 above – 40%

3. Further, **Social welfare surcharge (SWS)** has been exempted w.e.f **02/02/2025** from:

- a) Motor vehicles for transport of 10 or more persons (**8702**)
- b) Motor vehicles for transport of goods (**8704**)
- c) All goods falling under heading **8703** other than those covered under column (4), sub-item (a), of item (1) of Table in Point 1 above **i.e.**
 - **Other than EV** - As a Completely Knocked Down (CKD) kit containing all the necessary components, parts or sub-assemblies, for assembling a complete vehicle, with-
 - (a) engine, gearbox and transmission mechanism not in a pre-assembled condition.

AND

- **EV vehicles - incomplete or unfinished**, as a knocked down kit containing necessary components, parts or subassemblies 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 preassembled, with

- (a) none of the above components, parts or sub-assemblies inter-connected with each other and not mounted on a chassis.
- 4. 35 additional capital goods used in EV battery manufacturing added to the list of exempted capital goods, reducing the cost of setting up production facilities.
- 5. Customs duty on lithium-ion battery waste and scrap, as well as scrap from critical minerals like cobalt, reduced from 5% (and in some cases higher) to zero. This lowers the cost of raw materials for battery production and encourages recycling. India currently relies heavily on imported EV batteries. The measures aim to incentivize local production of lithium-ion batteries, making India less dependent on imports and potentially boosting the domestic EV industry.


DISCLAIMER:


The information contained herein is in summary form and is prepared based on the Explanatory Memorandum, Economic Survey (2024-25), Budget Speech and Finance Bill 2025 presented by the Hon'ble Finance Minister of India on 1st February, 2025 and from sources believed to be reliable. For further details, please refer to Budget Speech, Finance Bill 2025, Explanatory Memorandum and Economic Survey (FY2024-25) etc. While the information is believed to be accurate to the best of our knowledge, we do not make any representations or warranties, express or implied, as to the accuracy or completeness of this information. Reader should conduct and rely upon their own examination and analysis and are advised to seek their own professional advice. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies upon it.

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