

Nitin Gadkari on additional 10% GST on sale of diesel vehicles

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Why in news?

- Several media reports suggested that the Centre is likely to impose an additional 10% GST on the sale of diesel vehicles.

- Later, the Road Transport Minister Nitin Gadkari clarified that there is no such proposal currently under active consideration.

Background

- While speaking at a conference, Road Transport Minister Nitin Gadkari had said that people needed to move away from fuels such as petrol and diesel.
- He further said that if the use of diesel-run vehicles (and equipment such as diesel-run generators) continued, he might consider proposing to the Finance Minister that an additional 10% GST be imposed on these vehicles as pollution tax.
- Later, through a post, he clarified that there is no such proposal currently under active consideration by the government.

Why is there a pushback against diesel?

- **Pushback against diesel**

- Recently, a committee appointed by the Ministry of Petroleum and Natural Gas recommended a **ban on diesel four-wheel vehicles by 2027** in cities with a population of more than 1 million.
- The government already imposes a 28% tax on diesel cars, plus an additional cess depending on the engine capacity, taking the total tax to almost 50%.

- **Reasons for the pushback**

- As part of its goal to achieve net zero emissions by 2070, the government's stated aim is:
 - to reduce greenhouse gas emissions and
 - to produce 40% of India's electricity from renewables.
- According to a report:
 - Diesel accounts for about 40% of India's petroleum products consumption;
 - Around 87% of total diesel sales are to the transport segment, with trucks and buses accounting for about 68% of diesel sales in the country;
 - Three states — Uttar Pradesh, Maharashtra, and Haryana — account for almost 40% of the diesel sold in India.

How have car-makers responded to this pushback?

- Maruti Suzuki, India's biggest carmaker, stopped making diesel vehicles from April 1, 2020, and has signalled that it does not plan to re-enter this segment.
- Tata Motors, Mahindra, and Honda no longer produce 1.2-litre diesel engines; diesel variants are available only for 1.5-litre or bigger engines.

- Diesel variants are still available from Korea's Hyundai and Kia, and Japan's Toyota Motor has its Innova Crysta range.
- However, most carmakers have substantially moved to deleverage their diesel portfolios since 2020.
- As a result, the contribution of passenger vehicles to overall diesel demand has fallen to 16.5% currently, considerably lower than the 28.5% in 2013.

Why have carmakers started to move away from diesel?

- **Increased emissions of oxides of nitrogen (NOx)**
 - Higher compression ratio of diesel engines means increased emissions of NOx. This is one of the main drawbacks of diesel engines versus petrol.
- **Volkswagen scandal of 2015**
 - The German automaker was found to be activating emissions controls in its diesel engines during lab tests while allowing them to emit dozens of times more NOx in actual driving.
 - This led to a rise in the negative perception about diesel across markets, including India.
- **Rollout of the new BS-VI emission norms**
 - The reason why Maruti Suzuki and other carmakers announced an exit from the diesel segment was the rollout of the new BS-VI emission norms.
 - BS-VI emission norms kicked in from April 1, 2020 and it increased the cost of upgrading their diesel engines to meet the new standards.
 - The manufacturers have argued that the government's decision to leapfrog directly from BS-IV to BS-VI made the retention of diesel in their portfolio unviable.

What is the reason an individual user might prefer diesel to petrol?

- **The higher fuel economy of diesel engines** compared to petrol
 - Diesel has greater energy content per litre, and diesel engines are inherently efficient.
 - Diesel engines do not use high-voltage spark ignition (spark plugs), and **use less fuel per kilometre** as they have higher compression ratios.
 - This makes diesel the fuel of choice for heavy vehicles.
- **Better for haulage (commercial transport of goods)**
 - Diesel engines offer more torque (rotational or turning force), and are less likely to stall as they are controlled by a mechanical or electronic governor
- **Earlier the issue of the cost of running the vehicle**
 - The main reason for this was the significantly lower price of diesel compared to petrol — at its peak, the difference was Rs 25 per litre.
 - This was evident from that fact that, in 2013, diesel cars accounted for 48% of passenger vehicle sales in the country.

- But this changed when the **decontrol of fuel prices started in late 2014**. The price difference is now around Rs 7 per litre.
 - Diesel cars accounted for less than 20% of overall passenger vehicle sales in 2021-22.
 - A further increase in taxation on diesel vehicles will impact sales further, given that the tax incidence on this segment is already very high.
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Q1) What is BS-VI emission norms?

BS-VI is the sixth stage in the series of Bharat Stage (BS) emission norms, which are equivalent to Euro emission standards in Europe. These norms aim to reduce air pollution and improve air quality by promoting the use of cleaner fuels and advanced emission control technologies in vehicles. BS-VI standards were implemented nationwide in India on April 1, 2020, for all types of vehicles, including cars, motorcycles, and commercial vehicles.

Q2) What is Volkswagen scandal?

The Volkswagen (VW) scandal, also known as “Dieselgate,” refers to a major automotive scandal that came to light in September 2015. The scandal centered around the revelation that Volkswagen had installed software in millions of its diesel-engine vehicles that manipulated emissions test results. Specifically, the software, known as a “defeat device,” was designed to detect when a vehicle was undergoing emissions testing and would alter the engine’s performance to reduce nitrogen oxide (NOx) emissions to meet regulatory limits during the test.

Source: [Transport Minister Nitin Gadkari mentions tax on diesel vehicles: Why is diesel under pressure? | Livemint](#) | [Indian Express](#)

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