Ministry of Heavy Industries

Government of India has revised GST rates for multiple items pertaining to Ministry of Heavy Industries. It’s detailed clarifications is as follows:

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Automobiles

- The rate cuts for the automobile sector are across different categories. It includes bikes (Upto 350 cc which includes bikes of 350cc), Buses, Small cars, Medium and luxury cars, Tractors (<1800cc), etc.
- The rates are also being reduced on auto parts.
- Lower GST will push demand, helping automobile manufacturers and the large ancillary industry (tyres, batteries, components, glass, steel, plastics, electronics, etc).
- Rising sales of vehicles will increase orders for these components, creating a **multiplier effect on MSMEs**, which form a large part of this supply chain.
- The entire auto industry directly and indirectly supports over **3.5 crore jobs** in manufacturing, sales, financing, maintenance, etc.
- A demand boost will lead to new **hiring in dealerships, transport services, logistics, and component MSMEs**.
- Informal sector jobs (drivers, mechanics, small service garages) will also benefit.
- Vehicle purchases are also credit-driven (NBFCs, banks, fintech lenders). A revival in auto sales will support **retail loan growth**, improve asset quality, and expand financial inclusion in semi-urban India.
- Policy certainty through rational GST rates encourages fresh investments in the automobile sector. It will also promote Make In India and manufacturing sector.
- GST rate Cuts will also encourage the replacement of old vehicles with new, fuel-efficient models, thereby supporting cleaner mobility.

Two-Wheelers (Bikes upto 350cc which incudes bikes of 350cc) – (28% to 18%)

- Lower GST will reduce prices of bikes, making them more accessible to youth, professionals, and lower-middle-class households.
- Bikes are the primary mode of transport in rural and semi-urban India; cheaper bikes will directly benefit farmers, small traders, and daily wage earners.
- It is expected to help gig workers and boost the savings of the gig workers, through reduced costs and EMI for 2-wheeler loans.

Small Cars (GST down to 18%, from 28%)

- Cars in the affordable segment will become cheaper, encouraging first-time buyers and expanding household mobility.
- Reduced GST will stimulate sales in smaller cities and towns where small cars dominate.
- Higher sales will benefit car dealerships, service networks, drivers, and auto-finance companies.
- *(covers petrol engine cars of <1200 cc and not exceeding 4 meters length and diesel cars of <1500 cc and not exceeding 4 metres length)*

Large Cars (GST reduced to flat 40% with no cess)

- Removal of the additional cess has not only reduced the rates but also makes taxation simple and predictable.

- Even at 40%, the absence of cess will lower the effective tax on larger cars, making them relatively more affordable for aspirational buyers.
- Bringing the tax rate to 40% and removing the cess will also ensure that these industries are eligible for ITC fully whereas previously the ITC could only be utilised up to 28% and not for the cess component.

Tractors (<1800 cc down from 12% to 5%)

Road tractors for semi-trailers (engine capacity more than 1800 cc down from 28% to 18%)

Tractor parts reduced to 5%

- India is one of the world's largest tractor markets; GST cut will push demand in both domestic and export segments.
- The components for tractor manufacturing like tyres, gears etc will also be taxed at 5% only.
- Ancillary MSMEs making engines, tyres, hydraulic pumps, and spare parts will benefit from higher production. The GST Cut will also strengthen India's positioning as a global tractor manufacturing hub.
- Increased affordability of tractors will increase mechanisation in the agriculture sector. This will improve the productivity of staple crops like paddy, wheat, etc.

Buses (seating capacity of 10+ persons) [GST down from 28% to 18%]

- Lower tax rate will reduce the upfront cost of buses and minibuses (10+ seater).
- This will spur demand from fleet operators, corporates, schools, tour operators, and state transport undertakings.
- A**ffordable ticket fares** for passengers (especially in semi-urban/rural routes).
- Encourages shift from **private vehicles to shared/public transport**, reducing congestion and pollution.
- **Encourage fleet expansion & modernization**.
- **Encourage use of public transport**

Commercial Goods Vehicles (Trucks, delivery-vans, etc) [GST down from 28% to 18%]

- Trucks are the **backbone of India's supply chain** (carry 65%-70% of goods traffic).
- Reducing GST reduces upfront capital cost of trucks, which lowers **freight rates per tonne-km**.
- This has a cascading effect. It will lead to **cheaper movement of agri goods, cement, steel, FMCG, and e-commerce deliveries. It will reduce** inflationary pressures.
- Supports **MSME truck owners**, who form a large share of India's road transport sector.
- Cheaper trucks directly help reduce **logistics cost**, improving **export competitiveness**.
- Reduction of GST from 12%to 5% with ITC on third-party insurance of goods carriage also complements these efforts.
- *Does not include 'Refrigerated motor vehicles' (they have a separate classification).*
- Helps align with **PM Gati Shakti & National Logistics Policy** targets.

Auto components

- The majority of the components used for the manufacture of Motor cars and Motor bikes, I.e the auto components, have also been reduced to 18%.

It is also important to note that the **services associated with the transport of goods and passengers have also undergone significant changes and rationalisation**. The rates have been reduced where necessary, and ITC has been passed on to avoid the cascading effect.

Further, the entire goods transportation and passenger transportation by road is given the options of two rates, i.e. 5% or 18% to choose as per the requirement of their business.

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