

Vehicle scrappage policy

March 18, 2021

The Road Transport, Highways and MSMEs Minister, Nitin Gadkari today unveiled the vehicle scrappage policy in the Lok Sabha, details of which are as follows:

Registration and fitness tests:

- Criteria to determine vehicle fitness will primarily be emission tests, braking, safety equipment, among many other tests which are as per the Central Motor Vehicle Rules, 1989.
- Rules for fitness tests and scrapping centres to be applicable from October 1, 2021, while scrapping of government and PSU vehicles which are older than 15 years to come into effect from April 1, 2022.
- The mandatory fitness testing for heavy commercial vehicles to be in force from April 1, 2023, and the same will be in place in a phased manner for other categories from June 1, 2024.
- Increased fees for fitness certificate and test to be applicable for commercial vehicles 15 years onwards from the date of initial registration and in case of failure to get the fitness certificate, such vehicles to be de-registered.
- Increased re-registration fees to be applicable for private vehicles 15 year onwards from the date of initial registration. Such vehicles to be de-registered after 20 years if found unfit or in case of a failure to renew the registration certificate.
- A vehicle failing the fitness test or failing to get a renewal of its registration certificate to be declared as 'End of Life Vehicle'.

Financial incentives:

- Scrap value for the old vehicle given by the scrapping centre, which is approximately 4-6% of ex-showroom price of a new vehicle.
- OEMs advised to provide 5% discount on the purchase of a new vehicle against the scrapping certificate.
- State governments advised to offer a road tax rebate of up to 25% for personal vehicles and up to 15% for commercial vehicles.
- Registration fees to be waived off for the purchase of a new vehicle against the scrapping certificate.

Scrapping centres:

- Encourage public and private participation in opening Registered Vehicle Scrapping Facility (RVSF).
- Encourage setting up of Automated Fitness Centres on a PPP model by state government, private sector, automobile companies, etc.

Impact:

- Policy expected to be a 'win-win' for all as it helps reduce India's oil import bills by improving fuel efficiency, reduce environmental pollution and improve road and vehicular safety by getting rid of old and defective vehicles, boost the availability of low-cost raw materials like plastic, steel, aluminium, steel, rubber, electronics, etc. for the OEMs.
- Potential to increase automobile industry's turnover to Rs. 10 lakh crore from the existing Rs. 4.5 lakh crore.

Concluding remarks

The automotive sector has long been undergoing multiple regulatory challenges on a frequent basis for over 2 to 3 years now. The vehicle scrappage policy, announced today, was one such policy that the sector's players had long been pressing for from the government and is a step in the right direction. The financial incentives for a vehicle user are lucrative enough to scrap their vehicle and hence, is expected to lead to an increase in sales volumes of the industry in the medium to long term.

However, proper implementation of this policy is pivotal for it to be a success, which may help India gain competitive position globally and be among the leading manufacturing automobiles hub.

The headwinds for implementation would be in the form of having more infrastructure in place to build organised scrapping centers, which currently India does not possess. To further incentivise the consumer, there should be GST concessions on purchase of new vehicles, as tax rates in India on new automobiles are exorbitant.

Contact:

Madan Sabnavis

Chief Economist

madan.sabnavis@careratings.com

+91-22-6837 4433

Author:

Vahishta Unwalla

Research Analyst – Industry Research

vahishta.unwalla@careratings.com

+91-22-6837 4408

Mradul Mishra

Media Contact

mradul.mishra@careratings.com

+91-22-6754 3573

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CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road,

Off Eastern Express Highway, Sion (East) Mumbai - 400 022

Tel. : +91-22-6754 3456 | CIN: L67190MH1993PLC071691

Connect:

