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Tax Policy Reforms and The Indian Automobile Sector

Niharika Venkatasami[a]

[a]Symbiosis Law School, Hyderabad, India

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This paper examines the impact of India's most recent GST 2.0 reform on the automobile industry. It particularly focuses on the transition from the 2017 Goods and Services Tax framework to the streamlined GST 2.0 framework introduced in 2025. The study analyses the structural and policy changes under GST 2.0, including revisions in tax slabs, the abolition of the compensation cess on automobiles, and modifications in input tax rates, which have affected pricing strategies, market & consumer behaviour, industry competitiveness, and government revenues. It evaluates how these changes have reshaped pricing strategies across different vehicle segments. The comparative policy analysis reveals how GST 2.0 has significantly lowered the tax burden and stimulated demand. At the same time, it identifies the possible challenges, particularly for State governments facing compensation-related revenue concerns and for consumers in specific segments where benefits may be unevenly distributed. The paper is ultimately structured around the central question of whether GST 2.0 represents a meaningful improvement over the 2017 framework in achieving a balance between simplicity, growth, equity, sustainability and fiscal stability.

Keywords: *automobile industry, indirect tax reforms, consumer behaviour, fiscal revenue, input tax credit.*

INTRODUCTION

The Indian automobile sector is one of the largest industries in the world and forms a cornerstone of India's industrial economy. It contributes about 7% to the country's GDP and employs more than 35 million people.[1] This sector has also been one of the most heavily taxed, reflecting the government's dual objectives of raising revenue and regulating consumption. For decades, taxation of the Indian automobile sector was fragmented, involving central excise duties, state-level value-added tax (VAT), road taxes, and octroi.[2] This fragmented regime not only complicated compliance for manufacturers but also created significant variations in consumer prices across States, which dampened efficiency and competitiveness.

The introduction of the Goods and Services Tax (GST) in July 2017 was marked as a landmark reform. It was aimed to create a unified tax framework by reducing distortions and streamlining compliance. This structure often raised effective tax rates on larger cars, placing India among the highest automobile-taxation regimes globally. The system was progressive in public but administratively complex. By 2025, the limitations of this reform became evident, necessitating further rationalisation. Automobile sales had stagnated due to slow economic growth, inflationary pressure, and rising fuel costs. Manufacturers and dealers urged rationalisation, as high taxes suppressed demand, especially for small cars that were aspirational for India's middle class.[3] Meanwhile, States were concerned about declining compensation cess revenues as the five-year transitional guarantee period promised at the institution of GST had expired.[4] Moreover, consumers faced a blur in effective tax rates, with little understanding of how the headline slab and cess interacted.

The Union government unveiled GST 2.0 at the 56th GST meeting, which is to become effective from 22nd September 2025. This system directly addresses these challenges. This reform eliminates the compensation cess and introduces a streamlined system in the Indian automobile sector. It also replaces the earlier five-slab structure with three broad rates. Small cars, two-wheelers, tractors, and buses, which form the backbone of the economy, are now taxed at 18% with no cess.[5] This makes mass market vehicles more affordable, stimulates

[1] 'Automotive Industry: Powering India's Participation in Global Value Chains (GVCs)' (*PIB*, 15 April 2025) <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2121826&reg=3&lang=2> accessed 19 September 2025

[2] Shreyansh Singh, 'GST's Impact on Car Prices and Other Automobiles in India' (*Pice Blogs*, 10 September 2024) <https://piceapp.com/blogs/impact-of-gst-on-automobile-sector/#:~:text=7%20mins-,Impact%20on%20Consumers,the%20cascading%20effect%20of%20taxation.> accessed 19 September 2025

[3] *Ibid*

[4] *Union of India & Anr v Filco Trade Centre Pvt Lts & Anr* SLP (C) No 32709-32710/2018

[5] 'The new GST rates and impact Heavy Industries.' (*PIB*, 08 September 2025) <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2164587> accessed 19 September 2025

demand across the supply chain, and expands access for middle-class and rural consumers. The luxury cars and high-end vehicles are taxed at 40%, which is lower in effective terms than under the old system.

The central problem that GST 2.0 was made to resolve is at the intersection of growth, equity, revenue, and sustainability. The Indian Automobile sector is one of the main drivers of economic growth, fiscal revenue, and employment growth. A tax system that is too complicated risks stifling demand, curtailing industrial output and low job creation. On the other hand, a system that is too lenient risks eroding government revenue and undermining fiscal stability. Excessive incentivization of private vehicle use may conflict with environmental objectives and lead to congestion, pollution, and fossil fuel dependency, among other problems.[6] GST 2.0 represents an attempt to strike a balance by rationalising tax rates, supporting public transport, ensuring fiscal buoyancy is maintained through broader compliance, and encouraging the replacement of old vehicles with cleaner models.[7]

To address this, the study aims to achieve four major objectives. Firstly, it analyses the evolution of tax policy in the automobile sector, comparing the old GST framework with the new GST 2.0 structure. Secondly, it examines the impact of the new GST reforms on consumers and the market. Thirdly, it evaluates the effects on the automobile industry. Lastly, it explores the fiscal and social implications, including the impact on the government.

OVERVIEW OF GST 2.0

GST 2.0 marks the biggest renovation of India's indirect taxation system since the introduction of GST in 2017. The reform replaces the earlier fragmented framework of four slabs and multiple cesses with a far simpler three-rate structure. A 5% rate applies to essential goods and services widely consumed by the public, such as medicines and food. A 18% rate now covers the majority of items in the economy and serves as the standard rate for most goods and services. Lastly, a higher rate of 40% is reserved for luxury items, high-end cars,

[6] 'Latest GST Slabs & New GST Rates: What it means for Car Buyers' (*OLX*, 10 September 2025) <https://www.olx.in/blog/expert-advice/latest-gst-slabs-new-gst-rates/> accessed 18 September 2025

[7] 'GST Reforms for a New Generation' (*PIB*, 20 September 2025) <https://www.pib.gov.in/FactsheetDetails.aspx?Id=150302&reg=3&lang=2> accessed 21 September 2025

sin goods, etc., ensuring that high-end consumption continues to bear a proportionately greater tax burden.[8]

COMPARATIVE POLICY ANALYSIS - PRE-REFORM GST VS POST- REFORM GST

Pre-Reform GST: The introduction of GST in 2017 was hailed as a 'One nation, One Tax' reform, yet the automobile sector exposed many of its limitations. Under that framework, automobiles were subject to a high 28% tax rate, along with a cess ranging from 1% to 22% depending on engine size, vehicle, and fuel used.[9] This resulted in an effective tax burden on automobiles of 29% to 50%, depending on the vehicle category. This often confused consumers and created distortions for manufacturers. Under the pre-reform GST structure for automobiles, Compact Cars, such as petrol cars up to 1200 cc and diesel cars up to 1500 cc, were subject to 28% GST, along with a 1% to 3% cess, pushing the total burden to around 30%. Mid-size and Luxury cars attracted a much higher cess, along with 28% GST, pushing the total tax incidence between 43% and 50%. Electric Vehicles benefited from a concessional 5% GST rate, reflecting the government's strong policy push towards clean and sustainable mobility.[10] In simple terms, this meant that while a compact car bore an effective tax burden of around 30%, a luxury SUV could be taxed up to 50%. Electric vehicles were subject to a concessional 5% GST to promote sustainability. This combination was expected to protect State revenues and promote progressive taxation by ensuring that luxury consumption was more heavily taxed than essential mobility.

The resulting system was progressive in public but administratively complex, leading to frequent disputes over vehicle classification and compliance burdens for manufacturers. One of the major issues with this framework lies in the end-use exemptions. These exemptions lead to situations where a Good or Service is taxed differently depending on how it is ultimately used. For example, an item could attract a GST of 18% under normal circumstances, but if it is for a specific purpose such as public transport, it may be excluded from GST. This dual treatment leads to major confusion in the tax base.[11]

[8] Automotive Industry: Powering India's Participation in Global Value Chains (GVCs) (n 1)
[9] GST Reforms for a New Generation (n 7)
[10] Latest GST Slabs & New GST Rates: What it means for Car Buyers (n 6)
[11] Karan Bhasin, 'GST REFORM IS POINTLESS IF IT DOESN'T SIMPLIFY TAX SLABS. 40% RATE IS COUNTERPRODUCTIVE' *ORF America* (USA, 25 August 2025) <https://orfamerica.org/newresearch/gst-reform-india-tax-structure> accessed 30 September 2025

Automakers consistently argued that the cess structure introduced distortions in both pricing and product positioning. While consumers saw little relief, the vehicle prices in several segments rose after the GST rollout. The interaction between slab rates and the cess blurred the effective tax incidence, leaving buyers uncertain about the true burden borne by vehicle prices. At a time when India was aiming to accelerate towards a $5 trillion economy, it became clear that a streamlined, rational GST structure was essential.[12] The risks were particularly high because the automobile industry contributes over 7% to India's GDP and supports more than 3.5 crore jobs across manufacturing, sales, and services.[13] Despite its central role in the economy, the sector remained dissatisfied with the tax framework.

Post-Reform GST: The rationalisation of GST provides long-awaited clarity, addressing one of the central criticisms of the earlier GST framework: complexity. The implications of the new GST reforms are especially significant in the automobile sector. It includes small cars that run on petrol, CNG, or LPG, engines up to 1200cc and 1500cc for diesel engines, and those less than 4 meters in length would now attract only 18% GST. The luxury cars would be taxed at a consolidated 40%. Three-wheelers and Motor vehicles used to transport goods are also subject to a streamlined 18% rate. However, electric vehicles have retained their concessional 5% rate.[14] The abolition of the compensation cess, which previously ranged from 1% to 22% for automobiles, has eliminated a major source of compliance hurdles and tax inefficiencies. It is a defining feature of GST 2.0 because eliminating the cess restores the full ITC chain and improves efficiency. By streamlining tax slabs and improving ITC utilisation, the reforms strengthen compliance.[15]

Comparative Analysis: The comparative outcomes of these two systems can be analysed from many perspectives. From an equity standpoint, GST 2.0 introduces a more progressive structure, with everyday mobility taxed at a moderate 18%, while luxury consumption bears a higher burden at 40%. The earlier regime lacked a clear segmentation and often penalised mid-sized cars purchased by middle-class households almost as heavily as luxury SUVs. This vertical equity ensures that the wealthy continue to shoulder a proportionally larger share of

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[12] 'GST 2.0: Crunchy, Clear and Easy to Digest' (*Kotak Mutual Fund*, 05 September 2025) <https://www.kotakmf.com/Information/blogs/gst-2-point-0_> accessed 16 September 2025

[13] Automotive Industry: Powering India's Participation in Global Value Chains (GVCs) (n 1)

[14] The new GST rates and impact Heavy Industries. (n 5)

[15] Sunita, 'GST 2.0: How New Tax slabs will impact EVs, Cars, FMCG and Consumers across India' (*All India EV*, 05 September 2025) <https://allindiaev.com/gst-2-0-how-new-tax-slabs-will-impact-evs-cars-fmcg-and-consumers-across-india/> accessed 19 September 2025

the tax burden while other consumers benefit from affordability. Horizontal equity is also strengthened by the removal of cess, reducing the likelihood of arbitrary distinctions between similar products.

From an ***efficiency standpoint***, the old system generated cascading effects and litigation over the applicability of cess. On the other hand, the new system reduces compliance costs and the scope of litigation by removing multiple categories.

From the standpoint of ***Tax Incidence Theory***, under the old reform, manufacturers were unable to pass on the entire cess to consumers due to competitive pressures. This meant that part of the burden was absorbed in compressed margins.

From a ***sustainability*** standpoint, retaining a 5% GST on electric vehicles and reducing taxes on buses and public transport vehicles encourage consumers to adopt cleaner, more efficient transportation. With GST 2.0, the lower rates for mass vehicles expand demand elasticity and allow producers to increase volumes even if margins remain thin. However, for luxury vehicles, the higher rate ensures that consumers bear most of the burden relative to producers, yielding a clearer incidence outcome than before.

The following table is a detailed comparison between Pre- Reform GST and Post- Reform GST:[16]

DESCRIPTION	OLD GST	OLD CESS	TOTAL TAX (OLD)	NEW GST	TOTAL TAX (NEW)	CHANGE IN TAX
Small Petrol Cars (under 4m, 1200cc) (Ex**:** Maruti Alto, Swift, Wagon R, Hyundai)	28%	1%	29%	18%	18%	11% lower

[16] 'New GST Rates for Cars in India: What They Mean for You' (*Team Ackodrive*, 08 September 2025) <https://ackodrive.com/car-guide/new-gst-rates-for-cars-in-india/> accessed 19 September 2025

Small Diesel Cars (under 4m, 1500cc) (Ex: Tata Nexon diesel, Kia Sonet, Mahindra XUV)	28%	3%	31%	18%	18%	13% lower
Mid-size Cars (above 4m, 1500cc) (Ex: Hyundai Creta, Kia Seltos, Maruti Ertiga, Skoda Slavia, Honda City)	28%	17%	45%	40%	40%	5% lower
SUVs (above 4m, >1500cc, >170mm) (Ex: Toyota Fortuner, Mahindra Scorpio, MG Gloster, Jeep Compass)	28%	22%	50%	40%	40%	10%
Electric Vehicles (Budget EVs)	5%	0	5%	5%	5%	No Change
Two Wheelers (>350cc)	28%	3%	31%	18%	18%	13%

MARKET AND CONSUMER BEHAVIOUR

The reduction of GST rates under the new reform has a direct impact on consumers and the market. By lowering the rate on the small cars and two-wheelers from 28% to 18%, the government has made these vehicles more affordable for middle and lower-class consumers. In economic terms, this segment exhibits high price elasticity of demand, meaning that even a small price reduction can generate a larger increase in demand. For example, where household savings are limited, and vehicle purchases often require financing, then even a reduction of Rs 60,000 to Rs 1,00,000 can make a difference.

Leading automobile manufacturers swiftly recalibrated their prices by transferring tax benefits directly to consumers. These changes created a surge of excitement among consumers who saw a tangible financial benefit of GST reform. Market leader Suzuki lowered car prices by nearly 3%, which was appealing to budget-conscious buyers. Two-wheelers have become significantly more affordable, especially for credit buyers.[17] Lower EMIs and reduced costs expand opportunities for farmers, gig workers, and small traders to help with economic activities in India's small towns.

Small and compact cars stand out as the biggest beneficiaries of the new GST reform. This translates into savings of Rs. 50,000 to Rs. 1,00,000 for a small car buyer. This marks the most affordable entry point into the market for first-time buyers, as models like Tata Tiago, Hyundai 10, Suzuki Alto, etc., now fall under 18% GST from 28%.[18] Luxury cars continue to be taxed more heavily with 40% GST; however, the removal of the cess has reduced the overall tax incidence by nearly 3%. This offers some relief to the upper-class consumers who previously hesitated to purchase premium models.[19] Nevertheless, these categories remain heavily taxed compared to mass vehicles and maintain a degree of vertical equity in the system.

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[17] Annapoorna, 'GST on bikes in India 2025: New Rates, Applicability and HSN Code' (*Clear Tax*, 22 September 2025) <https://cleartax.in/s/gst-on-bikes> accessed 25 September 2025

[18] 'GST on Cars in India: GST Rates for New and Electric Cars' (*Razorpay*, 25 September 2025) <https://razorpay.com/learn/gst-on-cars/#> accessed 26 September 2025

[19] Bijesh Nagesh, 'Car GST 2.0 India 2025 - What Could Change for Small Cars, SUVs & EVs' (*Car On Phone*, 18 August 2025) <https://caronphone.com/news/car-gst-2-0-india-2025-what-could-change-for-small-cars-suvs-evs/#:~:text=Larger%20cars%20could%20move%20to,by%20roughly%2015%E2%80%9320%25> accessed 20 September 2025

Electric vehicles continue to receive favourable treatment. The government has reinforced its policy commitment to sustainable mobility by retaining the 5% tax slab for electric vehicles. Imported cars remain isolated from these benefits. Imports continue to incur customs duties of 70% or more despite GST rationalisation, making them prohibitively expensive even before GST is applied. This ensures that domestic manufacturers retain a competitive advantage while imports remain aspirational purchases for only the wealthiest buyers.

Consumer psychology under GST 2.0 is also shaped by replacement cycles. Lower GST rates make it more attractive for middle-class families to replace older vehicles with newer, fuel-efficient models. This accelerates the government's push for phasing out polluting vehicles and aligns mobility trends with sustainable goals. Additionally, consumers are timing their purchases around tax benefits and festive discounts to intensify demand cycles.

The effectiveness of GST 2.0 is evident in the reform, with significant improvements: fewer tax slabs, the elimination of cesses, and better utilisation of ITC. These improvements reduce the administrative and compliance burden on consumers. From the stakeholders' lens, the winners are evidently small- and mid-size car buyers, two-wheeler owners, MSMEs in the automobile industry, and informal-sector workers.[20] Automakers benefit from policy certainty with reduced distortions, while financial institutions enjoy stronger loan demand. However, the losers would include the State governments and luxury car buyers who continue to face a heavy tax burden despite some relief.

One major consequence could be that increased vehicle ownership could strain urban infrastructure and fuel demand, unless parallel investments in sustainable mobility solutions accompany this. Theoretically, GST 2.0 aligns with Tax Incidence Theory, which emphasises that producers and consumers ultimately bear the burden of taxation. Elaborating on the same, under the old reform, the cess burden was borne mainly by consumers, which reduced affordability. By lowering GST rates, the reform rebalances the benefits between consumers and producers.

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[20] 'Lower GST rates to ease tax burdens, empower MSMEs, and accelerate formalisation: Report' *Economic Times* (19 September 2025) <https://economictimes.indiatimes.com/news/economy/policy/lower-gst-rates-to-ease-tax-burdens-empower-msmes-and-accelerate-formalisation-report/articleshow/123993389.cms?from=mdr> accessed 20 September 2025

Rajesh Jejurikar, ED & CEO of the Auto and Farm Sectors, Mahindra & Mahindra, said, 'We applaud the Government for this landmark GST rationalisation, which will have a far-reaching positive impact across the automotive and farming sectors. The move makes tractors and farm machinery more affordable for farmers, reduces costs for commercial vehicles, and improves accessibility for personal mobility by rationalising rates across all SUVs. Together, these measures are expected to stimulate demand and drive inclusive growth across the entire ecosystem.'[21]

Arnab Banerjee, MD & CEO, CEAT Limited, added, 'We welcome the GST Council's decision to rationalise tax rates in the tyre sector. The reduction of GST on new pneumatic tyres from 28% to 18%, and the further relief for tractor tyres and tubes to 5%, are progressive steps that will significantly benefit the industry. This reform will make tyres more affordable for customers across commercial, agricultural, and passenger vehicle segments, while also supporting rural mobility through lower input costs for farmers.'[22]

Shailesh Chandra, the President of the Society of Indian Automobile Manufacturers (SIAM), also expressed optimism about the impact of this decision. He stated, 'Making vehicles more affordable will benefit first-time buyers and middle-income families,' and highlighted the potential for increased accessibility in the automotive market.[23]

INDUSTRY AND REVENUE IMPACT

The new GST rates are likely to reshape pricing strategies and product positioning. The elimination of cess reduces complexity and enables manufacturers to adopt clearer pricing models. Small-car and two-wheeler manufacturers will likely pass on a large portion of tax savings to consumers and stimulate volume growth. Ancillary industries stand to benefit from this system. Tyre manufacturers, battery producers, glassmakers, steel suppliers, and a vast ecosystem of MSMEs that supply auto components will see a surge in orders as demand for vehicles increases. Since these industries operate on thin margins and high volumes, even

[21] *Ibid*
[22] 'Cars, bikes GST new slabs explained: Winners, losers, effective date etc' *Times of India* (04 September 2025) <https://timesofindia.indiatimes.com/auto/news/car-bikes-gst-new-slabs-explained-winners-losers-effective-date-etc/articleshow/123689324.cms> accessed 20 September 2025
[23] 'GST Rate Cut to Slash Two-Wheeler and Small Car Prices by Over 10%' (*Scan X*, 11 September 2025) <https://scanx.trade/stock-market-news/corporate-actions/gst-rate-cut-to-slash-two-wheeler-and-small-car-prices-by-over-10/19141385> accessed 19 September 2025

a slight increase in demand can trigger strong multiplier effects. This results in generating substantial economic activity across the supply chain.

Employment generation is another key outcome of the reform. A buoyant automobile sector will create new jobs not only in manufacturing but also in dealerships, service centres, logistics and financing institutions. Informal-sector jobs such as mechanics, drivers, and small garage operators will also benefit from high demand. Banks will also see an increase in loan activity that would improve their asset quality.

A key challenge for the automobile industry would be the interaction between GST 2.0 and state-level incentive schemes. Many of these programs are linked to GST outflows and could lead to a reduction in benefits available to companies due to lower rates. An overall reassessment of project costs, cash flow expectations and investment planning will be necessary for large automobile manufacturers, especially those with investment projects tied to these incentives.

The simplification of GST and removal of cess have positive implications for India's export competitiveness. Previously, the inability to claim input tax credits on the cess inflated production costs and posed challenges for Indian automakers. The new GST 2.0 provides a cleaner ITC regime, and manufacturers are better positioned to compete with counterparts in ASEAN and Europe. By improving supply chain efficiency, the reforms directly support the 'Make in India' initiative and encourage fresh investments.

FISCAL GOVERNMENT REVENUE IMPLICATIONS

Fiscal revenue refers to the income that the government generates through taxation, duties and other statutory levies. In India, this revenue is classified into direct and indirect taxes. Since its introduction in 2017, GST has emerged as one of the most significant sources of fiscal revenue. As a consumption-based tax, GST is collected at every stage of the supply chain whenever goods and services are transacted, which makes it a steady and predictable stream of income for both the Centre and State governments. This is also because earlier GST included a large share of state-level taxes such as VAT and octroi. State governments today rely heavily on GST collections as their primary source of fiscal revenue. Thus, fluctuations in GST rates and collections directly affect fiscal stability and resource availability for governments.[24]

There are various reasons the government is concerned about lower tax rates on vehicles. Two-wheelers, small cars, tractors, and buses form the backbone of India's automobile sector, which accounts for the highest share of sales volume. When tax rates on these categories are reduced, the effective tax per vehicle drops significantly. Since these vehicles sell in the millions every year, even a slight reduction in tax rates can result in a substantial revenue shortfall in the short term. While lower rates are expected to stimulate demand over time, the initial impact is a reduction in per-unit tax collection.[25]

For example, under the previous structure, a small car is priced at Rs. 5,00,000, attracting a 30% tax and contributing approximately Rs. 1,50,000 in revenue. Under the new 18% tax slab, the same vehicle would attract only Rs. 90,000 in tax, representing a 40% loss per unit. The government's short-term fiscal intake shall fall unless sales volume expands sharply. However, by reducing the cost of cars, GST 2.0 is expected to significantly stimulate demand. Increased sales volumes may, over time, generate higher aggregate tax revenue despite lower per-unit collection. This reflects a practical application of the Laffer Curve Hypothesis, which suggests that lowering tax rates can expand the tax base under certain conditions. This will eventually stabilise or even increase government revenue.

Additionally, by encouraging compliance through simplicity and enabling better utilisation of input tax credits, the new GST system is expected to reduce tax evasion and broaden the tax base. In the long term, these gains could set aside any immediate shortfalls. Moreover, the continued emphasis on a 5% GST rate for electric vehicles supports India's sustainability goals.[26]

CONCLUSION

The reform of India's Goods and Services Tax into a more rationalised GST 2.0 framework marks a pivotal step towards simplifying the country's indirect tax system. By streamlining

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[24] Automotive Industry: Powering India's Participation in Global Value Chains (GVCs) (n 1)
[25] GST Reforms for a New Generation (n 7)
[26] Akshita et al., 'Navigating GST 2.0: Implications, Impact, and the Road Ahead' (*IFSA*, 16 November 2025) < https://ifsa-network.com/publications/navigating-gst-2-0-implications-impact-and-the-road-ahead/> accessed 20 November 2025

the structure into three clear categories, the government has sought to eliminate the complexities of the earlier five-slab system, which included the compensation cess.

For the automobile industry, these reforms are both transformative and challenging. The transformative part of this reform would include mass market buyers benefiting substantially from reduced tax burdens as small and mid-sized vehicles become more affordable, and their demand is likely to rise. The removal of compensation cess improves transparency and reduces compliance costs. All of this improves supply chain efficiency. Electric vehicles retaining the preferential treatment under the 5% slab would make India more sustainable and eco-friendlier. The major concerns and challenges of the reform would be the short-term fiscal revenue losses. States and the Central government must balance the immediate drop in revenue collections with the long-term benefits of greater consumption, improved compliance, and a wider tax base. This transition also presents challenges on compliance, rate uncertainty and increased working capital requirements.

Nevertheless, the net impact of GST 2.0 is expected to be positive. By rationalising rates and abolishing cess, the new system enhances both industry competitiveness and consumer affordability in the automobile industry. Ultimately, GST 2.0 represents more than just a tax reform. It is a strategic reform that can improve manufacturing, demand and align the automobile industry with India's broader goals of sustainable development and global competitiveness.