

Ministry of Road Transport & Highways



Road Transport and Auto Sector Get a Big Push Through GST Rationalisation

Affordable Vehicles: GST Cut to 18% for Bikes, Cars & Buses; Tractors at 5%

Stronger Supply Chains and MSME Growth Through Auto-Component Benefits

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The GST Council, chaired by the Union Finance & Corporate Affairs Minister, approved a major rationalisation of GST rates for the road transport and automobile sector in its 56th meeting, providing tax relief for two-wheelers, cars, tractors, buses, commercial vehicles, and auto components.

This reform is poised to make vehicles more affordable, enhance logistics efficiency, and stimulate demand in both urban and rural markets. It will also strengthen MSMEs in the auto-component supply chain, create employment, and promote cleaner, more efficient mobility. By simplifying and stabilising the tax framework, the move boosts manufacturing competitiveness, supports farmers and transport operators, and reinforces national initiatives such as Make in India and PM Gati Shakti.

Hon'ble PM Shri @narendramodi Ji's Independence Day announcement on Next-Generation GST Reforms has today taken shape with the GST Council unanimously endorsing the Union Government's proposals.

These reforms mark a transformative step—bringing relief to farmers, MSMEs, small... pic.twitter.com/U6euUD0SVt

— Nitin Gadkari (@nitin_gadkari) September 3, 2025

Driving Growth in the Automobile Sector

The recent reduction in GST rates across categories of vehicles and auto components is a transformative step that will benefit manufacturers, ancillary industries, MSMEs, farmers, transport operators, and millions of workers in both the formal and informal sectors.

Key impacts:

- Lower prices for two-wheelers, small cars, tractors, buses, and trucks.
- Higher demand leading to job creation in manufacturing, sales, logistics, and services.
- Expansion of credit-driven vehicle purchases through NBFCs, banks, and fintechs.
- Stronger Make in India push, improved competitiveness, and cleaner mobility.

Sector-Wise GST Rate Changes

Vehicle Category	Previous GST Rate	New GST Rate	Key Benefits
Two-Wheelers (<350 cc)	28%	18%	Affordable mobility for youth, rural households, gig workers.
Small Cars	28%	18%	Encourages first-time buyers, boosts sales in smaller towns.
Large Cars	28%+ Cess	40% (Flat)	Simpler taxation, full ITC eligibility, affordability for aspirational buyers.
Tractors (<1800 cc)	12%	5%	Strengthens India's global tractor hub status, boosts farm mechanisation
Buses (10+ seater)	28%	18%	Affordable public transport, supports fleet expansion.
Commercial Goods Vehicles	28%	18%	Lower freight cost, reduced inflationary pressures, stronger supply chain.
Auto Components	28%	18%	Stimulates ancillary MSMEs, boosts domestic manufacturing.

Insurance for Goods Carriage	12%	5% (with ITC)	Supports logistics, reduces operating costs for transporters.
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Benefits Across the Ecosystem

1. Employment & MSMEs

- Over **3.5 crore jobs** in auto and allied sectors were supported.
- Multiplier effect on small businesses in tyres, batteries, glass, steel, plastics, and electronics.
- More opportunities for drivers, mechanics, gig workers, and service providers.

2. Cleaner and Safer Mobility

- Incentivises replacement of old, polluting vehicles with fuel-efficient models.
- Promotes adoption of buses and public transport, reducing congestion and emissions.

3. Boost to Logistics & Exports

- Reduced freight rates strengthen agriculture, FMCG, e-commerce, and industrial supply chains.
- Improves India's export competitiveness under **PM Gati Shakti** and the **National Logistics Policy**.

The GST rationalisation represents a key milestone in India's drive toward affordable, efficient, and sustainable mobility. By lowering the tax burden on vehicles and auto components, the reform benefits consumers, strengthens the auto ecosystem, supports MSMEs, and boosts employment across both urban and rural India.

Effective 22nd September 2025, these reforms reaffirm India's commitment to a simpler, fairer, and growth-oriented GST framework, ensuring ease of living for citizens and ease of doing business for enterprises.

GST Reductions
for Commercial Goods Vehicles
and Tractor Parts

18% from **28%**

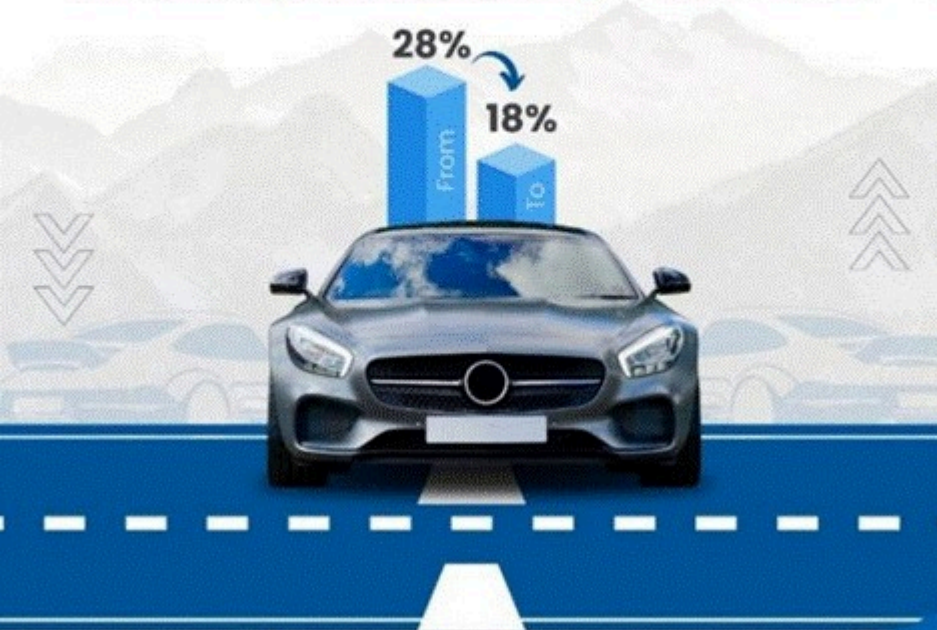
GST 5%
on tractor parts including
tyres, gears, engines,
hydraulic pumps, spare parts.



FOUR WHEELER

Petrol & Petrol Hybrid, LPG, CNG Cars (not exceeding -1200cc & 4000mm)
Diesel & Diesel Hybrid Cars (not exceeding -1500 cc & 4000 mm)

28% From **18%** To



Source - Ministry of Finance

SR/GDH/PN/HK

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