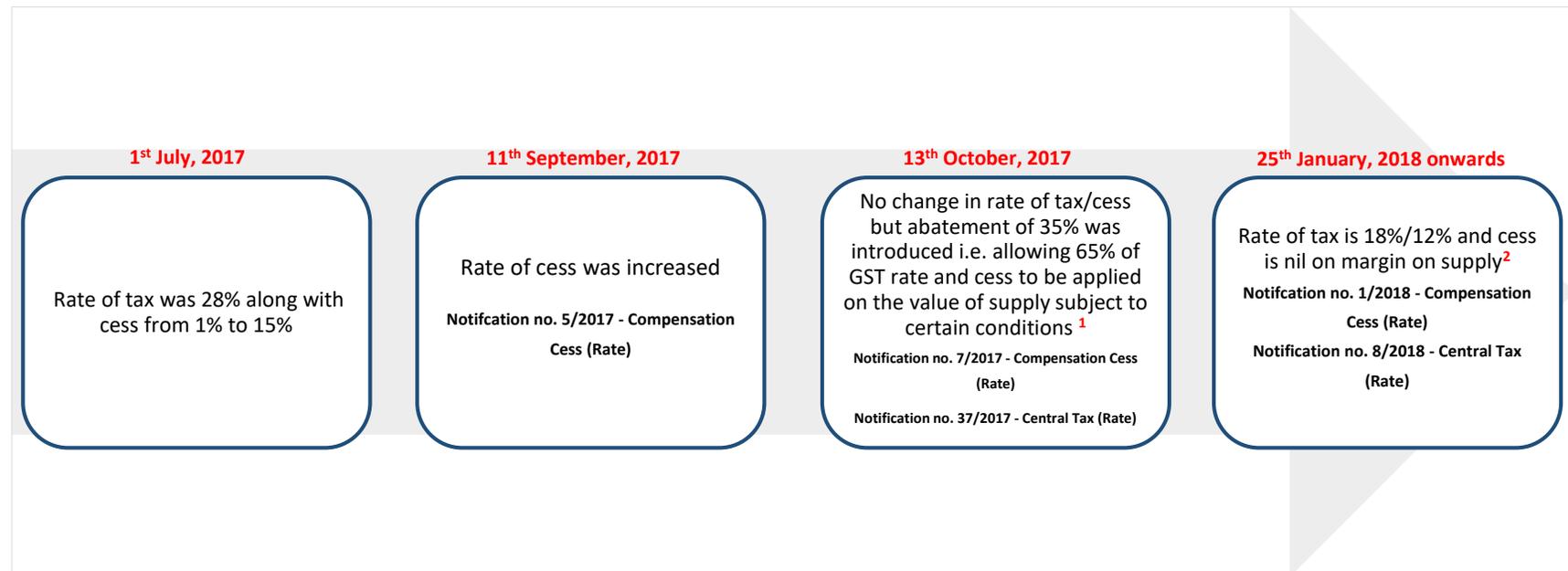


Sale of used Motor car under GST

Since implementation of GST, the area of taxability of used/second hand motor car used for transportation of passengers has seen several changes. Initially, the supply of motor vehicles was taxed at 28% along with cess which was causing burden and slowdown in the used vehicle market. However, at a later date, to provide relief to taxpayers and ease the tension in the market, the GST council, in its 25th meeting held on January 18, 2018, decided to cut tax rates on such vehicles which turned out to be a boon for businesses in this industry.

The chart below represents the timeline of changes that have been implemented since the introduction of GST:

Figure 1: Changes in taxability of used Motor Vehicles



In the last few years, the GST rates have been changed on several events causing confusion amongst taxpayers. In order to clear this confusion, the summary below exhibits the rate changes from introduction of GST till date in detail:

Table 1: Changes in GST Rates for Used Motor Vehicles

HSN code	Particulars	From 1 st July,2017 to 10 th September,2017		From 11 th September,2017 to 24 th January,2018		From 25 th January,2018 till date (on margin on supply)	
		GST Rate	Cess	GST Rate	Cess	GST Rate ²	Cess ²
8702	Old and used, motor vehicles for transport: <ul style="list-style-type: none"> of ten or more persons, including the driver 	28%	15%	28%	15%	12%	Nil
8703	Old and used, motor vehicles: <ul style="list-style-type: none"> petrol Liquefied petroleum gases (LPG) or compressed natural gas (CNG) driven of engine capacity of 1200 cc or more and; of length of 4000 mm or more 	28%	15%	28%	17%/20%	18%	Nil
	Old and used, motor vehicles : <ul style="list-style-type: none"> diesel driven of engine capacity of 1500 cc or more and; of length of 4000 mm 	28%	15%	28%	20%	18%	Nil
	Old and used motor vehicles : <ul style="list-style-type: none"> of engine capacity exceeding 1500 cc, popularly known as Sports Utility Vehicles (SUVs) including utility vehicles. 	28%	15%	28%	22%	18%	Nil
87	All Old and used Vehicles other than those mentioned	28%	Nil/1% 3%/15%	28%	Nil/15%/ 17%	12%	Nil

NOTE 1 - Conditions applicable from 13/10/2017 to 25/01/2018

1. *The abatement is applicable only for goods covered under the following HSN codes:*
 - **8702** - *Motor vehicles for the transport of ten or more persons, including the driver or*
 - **8703** - *Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702), including station wagons and racing cars [other than Cars for physically handicapped persons]*
2. *Conditions to be satisfied:*
 - **Category A [Lease]:**
 - *The Motor Vehicles was purchased by the lesser prior to 1st July, 2017 and supplied on lease before 1st July, 2017,*
, OR,
 - **Category B [Others]:**
 - a. *The supplier of Motor Vehicle is a registered person, and;*
 - b. *Such supplier had purchased the Motor Vehicle prior to 1st July 2017 and has not availed input tax credit of central excise duty, Value Added Tax or any other taxes paid on such vehicles*
3. *The conditions effective from 13/10/2017, vide Notification no. 7/2017 - Compensation Cess (Rate) and Notification no. 37/2017 - Central Tax (Rate), would become redundant (for other than leasing entity), due to notification 8/2018 - Central Tax (Rate) & 1/2018 Compensation Cess - (Rate).*

NOTE 2 - Conditions applicable from 25/01/2018 onwards

1. Condition to be satisfied -

ITC under GST, CENVAT credit, ITC of VAT or any other taxes is not availed on such motor vehicle (if purchased in pre-GST regime)

2. Value of supply -

- i. *In case registered person has claimed depreciation under section 32 of Income Tax Act:*

Margin of supply = Consideration received (-) Depreciated value of goods on date of supply (ignore if negative)

ii. Other case:

Margin of supply = Selling price (-) purchase price (ignore if negative)

3. In nutshell, in our opinion, GST is eligible to be charged on sale of motor vehicle at the above rates on the margin defined above. GST needs to be charged on margin (i.e. sale price – purchase price). Margin amount cannot be treated as inclusive of GST.
4. The computation of Margin of supply and corresponding tax under the revisions applicable from 25/01/2018, vide Notification no. “8/2018 - Central Tax (rate)”, has been illustrated as examples in Figure 2.

Example 1:

Sale value	600,000
Depreciated value on date of supply (WDV)	400,000
Margin of supply	200,000
Tax	Rate of tax to be determined from Table 1
Cess	Nil

Example 2:

Sale value	400,000
Depreciated value on date of supply (WDV)	600,000
Margin of supply	-200,000
Tax	Not Applicable
Cess	Nil

Disclaimer:

The information contained in this write up is to provide a general guidance to the intended user. The information is based on our interpretation of various prevailing laws, rules, regulations, pronouncements as on date mentioned below. The information should not be used as a substitute for specific consultations. The information has been provided in simplified manner for general reference of the public which can lead to interpretation not intended under law. Hence, we recommend that professional advice is sought before taking any action on specific issues before entering into any investment or financial obligation based on this Content.

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