Harley-Davidson, Suzuki Hayabusa to get cheaper with cut in import duties

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With the reduction in basic customs duties (BCD) on the import of motorcycles with engine capacity up to 1600 cc and above 1600 cc from 50 per cent to 40 per cent and from 50 per cent to 30 per cent respectively, Harley-Davidsons and Suzuki Hayabusas of the world can now become accessible to many bike enthusiasts in the country.

The government has introduced Agriculture Infrastructure and Development Cess (AIDC) on the import of such two-wheelers in its Budget presented on Saturday, whether it is a completely built unit (CBU) or semi-knocked down (SKD) unit or completely knocked down (CKD) unit, by tax rationalisation, which would make these products cheaper from earlier rates.

"There was no AIDC earlier in the auto sector. So it will be a combined impact of a lower BCD plus AIDC. With this, the government has made a rate rationalisation, although in most of the cases, it is actually the similar reduction and the same percentage has been levied," Sivakumar Ramjee, Executive Director-Indirect Tax, Nangia Andersen LLP, told *businessline*.

EYE ON IMPORTS. The reduction in basic customs duty aims to attract luxury automakers, including Tesla, Harley-Davidson and others, by enabling them to bring their advanced technologies to India at lower costs

Similarly, the Budget document indicated that the rates for SKD motorcycles up to 1,600cc had been reduced from 25 per cent to 20 per cent and for CKD to 10 per cent (15 per cent).

For motorcycles above 1,600cc, the SKD rates have been reduced to 20 per cent (25 per cent) and for CKD to 10 per cent (15 per cent).

STRUCTURAL CHANGE

According to analysts, this is a structural change so that the Centre gets a better pie of the taxes. For instance, BCD was shared between the States and the Centre but now with introduction of AIDC, the cess will come to the Centre.

The government has also introduced AIDC in the import of some cars costing more than $40,000 a unit, reducing the tariff rate from 125 per cent to 70 per cent. However, with 40 per cent of AIDC, the final rate remains the same.

"For most automotive parts and vehicles, import duties haven't really changed. The government just shifted some duties around, from basic customs duty to something called the AIDC. The only real duty cuts are on motorcycles (including in CKD and SKD form), some big passenger vehicles (including CKD and SKD form) and goods transportation vehicles," Saurabh Agarwal, Partner & Automotive Tax Leader at EY, told *businessline*.

This is a step by the government to provide a level-playing field to foreign manufacturers by reducing the tariff barrier in sectors where India has a strong supply chain, he added.

Currently, Hero MotoCorp imports Harley-Davidson motorcycles through its partnership and sells products such as Fat Bob 114 (1,868 cc), Fat Boy 114 (1,868 cc), Heritage 114 (1,868 cc) and Breakout 117 (1,923 cc), priced ₹21.49 lakh, ₹25.69 lakh, ₹27.19 lakh and ₹31 lakh respectively.

I-T key driver as tax revenue growth dips

Despite cut, PIT projected to rise 14.4%

PRIYANSH VERMA

DESPITE THE POTENTIAL revenue loss of ₹1 lakh crore, due to tweaks in the income tax rate structure, announced by finance minister Nirmala Sitharaman, the tax revenue collections projected for FY26 are still heavily reliant on personal income tax mop-up.

The Budget has projected gross tax revenue (GTR) collections in the next fiscal year to rise 10.8% to ₹42.7 lakh crore, over the revised estimate (RE) of ₹38.5 lakh crore in FY25. This would translate to a tax buoyancy of 1.1 in FY26, which is slightly lower than a projected buoyancy of 1.2 for FY25.

The personal income tax (PIT) is projected to rise 14.4% over RE of FY25, and corporate income tax (CIT) 10.4%. In FY25, the PIT growth is seen rising 20.3% on year, and CIT by merely 7.6%. As a percentage of GDP, PIT collections are expected to come in at 4% in FY26, marginally up from 3.9% in FY25.

CORPORATE INCOME TAX IS PROJECTED TO RISE 10.4% IN FY26. IN FY25, IT IS ESTIMATED TO GROW 7.6%

Collections from customs duty are seen rising only 2.1%, and from excise by 3.9%. A marginal uptick in customs mop-up could largely be attributed to a massive overhaul of basic customs duty rate in the Budget, and decline in prices of major imported commodities, say experts. The reasons for modest projections could largely be due to reduced customs duties on various items, including mobile phones, chargers, and certain critical minerals, to promote local manufacturing and value addition, said Sivakumar Ramjee, executive director-indirect tax, Nangia Andersen. "While these measures aim to strengthen domestic industries, they also led to decreased import duties from these sectors."

Collections from GST, meanwhile, are seen rising 10.9% in FY26, similar to the growth expected in FY25. "A 10.9% GST growth estimate on a 10.1% nominal GDP expectation seems realistic. The income tax relief is likely to help consumption, but urban wage growth is likely to be moderate in FY26," said Gaura Sen Gupta, chief economist, IDFC FIRST Bank. In the April-January period of FY25, gross GST collections have grown a little over 9% on year.

In FY25, CIT growth is estimated to increase only 7.6%, as corporate profits have been benign this year. Since 2019-20, corporate tax collections have been lower than PIT due to massive reduction in rates, availability of tax holidays and financial incentives provided by the Centre.

The finance minister has also announced that the new income tax bill will be tabled in Parliament next week, which is expected to simplify compliance, reduce disputes, remove redundant provisions, and ease tax administration. Sandeep Chilana, managing partner, CCLaw, said that businesses and professionals will be watching closely to see how it handles legacy issues like retrospective taxation, complex exemptions, and litigation-heavy provisions. "The success of this reform will depend on how effectively it balances revenue needs with a taxpayer-friendly approach," he said.

Sitharaman also rationalised TDS/TCS provisions for easing difficulties of taxpayers. The limit for tax deduction on interest for senior citizens is being doubled from the present ₹50,000 to ₹1 lakh.

"The proposed change in customs regulations to finalize provisional assessments within a definitive time period of two years is a bold step aimed at improving efficiency and transparency in the customs process. In some exceptional cases, this two year period can be extended for 1 more year by Commissioner of Customs if there is a sufficient reason for such extension,

Under the new rule, if a provisional assessment is not finalized within this timeframe, it will be suspended. This move intends to prevent delays and ensure timely resolution of assessments, thereby minimizing uncertainty for businesses. There is a huge backlog of Bill of entries which are provisionally assessed waiting for finalization across all customs ports.

Apart from this, FM announced a new provision in customs law for post clearance revision of self-assessment at the time of customs clearance to voluntarily revise material facts after clearance of goods. This voluntary post clearance revision of self-assessment at the time of customs clearance is a very welcome scheme as it gives flexibility to importers to either pay the short paid customs duty and to claim an exemption which is not claimed at the customs clearance"

Siva Kumar Ramjee

Executive Director – Indirect Tax, Nangia Andersen LLP