

Prime Minister launches Vehicle Scrappage Policy

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13th August 2021

Introduction

In a much awaited development, Prime Minister Narendra Modi on August 13 launched the Vehicle Scrappage Policy in a bid to phase out old and environmentally-unfit vehicles.

Noting that the move is a significant milestone, PM Modi tweeted: "I would request our youth & start-ups to join this programme. Vehicle scrapping will help phase out unfit & polluting vehicles in an environment friendly manner. Our aim is to create a viable #circulareconomy & bring value for all stakeholders while being environmentally responsible."

Context

The policy aims to scrap unfit and polluting vehicles through automated testing of vehicles which have completed the registration period.

It is not only expected to reduce environmental pollution and improve road safety but also encourage sale of new vehicles through financial incentives in the form of vehicle registration charges and reduced road tax, thereby providing a fillip to the automobile industry.

Salient Features

- A registration certificate of a passenger vehicle is valid for 15 years from the date of its issue. The validity period is 10 years for commercial vehicles.
- Under the new policy, the vehicle will have to undergo a mandatory test after this very validity period of its registration certificate expires.
- A valid fitness certificate will be necessary for renewal of registration certificates after 15 years. In case of private vehicles, the renewed certificate will be issued for a period of 5 years.
- In case of vehicles which are found 'unfit' or fail to qualify the fitness test, one re-test will be allowed after the required repair, rectification, only if directed by the appellate authority. And if, it again fails this re-test, the vehicle will be declared an end of life vehicle..

Benefits

- Vehicle owners will also get incentives for retiring their old vehicles, including a scrap value of 4-6% of the ex-showroom price of their new vehicle they would purchase.
- Further, they would not have to pay the registration fee for the new vehicles if they have a certificate of deposit.
- Auto makers have also been advised to provide 5% discount on purchase of new vehicles against the certificate of deposit.
- Centre has also asked state governments to offer concessions on motor vehicle tax to car buyers.

Disincentive

- There are certain dampeners for vehicle owners as holding on to vehicles which are older than 15 will become an expensive affair for owners as cost for renewal of fitness certificate may go up by multiple times.
- Vehicle owners will also have to pay green tax to states over and above the road tax.

Timeline

- Deregistration over 20-year-old personal vehicles will come into effect from June 1, 2024, in case they fail the fitness test, or their registration certificates are not renewed.
- In terms of heavy commercial vehicles, deregistration of vehicles older than 15 years will start from April 1, 2023.

Industry View

Experts and industry players have hailed the policy. Arindam Guha, Partner & Leader, Government & Public Services, Deloitte India said: “India’s vehicle scrapping policy represents one of the recent additions to the list of Circular Economy initiatives adopted by the country. It aims to facilitate recovery of key material used in vehicles in the form of steel, aluminium, plastic etc. by leveraging a scientific process for scrapping which can then be reused in different industries including auto manufacturing.”

Once there is an adequate number of registered vehicle scrapping facilities across the country, this is likely to lower costs of these key inputs, he said.