

FOR IMMEDIATE RELEASE

F A D A gives its Budget Recommendations to the Finance Minister

27th June '19, New Delhi: The Federation of Automobile Dealers Associations (F A D A) has given its Budget Recommendation to the Honourable Finance Minister Smt. Nirmala Sitharaman.

Commenting on the recommendations, F A D A President, Mr Ashish Harsharaj Kale said, "India today has a passenger vehicle penetration of 22 cars per 1000 individuals while China has 164 vehicles per 1000 individuals. To even reach the levels that China has achieved, India needs to add at least 25000-50,000 Auto Dealer Outlets or more in next 10-15 years. This will result in requirement of not just Additional Working Capital but Capital for Infrastructure to the tune of Thousands of Crores and also Additional Workforce to the tune of 1 Crore for new outlets!"

F A D A President said, "Today the Auto Dealers Have 25,000+ Outlets spread across the remotest corners of our Country providing Direct Employment to 25 lakh People and another 25 lakhs in Indirect Employment, without displacing them away from their Homes and Family and ensuring an Inclusive Social Employment.

To ensure the Long-Term Sustainability of Our Community, we have put forward few Proposals for some much-needed Support for the Auto Dealer Community and the Auto Industry as a whole.

Our main request, amongst others, is to be considered under MSME on an immediate basis and Consider Industry Status in the Near or Mid-term to Our sector.

Today only the Auto Workshops have been kept out of the MSME Category, despite Qualifying and following all Regulations required as an MSME under all Parameters. We are quite Hopeful that the same will be considered looking at the Overall Contribution as well as the Importance and Need of the Auto Retail Sector in our Country's Overall Economic Progress.

The Auto Retail sector, despite its huge Contributions does not avail of any Incentive or Support under any Category Currently."

Talking about the support for the Auto Industry, Mr Kale said, "The Indian Auto Industry is going through Turbulent Times and Needs Support and a renewed focus as being an important Wheel in our Nation's Economic Progress.

Current Economies with Global Leadership have always Looked at the Auto Industry as an Economy Builder and consider it as the Barometer of Their Country's Economic Performance. If the Industry is doing good, the Nation's Economy is also doing good. The Same holds true for Our Country and looking at the Contribution Of the Auto Sector to the Manufacturing GDP and Overall GDP, we have requested the Government to Consider Some Bold measure in this budget to help get the Industry



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back to Growth Trajectory without Compromising on the much required Safety and Emissions Standards.

We have Requested the Government to Do this by Regulating Downwards the Overall GST and/or the Cess charged to Automobiles. We believe by Doing so it will create a Positive Consumer Sentiment and Better Affordability in Automobiles, which have seen unprecedented Price Hikes currently and will do so in the future too, due to stricter, but much required regulatory norms.

A Higher Auto Demand will also Trigger a Positive Rippling Effect on many other Allied and Related Sector and will augur well for the Overall Economy.

The Other main request to Revive Growth in the Auto Sector is to announce an Attractive Incentive Policy to encourage Scrappage of Older Vehicles which today are the main contributors to vehicular Pollution and Road Safety Concerns. A successful Implementation of the Voluntary Policy will further Pave the Way for a Mandatory Scrappage Policy in the Future.”

The Federation in its recommendations have requested the Finance Minister to consider the following issues for Sustainability of the Auto Dealer as well as help Revive the Growth of the Auto Industry:

A- Dealer Issues

- a. Automobile Dealers Workshops & Service Stations must be covered under the ambit of MSMED Act 2006 as the subsidies and incentives received under this act will provide much needed relief to Automobile Dealerships which provide 25 lakh direct employment to people near their home locations without displacing them. It will also help the sector with loans with lowered interest rates thus boosting the trade further.
- b. Reduction in Corporate Tax for Proprietary & Partnership Firms in similar lines to what the Government has done for new small Pvt. Ltd. Companies with a turnover of upto Rs. 250 crores.
- c. Eliminating debit and credit card charges passed on by the banks for transactions higher than Rs. 5,000, specially for Auto Dealers who work on paper thin margins, so that the trade is made viable and digital payments actually help in Ease of Doing Business.
- d. Exemption of Auto Dealers on Tax Collected at Source (TCS) in the course of Inter Dealer / Re-Sell should be brought u/s 206C of the Act and the definition of buyer should be suitable amended to exclude such transactions.
- e. GST Rates should be reduced to 5% on margins of all Pre-Owned Vehicles to create a win-win situation for the Government, Auto Dealers and Vehicle Owners

B- Auto Industry Concerns

- a. GST Rates on all New Vehicles should be regulated to boost volumes in Automobile sales. This will also help in off-setting the price hike as the New Safety Norms and Higher Insurance Premiums are already increasing the cost of ownership of a vehicle. This coupled with implementation of BS-VI will even further increase the prices of Commercial Vehicles, Passenger Vehicles and Two Wheelers by another 10-15%.
- b. Attractive enough incentive for successful implementation of Vehicle Scrappage Policy across the country will have benefits of reducing pollution, reducing fuel consumption,



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improving safety (reducing fatalities from 1,40,000 people presently killed annually in road traffic crashes) and also giving a boost to the Auto Sales.

- c. Ease of liquidity to NBFC's further help the Auto Trade in getting back on the right track as it will help both, the Auto Dealers as well as the end customers in getting loans at regular rates.

- C- Auto Retail should be granted Industry Status as it will bring better financing options, since the Sector is Capital Intensive in nature. There are various benefits of getting an Industry Status such as, priority lending from banks, External Commercial Borrowings, Easy financing from top lenders, entry of PE Investments, easier access to domestic and global funds and better tax benefits.

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About F A D A India

Founded in 1964, Federation of Automobile Dealers Associations (F A D A), is the apex national body of automobile retail industry in India engaged in the sale, service and spares of 2/3 Wheelers, Passenger Cars, UVs, Commercial Vehicles (including buses and trucks) and Tractors. F A D A India represents over 15,000 automobile dealers having 25,000 dealerships including 30 Associations of Automobile Dealers at the Regional, State and City levels accounting for 90% of market share in India. Together we employ over 2.5 million direct employees and another 2.5 million as indirect employees, making it a total of ~5 million people in the country at dealerships and service centres.

F A D A India, at the same time also actively networks with the industries and the authorities, both at the Central & State levels to provide its inputs and suggestions on the Auto Policy, Taxation, Vehicle Registration Procedure, Road Safety and Clean Environment, etc. to sustain the growth of the Automobile Retail Trade in India.