



Tax Exemption Decision for Vehicle Scraping

Why in News

- On January 28, 2022, in the cabinet meeting held under the chairmanship of Chief Minister Nitish Kumar through video conferencing, it was decided that the state government would provide exemption in motor vehicle tax on the purchase of new vehicles instead of declaring old vehicles as junk.

Key Points

- Under this decision, 25 percent tax exemption will be given on the purchase of private vehicles and 15 percent on the purchase of commercial vehicles.
- It is to be noted that 8 percent tax is levied on vehicles up to Rs 1 lakh, 9 percent on vehicles between Rs 1 to 8 lakh, 10 percent on vehicles between Rs 8 and 15 lakh and 12 per cent on vehicles above Rs 15 lakh. In such a situation, this decision will reduce pollution in the state and increase the revenue of the state government from the purchase of new vehicles, while on the other hand, industries for scrap will be developed in the state.
- It is noteworthy that the vehicle scrapping policy was announced by the Central Government in March 2021, under which-
 - Old vehicles will have to pass a fitness test before re-registration and as per the policy, government commercial vehicles older than 15 years and private vehicles, which are more than 20 years old, will be canceled.
 - State governments have been advised to provide road-tax exemption of up to 25% for private vehicles and 15% for commercial vehicles to provide incentives to owners of old vehicles to scrap old and unserviceable vehicles.
 - The automakers will also give a 5% discount to those who use the scrapping certificate. Also, the registration fee will be waived off on the purchase of a new vehicle.

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