



Vehicle Scrapping Policy Launched

Why in News

Recently, the Prime Minister while addressing the Investor Summit in Gujarat via video conferencing launched the [Vehicle Scrapping Policy/National Automobile Scrappage Policy](#).

- The Summit will **invite investment for setting up vehicle scrapping infrastructure** under the Vehicle Scrapping Policy.
- The Vehicle Scrapping Policy was **announced in March 2021** by the government.
- The policy is estimated to cover **51 lakh Light Motor Vehicles (LMVs) that are above 20 years of age** and another **34 lakh LMVs above 15 years of age**.

HOW PROCESS WILL UNFOLD

A vehicle older than 20 years, if found unfit or registration certificate is not renewed, will be de-registered



Registered owners to hand over such vehicles to a Registered Vehicle Scrapping Facility with certificate of the vehicles' registration, their PAN details, and other documents



Scraper to verify records of the vehicles from database of the stolen vehicles and issue a Certificate of Deposit, mandatory for the owner to avail incentives



The certificate once used will be stamped "Cancelled" by the agency



Government will maintain a database of the vehicles scrapped every year

INCENTIVES FOR VEHICLE OWNERS



Scrap value:
4-6% of ex-showroom price of new vehicle to be given to the owner by the scrapping centre



Tax rebate:
States may be advised to offer a road tax rebate of up to 25% for personal vehicles and up to 15% for commercial vehicles against



Discount on new vehicle:
Vehicle manufacturers will be advised to give 5% discount on new vehicles against a scrapping certificate



Fee waiver:
Registration fees may also be waived for purchase of new vehicle against the scrapping certificate



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Key Points

▪ Aim:

- Reducing the population of old and defective vehicles, bringing down vehicular air pollutants, improving [road and vehicular safety](#).

▪ Provisions:

◦ Fitness Test:

- **Old vehicles** will have to **pass a fitness test before re-registration** and as per the policy **government commercial vehicles more than 15 years old** and **private vehicles which are over 20 years old will be scrapped.**
- Old vehicles will be tested at authorized **Automated Fitness Center** and will **not be scrapped merely on the basis of age.**
 - Emission test, braking system, safety components will be tested and the vehicles which fail in the fitness test will be scrapped.
 - If the **old vehicle passes the test**, the owner can continue to use it, but

the **charges for reregistration will be much steeper.**

- The Union Road and Transport Ministry has also **issued rules for registration procedure for scrapping facilities**, their powers, and scrapping procedure to be followed.

- **Road Tax Rebate:**

- The state governments may be advised to **offer a road-tax rebate of up to 25% for personal vehicles** and up to **15% for commercial vehicles to provide incentive to owners of old vehicles** to scrap old and unfit vehicles.

- **Vehicle Discount:**

- Vehicle manufacturers will also give a **discount of 5% to people who will produce the 'Scrapping Certificate'** and registration fees will be waived off on the purchase of a new vehicle.

- **Disincentive:**

- As a disincentive, **increased re-registration fees** would be applicable for **vehicles 15 years or older** from the initial date registration.

- **Significance:**

- **Creation of Scrap yards:**

- It will lead to **creation of more scrap yards** in the country and effective **recovery of waste from old vehicles.**
- India had to **import 23,000 crore worth of scrap steel** during the last year as India's scrapping is not productive and **India is not able to recover energy and rare earth metals.**

- **Employment:**

- In the new fitness centers, **35 thousand people will get employment** and an investment of Rs 10,000 crores will be pumped in.

- **Improved Revenue:**

- This will **boost sales of heavy and medium commercial vehicles** that had been in the contraction zone as a result of economic slowdown triggered by the [bankruptcy of IL&FS](#) (Infrastructure Leasing & Financial Services) and [Covid-19 pandemic](#).
- The government treasury is expected to get around Rs 30,000 to 40,000 crores of money through [Goods and Services Tax \(GST\)](#) from this policy.

- **Reduction in Prices:**

- **Prices of auto components would fall** substantially with the recycling of metal and plastic parts.
- As scrapped materials will get cheaper the production cost of the vehicle manufacturers will also reduce.

- **Reduce Pollution:**

- It will play a **major role in modernising the vehicular population** as it will help in **phasing out the unfit and polluting vehicles** across the country and **promote a [circular economy](#) and [waste to wealth campaign](#).**
- As **older vehicles pollute the environment 10 to 12 times** more, and estimated that 17 lakh medium and heavy commercial vehicles are more than 15 years old.

- **Other Initiatives to Curb Vehicular Pollution:**

- [Go Electric Campaign](#)
- [FAME India Scheme Phase II.](#)
- [Electric Vehicles \(EV\) Policy 2020 for Delhi.](#)
- [Hydrogen Fuel Cell Based Bus and Car Project.](#)

- **National Electric Mobility Mission 2020.**

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