

## Vehicle Scrappage Policy 2021

written by Rajdev Singh | September 24, 2021



The Vehicle Scrappage Policy 2021 was initially announced in the Union Budget for 2021-22 on February 1<sup>st</sup> 2021 by Finance Minister Nirmala Sitharaman where she stated that “the government will announce a voluntary vehicle scrapping policy to phase out old and unfit vehicles.” Further, on March 18<sup>th</sup> 2021, Nitin Gadkari, Minister for Road Transport and Highways, announced the much-anticipated car scrappage scheme in the Lok Sabha.

According to the policy, commercial vehicles older than 15 years and passenger vehicles older than 20 years will be required to be scrapped if they fail the fitness and emission tests. The goal is to phase out cars and CVs older than 15-20 years to reduce urban pollution and boost automobile sales, which have been stagnant throughout India's post-COVID recovery. Furthermore, the car scrappage policy 2021 is said to be part of a stimulus package that was a package primarily demanded by original equipment manufacturers (OEMs) to boost demand.

It is estimated that the policy will cover 51 lakh light motor vehicles (LMVs) that have crossed 20 years and another 34 lakh LMVs that has crossed 15 years. India will also implement a Global Positioning System (GPS) which is based on the toll collecting system based and aims to eliminate all toll booths within a year.

Vehicle scrappage laws have been implemented in several nations, including the United States, Germany, Canada, and China, in order to improve their respective automotive sectors and reduce vehicular pollution. For example, in the United States, the Car Allowance Rebate System (CARS), commonly known as the Cash for Clunkers programme, provides financial incentives for scrapping older automobiles and replacing them with newer, more fuel-efficient vehicles.

### Benefits Of The Vehicle Scrappage Policy 2021

The policy tends to provide certain benefits to the economy, automobile sector, vehicle owners, and others such as:

1. Scrap yards will be established: This will result in the establishment of more scrap yards around the country, as well as the effective recovery of recyclable parts from old cars.
2. Increase in employment rate: 35 thousand people would be employed in the new fitness centres, which will be built with an investment of 10,000 crores.
3. Increase in revenue: Sales of heavy and medium commercial vehicles is

expected to increase as a result of this. The government treasury is expected to receive about 30,000 to 40,000 crores via this strategy through the Goods and Services Tax (GST).

4. Reduction in prices of auto components: Prices of auto components are expected to fall substantially with the recycling of metal and plastic parts. As scrapped materials will get cheaper, the production cost of the vehicle manufacturers ought to also reduce.
5. Pollution reduction: Fuel efficiency ought to increase, reducing pollution levels; this is expected keeping in mind reports which indicate that older vehicles pollute the environment 10 to 12 times more than new, fuel-efficient machines. It is estimated that there are more than 17,00,000 medium and heavy commercial vehicles that are more than 15 years old.

#### Highlights Of The Vehicle Scrappage Policy 2021

Since the second part of 2019, the Indian car industry hasn't been in a good shape and the epidemic naturally exacerbated the issue. Although post-Diwali sales in 2020 have helped to improve the industry, the situation remains alarming. It is believed the scrappage policy 2021 will benefit India's ailing automotive industry as there will naturally be a demand for new automobiles when the existing, older vehicles are phased out. Scrapping inoperable automobiles is also considered to be beneficial to the environment.

#### Features Of Registration And Fitness Test

The fitness test refers to an evaluation process that will evaluate whether or not an old automobile is capable of running beyond its technical lifespan. Simply defined, a fitness test is a thorough inspection that determines a vehicle's roadworthiness. It will also determine whether the car is polluting the environment at a higher rate. An old vehicle will also have to pass a series of safety inspections, including braking, engine performance, and other forms of testing, as part of the fitness test. All fitness exams will take place in automated fitness testing centres, which are intended to make the procedure more rigorous.

1. Emission testing, brakes, safety equipment, and a variety of other tests according to the Central Motor Vehicle Rules, 1989 will be used to evaluate vehicle fitness.
2. From October 1<sup>st</sup> 2021, rules for fitness tests and scrapping centres will be in force, while scrapping of government and PSU vehicles older than 15 years will begin on April 1<sup>st</sup> 2022.
3. Heavy commercial vehicles will be subject to mandatory fitness testing starting from April 1<sup>st</sup> 2023, and the same will be in place in a phased manner for other categories from June 1<sup>st</sup> 2024
4. Increased fees for fitness certificates and tests will apply to commercial vehicles 15 years onwards from the date of initial registration and in case of failure to get the fitness certificate, such vehicles will have to be de-registered.
5. Increased re-registration fees to be applicable for private vehicles 15 years onwards from the date of initial registration. Such vehicles are to be de-registered after 20 years if found unfit or in case of a failure to renew the registration certificate.
6. A vehicle failing the fitness test or failing to get a renewal of its registration certificate is to be declared as 'End of Life Vehicle'.

## Procedure For The Scrappage Of Vehicles under Scrappage Policy 2021

The policy prescribes certain procedures which are required to be followed by the owners related to the scrappage of a vehicle, such as:

1. If a vehicle is found to be unfit or the registration certificate is not renewed, it will be de-registered.
2. Registered owners must deliver such cars to a Registered Vehicle Scrapping Facility together with a vehicle certificate, registration certificate, PAN details, and other documents.
3. Scrapper must verify car records from a stolen vehicle database and provide a Certificate of Deposit, which is required for the owner to get incentives.
4. The agency will mark the Certificate "Cancelled" once it has been used.
5. Every year, the government will compile a database of automobiles that have been scrapped.

## Financial Incentives Under The Scrappage Policy 2021

As mentioned above briefly, owners of old automobiles would be given incentives to scrap unfit vehicles through registered scrapping centres under the plan. The Road Transport Ministry has outlined several incentives, including:

1. Scrap value for the old vehicles will be given by the scrapping centres which is proposed to be approximately 4 to 6% of the ex-showroom price of a new vehicle.
2. Vehicle manufacturers must provide a 5% discount on the purchase of a new vehicle in exchange for the scrapping certificate.
3. It is advised that state governments give a road tax rebate of up to 25% for personal vehicles and up to 15% for commercial vehicles.
4. Registration fees will be waived if a new car is purchased against the scrapping certificate.

## Establishment Of Scrapping Centres

The Ministry of Road Transport and Highways will promote the establishment of Registered Vehicle Scrapping Facility (RVSF) across India and will encourage public and private engagement in the establishment of the same. Some of the selected locations include Alang, Gujarat, where a highly specialised scrapping centre is intended to be developed, among many other prospective scrapping centres where diverse scrapping technologies can be synergized together.

The scrapping facility shall have to comply with environmental and pollution requirements, as well as all applicable laws, via a streamlined registration process through a single window. It shall be ensured that scrapping centres have enough parking, pollution control equipment for air, water, and sound pollution, adequate hazardous waste management and disposal facilities.

Similarly, the Ministry will encourage the setting up of Automated Fitness Centres on a Public-Private Partnership (PPP) model that will involve the cooperation of state governments, the private sector, automobile companies, and others.

These centres may have sufficient areas for a test lane, IT servers, parking, and vehicle mobility. Operators of fitness centres shall only provide testing facilities and not repair or sale of spare services to avoid conflicts of interest. Appointments for fitness centres may be made online, and test reports shall be generated electronically as well.

## Conclusion

Scrappage policies have boosted demand in the vehicle manufacturing sector

across the world, particularly in Europe and the United States. This has also been a strategy for dealing with the economic slowdown in the manufacturing sector and reduced consumer spending as a result of the recession.

Furthermore, there are environmental benefits since modern automobiles have improved pollution regulations and fuel economy. Similarly, in India, the Vehicle Scrappage Policy 2021 is a valuable implementation by the government as it tends to create a viable circular economy and bring value for all stakeholders while promoting environmental responsibility.

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