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# A Study on revised GST in reference to car buyers

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## ABSTRACT

The Indian automobile industry is experiencing rapid development, driven by government initiatives and a growing economy. The automobile industry contributes significantly to India's GDP, accounting for around 7.1 percent of the nation's gross domestic product. The automotive mission plan aims to place the Indian automotive sector among the top three in the world for production, engineering, and exportation of automobiles and components. The industry is projected to contribute significantly to India's GDP over the next decade. The 56th GST council meeting introduced significant changes to the Goods and Services Tax (GST) structure for cars in India, effective September 22, 2025. The current study stated that the awareness and impact of GST rate changes are expected to boost demand in the small car and commercial vehicle segments, while maintaining high taxation on luxury consumption. It also highlights the perceived value of consumers in term of preference of the following features as product quality, price, brand image, utility customer perceived value that has influenced the purchasing decisions of the consumers.

## KEY WORDS

Indian automobile industry; Goods and GST; Consumer purchasing behavior; Perceived value; Automotive market growth

## ARTICLE HISTORY

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## Introduction

India has emerged as a significant player in the global automotive industry. According to recent data, India is the fourth-largest producer of automobiles in the world, after China, the United States, and Japan. In terms of production volume, India produced over 31 million vehicles across various segments in the financial year 2024-25, including passenger vehicles, commercial vehicles, three-wheelers, and two-wheelers [1]. India's automotive industry is a substantial contributor to the country's economy, accounting for around 7.1% of India's GDP and nearly 49% of its manufacturing GDP. The industry is also expected to drive growth, with the government implementing policies like the Production Linked Incentive (PLI) scheme to boost local manufacturing and promote electric vehicles [2]. The government's vision to make India an auto-manufacturing hub has led to initiatives like Make in India and the Automotive Mission Plan 2026. The government has recently overhauled the GST structure for four-wheelers, effective September 22, 2025 [3].

Goods and Service Tax (GST) is one of the main tax alterations in the entire structure of Indian taxation. It influenced almost all the different sectors of the economy. It has a major influence on the automobile industry. Some research studies have analyzed the impact of GST on the automobile industry, highlighting its benefits and challenges. Some studies have shown that GST has improved efficiency in logistics and reduced transit time and costs. However, others have noted that the industry needs more time to adjust to the new tax regime. The implementation of the recent GST has significantly impacted the Indian automobile industry [4]. The new tax regime has brought about a paradigm shift in the sector, with far-reaching implications for manufacturers, dealers, and consumers alike. One of the key benefits of GST is the reduction in tax rates for certain segments of the industry. For instance, small cars and commuter two-wheelers have seen a decrease in GST rates, making them more affordable for buyers. This move is expected to boost sales and drive growth in the sector (Table 1).

**Table 1 .** Comparative Analysis of Old and Revised GST Rates for Different Vehicle Categories in India [5].

| Vehicle Type | Old Tax Rates (GST + Cess) | New GST Rates |
|---|---|---|
| Small Cars under four metres up to 1200 cc petrol engine | 29% (28% GST + 1% cess) | 18.00% |
| Small Cars under four metres up to 1500 cc diesel engine | 31% (28% GST + 3% cess) | 18.00% |
| Luxury Cars and SUVs over four metres and engine displacement size over 1500 cc | Up to 50% (28% GST + up to 22% cess) | 40.00% |
| Electric Vehicles | 5.00% | 5.00% |
| Auto Parts | Varies between 18% and 28% | 18.00% |
| Two-Wheelers up to 350 cc | 28.00% | 18.00% |

HDFC ERGO; On Sep 11, 2025

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Overall, the impact of GST on the Indian automobile industry will depend on various factors, including the tax rates, consumer demand, and the overall economic environment. As the industry continues to evolve and adapt to the new tax regime, it is likely to emerge stronger and more competitive. The recent GST reform is expected to have a positive impact on the automotive industry, making cars more affordable for consumers. The reduction in GST rates for small cars and the elimination of the compensation cess will likely drive growth in the industry. However, luxury vehicle owners may face higher taxes, which could impact demand for these vehicles [6].

The recent GST reform is expected to have a positive impact on the automotive industry, making cars more affordable for consumers. The reduction in GST rates for small cars and the elimination of the compensation cess will likely drive growth in the industry. However, luxury vehicle owners may face higher taxes, which could impact demand for these vehicles. It is also significant to state that the Consumer behavior and preferences play a crucial role in the automobile industry. Factors like product quality, price, brand image, and utility, customer perceived value influence purchasing decisions. The industry needs to focus on these aspects to remain competitive and achieve growth [7-14].

## Objective of the Current Study

- To study the preference of the consumer with reference to the car segment.
- To study the level of awareness among consumers about new GST rates.
- To study the impact of new GST rates with reference to the car segments.

## Research Methodology

Research methodology encompasses the systematic procedures and techniques used to conduct research, gather data, and analyze information. It involves a structured approach to investigating a research problem, ensuring valid and reliable findings that addresses the research objectives. The crucial source of data for the study was comprised by Primary data and Secondary data. The secondary data were collected from articles published in newspapers, internet websites, magazines, and journals [15]. The primary data was collected through structured questions etc. By combining primary and secondary data, this study aims to provide a comprehensive understanding of the research topic (Table 2).

A total of 50 respondent (33 male and 17 female) data was collected in the present study. The data of 50 respondents was collected from Saharanpur (UP). It comprises of 66 percent of male students and 34 percent of female students. In the current study, the number of students belongs to the following age group 18-25 (12); 25-35 (21); 35-45 (9); 45 & above (8). It comprises 24, 42, 18 & 16 percent of respondents. In the study, the qualifications of the respondents are as follows: 21 graduate students with 24 percent followed by 13 post-graduations with 26 percent; 12 Intermediate with 24 percent and 4 Doctorate with 8 percent. The income group of the respondents fall into the subsequent categories as 14 respondents with 5 lakh – 8 Lakh comprised 28 percent; followed by 11 respondents with 1 Lakh – 3 Lakh comprised 22 percent, 10 respondents below 1 lakh comprised 20 percent and 9 respondents with above 8 lakh comprised 18 percent. In the study, 28 respondents belong to private jobs with 56 percent followed by 11 govt. professional with 22 percent and 11 business professionals with 22 percent.

This study focuses on prominent players in India's automotive market, including Maruti Suzuki India Ltd, Hyundai, Tata Motors, Mahindra & Mahindra etc. It examines consumer preferences and perceived value in the Indian automotive sector [16]. To expand their presence, these prominent players are adopting strategies such as launching new products, forming collaboration, and adding quality, safety, design, affordable prices etc. to attract their consumers (Table 2).

**Table 2 .** Demographic profile and GST awareness of people in the present Study.

| Gender | Frequency | Percentage |
|---|---|---|
| Male | 33 | 66 |
| Female | 17 | 34 |
| Total | 50 | 100 |
| **Age** | **Frequency** | **Percentage** |
| 18-25 | 12 | 24 |
| 25-35 | 21 | 42 |
| 35 to 45 | 9 | 18 |
| 45 & above | 8 | 16 |
| Total | 50 | 100 |
| **Qualification** | **Frequency** | **Percentage** |
| Intermediate | 12 | 24 |
| Graduation | 21 | 42 |
| PG | 13 | 36 |
| Doctorate | 4 | 8 |
| Total | 50 | 100 |
| **Income** | **Frequency** | **Percentage** |
| Below 1 Lacs | 10 | 20 |
| 1 Lac -3 lacs | 11 | 22 |
| 3 Lac-5 Lacs | 6 | 12 |
| 5 lac – 8 Lacs | 14 | 28 |
| 8 Lakh & Above | 9 | 18 |
| Total | 50 | 100 |
| **Profession** | **Frequency** | **Percentage** |
| Govt. job | 11 | 22 |
| Private Job | 28 | 56 |
| Business | 11 | 22 |
| Total | 50 | 100 |
| **GST Awareness (New Slab)** | **Frequency** | **Percentage** |
| Yes | 33 | 66 |
| No | 11 | 22 |
| Little Knowledge | 6 | 12 |
| Total | 50 | 100 |

Self-made chart on demographic profile and awareness level of consumers.



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## Findings

### Objective 1

To study the preference of the consumer with reference to the car segment (Table 3).

**Table 3 .** Perceived Value and related dimensions.

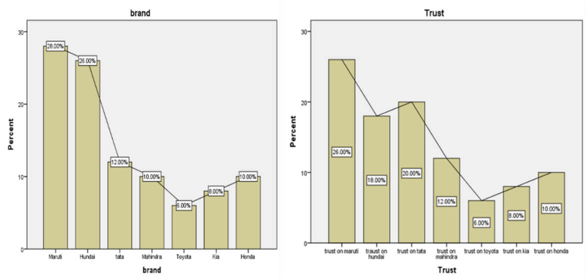
| Sl No. | Company | Brand | | Trust | | Design | | Quality | | Mileage | | Utility | | Safety and TC | | Price | | Overall PV | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | F | % | F | % | F | % | F | % | F | % | F | % | F | % | F | % | F | % |
| 1 | Maruti | 14 | 28 | 13 | 26 | 11 | 22 | 12 | 24 | 18 | 36 | 12 | 24 | 6 | 12 | 26 | 52 | 14 | 28 |
| 2 | Hyundai | 13 | 26 | 9 | 18 | 15 | 30 | 15 | 30 | 12 | 24 | 15 | 30 | 9 | 18 | 12 | 24 | 8 | 16 |
| 3 | Tata | 6 | 12 | 10 | 20 | 9 | 18 | 8 | 16 | 4 | 16 | 7 | 14 | 12 | 24 | 12 | 24 | 8 | 16 |
| 4 | Mahindra | 5 | 10 | 6 | 12 | 9 | 18 | 7 | 14 | 8 | 8 | 9 | 18 | 8 | 16 | - | - | 4 | 8 |
| 5 | Toyota | 3 | 6 | 3 | 6 | 2 | 4 | 4 | 8 | 2 | 4 | 2 | 4 | 6 | 12 | - | - | 3 | 6 |
| 6 | Kia | 4 | 8 | 4 | 8 | - | - | - | - | 2 | 4 | 1 | 2 | 5 | 10 | - | - | 7 | 14 |
| 7 | Honda | 5 | 10 | 5 | 10 | 4 | 8 | 4 | 8 | 4 | 8 | 4 | 8 | 4 | 8 | - | - | 6 | 12 |

Self-made chart; F- Frequency; TC – Technical Consideration; PV-Perceived Value.

Respondent's preference and perceived value based on perceived value of car brand:

- According to the highest perceived value of car brands Maruti was purchased by 14 (28 percent) respondents followed by Hyundai which is liked by 13 (16 percent) respondents, 6 (percent) respondents prefer Tata, 5 (10 percent) prefer Mahindra, 3 (6 percent) Toyota. 4 (8 percent) prefer kia and 5 (10 percent) prefer Honda cars. (Maruti > Hyundai > Tata > Mahindra > Toyota > Kia > Honda).
- Maximum trust shown by respondents on the following car brands: 13 (26 percent) respondent shown trust on maruti, 10 (20 percent) shown trust on Tata, 9 (18 percent) on Hyundai, 6 (12 percent) on Mahindra, 5 (10 percent) on Honda, 4 (8 percent) on Kia, 3 (6 percent) on Toyota. (Maruti > Tata > Hyundai > Mahindra > Honda > Kia > Toyota).
- According to the design, 15 (30 percent) respondents prefer the design of Hyundai, 11 (22 percent) respondents prefer maruti, 9 (18 percent) respondents prefer Tata, 9 (18 percent) respondents prefer Mahindra, 2 (4 percent) respondents prefer Toyota, 4 (8 percent) respondents prefer Honda. (Hyundai > Maruti > Tata > Mahindra > Toyota > Honda).
- According to the Quality 15 (30 percent) respondents prefer the Hyundai, 12 (24 percent) respondents prefer Maruti, 8 (16 percent) like the quality of Tata, 7 (14 percent) like the quality of Mahindra, 4 (8 percent) like the quality of Toyota and Honda. (Hyundai > Maruti > Tata > Mahindra > Toyota = Honda).
- According to the Mileage, 18 (36 percent) respondents prefer the Maruti, 12 (24 percent) respondents prefer Hyundai, 8 (16 percent) like the mileage of Tata, 1 (16 percent) like the mileage of Mahindra, 4 (8 percent) like the quality of Toyota, 4 (8 percent) like the mileage of Mahindra and Honda and 2 (4 percent) prefer the mileage of Toyota and kia. (Maruti > Hyundai > Tata > Mahindra = Honda > Toyota = Kia).
- According to the Utility, 15 (30 percent) respondents prefer the Hyundai, 12 (24 percent) respondents prefer utility Maruti, 9 (18 percent) like the utility of Mahindra, 7 (14 percent) like the Utility of Tata, 4 (8 percent) like the utility of Honda, 4 (6 percent) like the utility of and 2 (4 percent) prefer the utility of Toyota and 1 (2 percent) prefer the utility of kia. (Hyundai > Maruti > Mahindra > Tata > Honda > Toyota > Kia).
- According to the Safety and TC, 12 (24 percent) respondents prefer the safety and TC Tata, 9 (18 percent) respondents safety and TC Hyundai, 8 (16 percent) prefer safety and TC of Mahindra, 6 (12 percent) like the safety and TC of Toyota, 5 (10 percent) like the safety and TC of Kia, 4 (8 percent) like safety and TC in Honda. (Tata > Hyundai > Mahindra > Toyota > Kia).
- According to the price, affordability, Maruti's prices are affordable as Maruti is ranked first with 26 (52 percent) respondents, followed by Hyundai and Tata with 12 (24 percent). (Maruti > Hyundai = Tata).

Overall, perceived value in relation to all the above dimensions, the perceived value of Maruti is high, i.e. 14 (28 percent), followed by Hyundai and Tata i.e., 8 (16 percent), KIA i.e. 7 (14 percent), Honda, i.e., 6 (12 percent), Mahindra, i.e. 4 (8 percent), Toyota, i.e. 3 (6 percent). (Maruti > Hyundai = Tata > Kia > Honda > Mahindra > Toyota (Figure 1).



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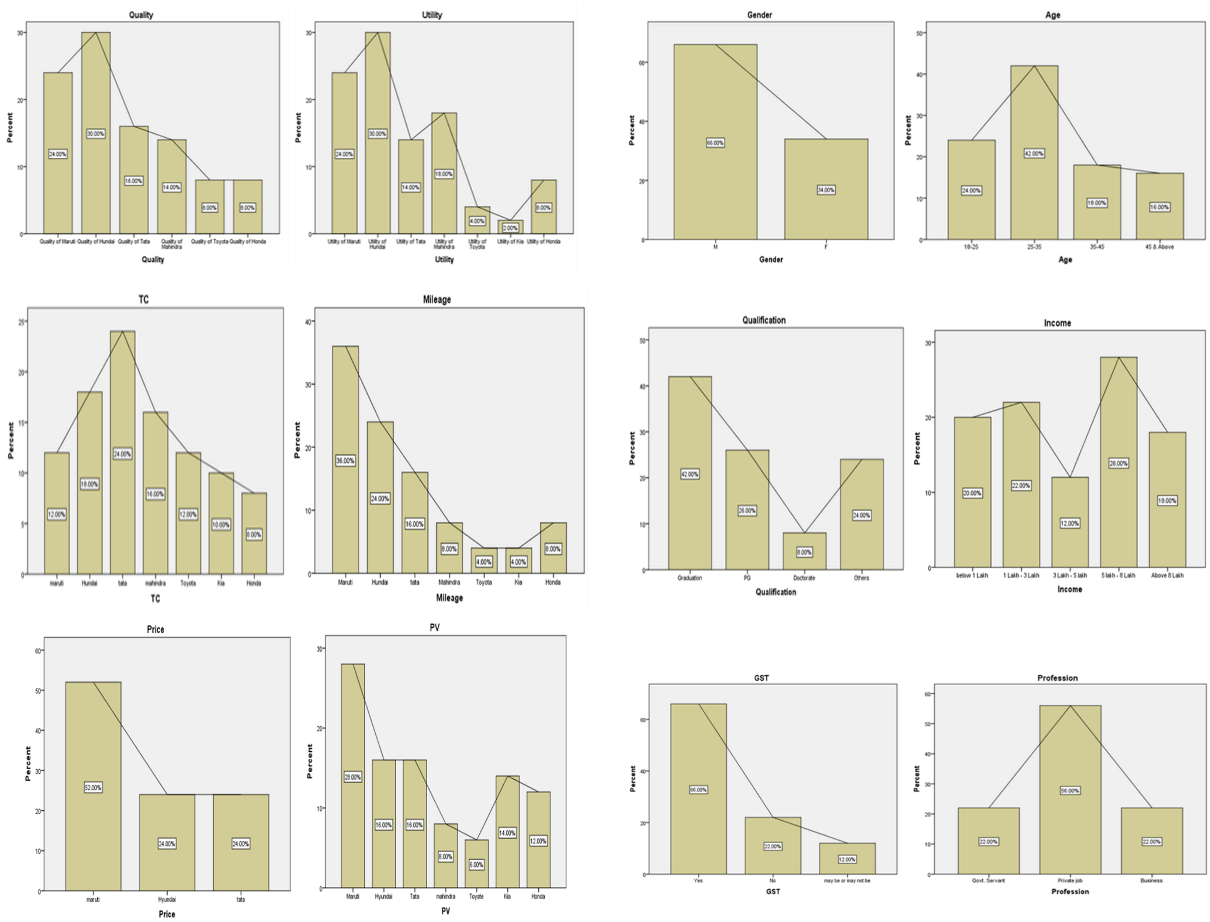


**Figure 1.** Graphical representation of Demographic profile (Gender and Age) and Perceived Value and Dimensions related to it.

## Objective 2

To study the level of awareness among consumers about the new GST rates. In the present study, 33 (66 percent) respondents are aware of the current implementation of GST Slab, whereas 6 respondents (12 percent) have little knowledge about the new GST slab, and 11 respondents (22 percent) are not aware of the new GST slab rates. To increase the adoption of car brands, it's essential to enhance the awareness level among potential customers, empowering them to make informed purchasing decisions that align with their preferences and needs. Education and awareness about various car models, features, and benefits through multiple channels (online, offline, social media) (Table 2).

## Objective 3

To study the impact of new GST rates with reference to the car segments. The recent GST reform is expected to have a positive impact on the automotive industry, making cars more affordable for consumers. The reduction in GST rates for small cars and the elimination of the compensation cess will likely drive growth in the industry. However, luxury vehicle owners may face higher taxes, which could influence demand for these vehicles. The automobile industry plays a vital role in economic development. The growth of the automobile industry is integrated with the development of other sectors. Implementation of GST is a major policy shift towards bringing the Indian economy to the development path. GST has a significant impact on almost all sectors of the economy. This study examines the impact of GST on the automobile industry.

The new GST rates, effective September 22, 2025, are expected to significantly effect the car segment in India. Prices of small cars and Mid-size SUVs are expected to drop, making them more attractive for buyers. Overall, the new GST rates are expected to boost car sales, particularly in the small car segment, by making vehicles more affordable for buyers.

## Conclusions

A recent study reveals that consumers' purchase decisions are based on perceived value and their priorities based on quality, utility, safety, features, price, etc. Some popular brands, such as Maruti, Hyundai, and Tata, are popular brands among customers. The implementation of GST has been beneficial, providing relaxation and making cars more affordable for average-income households. With reduced expenses, car demand is expected to surge, giving the automobile sector a significant boost. The GST regime has opened opportunities for consumers to purchase vehicles within their budget, driving growth in the industry.



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Some key takeaways:

- **Consumer preferences:** Quality, utility, safety, and features drive vehicle purchases.
- **Popular brands:** Maruti, Hyundai, and Tata are customer favorites.
- **GST impact:** Reduced taxes make cars more affordable, increasing demand.
- **Industry outlook:** The automobile sector is expected to experience significant growth.

## Disclosure Statement

The authors declare that they have no competing interests.

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