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## **VEHICLE SCRAP POLICY: THE VISION OF THE GOVERNMENT TOWARDS A GREEN ENVIRONMENT**

### **What is Vehicle Scrappage Policy?**

The vehicle scrappage policy of 2021 had been introduced by the Prime Minister of India in Gujarat at an Investor Summit. This policy was expected to set a milestone for the development journey of our country.<sup>1</sup> The policy took to effect on April, 2022. The main objective of the government-funded program is to phase out old passenger and commercial vehicles and thereby reduce urban air pollution, increase passenger and road safety, and stimulate vehicle sales.<sup>2</sup>

### **What are the regulations under this Policy?**

The policy requires that the passenger vehicles that are older than 20 years and commercial vehicles older than 15 years are needed to pass a “fitness and emissions test” to ensure their registration is still in force.<sup>2</sup> Vehicles failing this mandatory test are defined as end-of-life vehicles.<sup>2</sup> As a result they lose their registration certificate and are recommended to be scrapped.

The upside to this policy is that, certain incentives are introduced to sell these scrap vehicles, which includes discount on purchase of new vehicles against a certificate of scrappage issued when the vehicles are scrapped.

### **What is the likely result of this policy?**

This policy could bring about two important changes to India’s automotive sector, which includes:

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<sup>1</sup> BAJAJALLIANZ.COM, <https://www.bajajallianz.com/blog/knowledgebytes/vehicle-scrappage-policy-in-india.html>, (last visited Mar.11, 2024).

<sup>2</sup> IEA50, <https://www.iea.org/policies/16909-vehicle-scrappage-policy>, (last visited Mar.11, 2024).

- a) It establishes a norm that regulates a vehicle phase-out aimed at national level with a potential to improve knowledge about vehicle retirements and to harmonize registration rules across various states.<sup>2</sup>
- b) The policy shows potential to accelerate the formalization of vehicle scrappage and recycling.<sup>2</sup>

### **The main objective of this policy:**

The main aim of this policy is to find out the vehicles on the road which are unfit and to recycle these vehicles methodically. Thus, in the backdrop of this is to eliminate the pollution in the environment caused by such vehicles.

Such a policy is to ensure that these 'unfit' vehicles that cause hindrance in the process of development of the country by contributing to pollution in the environment will be reduced. It will enable recycling of things such as steel, plastic and other metals.<sup>1</sup>

Such scrappage of materials would reduce the manufacturing cost of vehicles as the scrappage would lead to ease of availability of raw materials. This would further enhance the efficiency of the manufacturing unit as it would not have to search for depleting natural resources like looking for a needle in a haystack.

Thus, with the effective implementation of the scrappage policy, the government also expects to see an increase in the sales of new vehicles which would significantly contribute to the GDP and GNP of the country.

### **What are the benefits of the policy?**

The benefits that arise out of this policy can be listed out as follows:

- 1) Scrapping of unfit vehicles would result in better air quality and less amounts of pollution.<sup>1</sup>
- 2) As the old vehicles will be scrapped, the demand for new vehicles would subsequently increase.<sup>1</sup>
- 3) The government aims to create new job opportunities to ensure employment for the rising population in the country.<sup>1</sup>
- 4) The scrappage policy with its incentives provides the owner of the vehicles with tax benefits when he/she scraps their old vehicle.<sup>1</sup>

- 5) This scrappage policy would also result in the development of the industry of recycling which can contribute to the development of the economy if the policy is effectively implemented on a large scale.<sup>1</sup>

### **The incentives provided to the vehicle owner under the policy**

The government has announced several incentives for scrapping the old and unfit vehicles. The incentives provided can be listed out as follows:

- 1) The owners of the old and unfit vehicles will receive a scrap value that is equivalent to 4-6% of the ex-showroom cost of the new vehicle that they would buy.<sup>1</sup>
- 2) If the owner shows the certificate of deposit no registration fees will be charged for the purchase of a new vehicle.<sup>1</sup>
- 3) On the motor vehicle tax, the state government has been asked to offer concessions. For the transport or commercial vehicles, the concession could be up to 15% and the non-transport or personal vehicle up to 25%.<sup>1</sup>
- 4) The manufacturers of the vehicle are advised to provide a 5% discount on the new vehicle purchase against the deposit certificate.<sup>1</sup>
- 5) Choosing a new vehicle also indicates low maintenance costs. It also means that the customers will be able to save on fuel as well.<sup>1</sup>

### **What is the process for getting your car scrapped?**

The owner of the old and unfit vehicle to avail the incentives under the scrappage policy 2021, the requirement is to register the car at an authorized scrapping station.<sup>1</sup> The information about the car will be looked at the VAHAN database.<sup>1</sup> It is required for the owner to carry all the important papers. After completion of the verification process, a certificate of scrapping is handed over to the owner of the scrapped vehicle.<sup>1</sup> The registered scrapping facility will also remit the scrap value agreed on the vehicle to the bank account of the owner.

### **Conclusion**

The vehicle scrap policy has been introduced to ensure that no vehicle beyond a certain limit of its life is permitted on the road. This policy is to ensure that the emissions from the old vehicle does not cause unnecessary pollution in the environment. This scrappage policy not only ensures that air quality is maintained and improved but will also provide a boost to the manufacturers to increase the sale of their new cars.

As of now the fitness testing of heavy commercial vehicles have begun since April, 2023 and later in June, 2024 the fitness testing for other vehicles will be carried out.<sup>1</sup> By this policy the government plans to achieve its goals on a long-term basis. The current Government's vision to ensure that the future of the country would be greener and its steps towards achieving is in the right direction.