

Speed Post/E-mail

No. RT-23013/01/2019-T
Government of India
Ministry of Road Transport & Highways
Transport Section
Transport Bhawan, 1, Parliament Street, New Delhi-110001

2nd February, 2021

To,

The Principal Secretary (Transport)/Secretary (Transport) and Transport Commissioners of all States/UTs.

Subject: Draft guidelines for imposition of Green Tax on older vehicles by State/UT Governments- reg.

Ministry of Road Transport and Highways has formulated draft guidelines for imposition of Green Tax on older vehicles by State/UT Governments to dis-incentivize the use of older and polluting vehicles.

2. You are requested to offer your comments/suggestions in this regard, within a period of 30 days from the issue of this letter.

Encl:-Draft guidelines for imposition of Green Tax.

Yours faithfully,



(Amit Varadan)

Joint Secretary to the Government of India
Tele: 011-23717294

Draft guidelines for imposing Green Tax on older vehicles by States/ UTs

Vehicle exhaust is one of the major sources of air pollution. Further, the commercial vehicle segment - trucks, buses, taxis and three-wheelers - which constitutes only about 5% of total vehicle fleet, contributes about 65-70% to total vehicular pollution. The older fleet, typically manufactured before the year 2000, or even before the emission norms were implemented, constitutes less than 1% of the total fleet but contributes about 15% to the total vehicular pollution. These older vehicles pollute 10-25 times more than modern vehicles.

Therefore, plying of older vehicle generates a negative externality and the cost of such pollution is not borne by individuals, but by society at large. Hence, levying a Green tax on the use of old vehicles is intended to discourage overuse of such vehicles, by imposing the economic cost of creating additional pollution on the vehicle owner.

Benefit of Green Tax on old vehicles

- a. Levying of such Green Tax will discourage people from continuing use of vehicles detrimental to the environment.
- b. Levying of such tax will also motivate vehicle owners to switch to a newer, less polluting vehicle.
- c. Green Tax increases the overall well-being of society, by reducing pollution, and increases welfare, by ensuring that the cost of pollution is borne by the polluter.
- d. Revenue collected through such tax may be used for implementing measures to tackle air pollution.

Since older vehicles lead to much more pollution than newer vehicles, hence, as a disincentive measure on plying such vehicles and in line with the principle that the "polluter must pay", it is proposed to issue guidelines to States / UTs to impose a "Green Tax" on the operation of such older vehicles.

Certain states have already taken initiatives in this regard and are levying such taxes on older vehicles. Appendix-1 & Appendix-2 below provide a State-wise comparison of green tax levied, and extracts of Green tax rules from a few States and Union Territories. The comparison shows that, barring Maharashtra, almost all the other states have a very nominal rate of Green Tax.

Further, levying of such Green Tax is not uniform across the country. Such sporadic measures do not produce the desired outcome, as vehicles may be registered in a state without Green Tax but may be plying across the country. Further, the rate of application of such taxes is very low and does not serve as an adequate disincentive for

plying of older vehicles. Therefore, the impact of levy of this tax is not discernible within the country.

The Ministry, therefore, proposes to issue the following principles in this regard, which may be used by States / UTs to formulate rules to levy Green Tax on older vehicles:

Principles for levy of Green Tax

1. Transport vehicles older than 8 years may be charged Green Tax at the time of renewal of fitness certificate. Such Green Tax may be charged at the rate of 10-25% of Road Tax annually, over and above the regular taxes collected.
 2. Public transport vehicles, like city buses, inter-state buses, school buses, may be charged a lower proportion of Green tax, compared to other modes of road transport. However, luxury buses are to be taxed like any other transport vehicle
 3. Non-transport (personal) vehicles may be charged Green Tax at the time of renewal of registration certification (RC) after 15 years. Such Green Tax may be charged for a period of 5 years as a lump sum amount over and above the regular tax collected.
 4. The rules may impose a much higher Green Tax (50% of the road tax) for vehicles being registered in highly polluted cities.
 5. The rules may impose differential Green Tax, depending on fuel (Petrol / Diesel) and vehicle type.
 6. Vehicles like strong hybrids, plug-in hybrids, electric vehicles, hydrogen fuel cell vehicles and powered by alternate fuels like CNG, LPG, LNG, Ethanol blends, Methanol blends, HCNG, etc., may be exempted from the Green Tax.
 7. Motor vehicles, like agricultural tractor, power tiller, combine harvester, used in agriculture, may be exempted from Green Tax.
 8. The revenue collected from such Green Tax may be kept in a separate account and used for the purpose of tackling pollution or implementing measures to reduce pollution. Part of the Green Tax so collected may be utilized by States in setting up state-of-the-art, on-road emission monitoring units for efficient fleet screening. Remote sensing or centralized inspection centres need to be leveraged for identification of unfit gross polluters for fleet renewal.
 9. The tax structure for such Green Tax may be kept simple. Adequate publicity measures need to be adopted to educate people to switch over to cleaner fuels and fuel-efficient vehicles.
 10. State Governments must take proactive measures to modernize their own fleet, including public transport vehicles.
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Appendix – 1: Comparative statement of Green Tax levied by few States /UTs

Vehicle Category	Andhra Pradesh	Telangana	Karnataka	Maharashtra	Dadra and Nagar Haveli	Uttar Pradesh	Jharkhand
Non-Transport (Age criteria)	15 years	15 years	15 years	15 years	15 years	15 Years	15 years
2-Wheeler (Motorcycle) (5 years)	250	250	250	2000	250	10% of tax paid at the time of re-registration	10% of tax paid at the time of re-registration
Other than 2-Wheeler (Petrol) (5 years)	500	500	500	3000	500		
Other than 2-Wheeler (Diesel) (5 years)				3500			
Transport (Age criteria)	7 years	7 years	7 years	8 years*	15 years		12 years
2-Wheeler	200 per annum	200 per annum	200 per annum	-	200 per annum	-	10% of tax paid at the time of re-registration
3-Wheeler				750 for 5 years	300 per annum		
Taxis (Petrol)				1250 (metered)	400 per annum		
Taxis (Diesel)				2500 (tourist) for 5 years			
Light Commercial Vehicle				2500 for 5 years	500 per annum		
Medium Commercial Vehicle				10% of annual tax every year	600 per annum		
Heavy Commercial Vehicle [#]					1000 per annum		
Contract Carriage buses / Tourist Buses / Private Service vehicles / Other							

including articulated vehicles

Appendix -2: Extracted portions of Green tax regulations from a few States / UTs

'SCHEDULED'

**RATES OF GREEN TAX ON TRANSPORT AND NON TRANSPORT
VEHICLES IN DADRA & NAGAR HAVELI**
[See section (3A)]

Serial No.	Class and age of the vehicle	Rate of cess in
(1)	(2)	(3)
(1)	Non - Transport vehicles which has completed 15 years from the date of its initial registration, at the time of renewal of registration as per sub-section (10) of section 41 of the Motor Vehicles Act, 1988.	
	(a) Two Wheelers	₹250.00 per five year
	(b) Other than two wheelers	₹500.00 per five year
(2)	Transport vehicles which has completed 15 years from the date of its initial registration, at the time of renewal of fitness certificate as per section 56 of the Motor Vehicles Act, 1988	
	(a) Motor Cycle	₹200.00 per annum
	(b) Auto Rickshaw (goods and passenger)	₹300.00 per annum
	(c) Motor Cab and Maxi Cab	₹400.00 per annum
	(d) Light Commercial Vehicles (goods and passenger)	₹500.00 per annum
	(e) Medium Commercial Vehicles (goods and passenger)	₹600.00 per annum
	(f) Heavy Motor Vehicles (goods and passenger)	₹1000.00 per annum

By order and in the name of the
Administrator, Dadra and Nagar Haveli
and Daman & Diu,


 Director cum Joint Secretary
(Transport)

III. LEVY OF GREEN TAX U/S 3 (b)

(G.O.Ms. No. 238, TR&B (TR. 1), 23-11-2006.)

In exercise of the powers conferred by Section 3-B of the Andhra Pradesh Motor Vehicles Taxation Act, 1963 (Act 5 of 1963) as amended by the Andhra Pradesh Motor Vehicles Taxation (Amendment) Act, 2006 (Act 33 of 2006) the Governor of Andhra Pradesh hereby direct that an additional tax called Green Tax shall be leviable on certain categories of Motor Vehicles suitable for use on roads or kept for use in a public place in the state, at the rates specified in Column (3) of the schedule below in respect of the classes of Motor Vehicles specified in Column (2) thereof.

1. SCHEDULE

S.No	Class of Vehicle	Tax Levied
(1)	(2)	(3)
1.	Transport Vehicles that have completed 7 years of age from the date of their registration	Rs. 200/- (Per annum)
2.	Non - Transport Vehicles that have completed 15 years of age from the date of their registration.	
(a)	Motor Cycles	Rs 250/- (for 5 years)
(b)	Other than Motor Cycles	Rs. 500/- (for five years)

There shall not be any levy of Green Tax if the vehicle is operated by LPG, CNG, Battery or Solar Power.

GREEN TAX IN UTTAR PRADESH		
Sl.No.	Class Of Vehicles	Amount Of Tax
1	2	3
1	Non-Transport Vehicles that have completed 15 years of age from the date of their registration	10% Of the One Time Tax paid at the time of registration (for 5 years)

" FIFTH SCHEDULE

(See section 3A)

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Sr. No.	Class and age of vehicle	Rate of environment tax in rupees
(1)	(2)	(3)
(1)	Non-transport vehicles which have completed 15 years from the date of their first registration, for every 5 years in lump sum, after completion of such 15 years,—	
	(a) Two wheeler	2000
	(b) Other than two wheeler (Petrol driven vehicles)	3000
	(c) Other than two wheeler (Diesel driven vehicles)	3500.
(2) (i)	Transport vehicles which have completed 8 years from the date of their first registration, and not running on Compressed Natural Gas (CNG) or Liquefied Petroleum Gas (LPG), for every 5 years in lump sum, after completion of such 8 years,—	
	(a) Three wheeler auto-rickshaw	750

FIFTH SCHEDULE—*concl.*

(1)	(2)	(3)
	(b) Taxis fitted with fare meters and permitted to carry not more than six passengers and Jeep type motor cab (black and yellow).	1250
	(c) Tourist taxi	2500
	(d) Light goods vehicles	2500.
(II)	Transport vehicles which have completed 15 years from the date of their first registration and running on Compressed Natural Gas (CNG) or Liquefied Petroleum Gas (LPG), for every 5 years in lump sum, after completion of such 15 years,—	
	(a) Three wheeler auto-rickshaw	750
	(b) Taxis fitted with fare meters and permitted to carry not more than six passengers and Jeep type motor cab (black and yellow).	1250
	(c) Tourist taxi	2500
	(d) Light goods vehicles	2500.
(3)	Transport vehicles other than those covered in entry (2) above, which have completed 8 years from the date of their first registration, thereafter for every year,—	
	(a) Medium, Heavy and Articulated goods vehicles with gross vehicle weight more than 7500 kg.	10 per cent. of annual tax.
	(b) Contract carriage buses and motor vehicles covered under Clause A-VII of the First Schedule.	2.5 per cent. of annual tax.
	(c) Private service vehicles	2.5 per cent. of annual tax.
	(d) Tourist buses	2.5 per cent. of annual tax.
	(e) Comper Van (Transport), Stage Carriage Vehicle, Special purpose Vehicle, Mobile Clinic, Ambulance, X-Ray Van, Library Van, Mobile Workshop, Cash Van, Hearse, Animal Ambulance, Fire Brigade Vehicles and motor vehicles covered under Clause A-VI of the First Schedule.	2.5 per cent. of annual tax."