How to Import Cars in India

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Quick answer

What is CBU duty?

60% BCD for cars under USD 40,000 CIF, 100% BCD for cars above USD 40,000.

Is BS-VI compliance required?

Yes, all imported vehicles must meet BS-VI emission standards.

What is ARAI?

Automotive Research Association of India, the primary testing agency for vehicle homologation.

Can I claim GST credit?

For commercial imports, IGST can be claimed as input tax credit by registered businesses.

Importing cars into India is one of the most regulated and expensive import categories, with combined duties that can exceed 100% of the vehicle's value. Despite these high costs, demand for imported luxury cars, vintage automobiles, and specialty vehicles continues among high-net-worth individuals and automotive enthusiasts. The vehicle import rules India are complex, involving homologation certification, emissions compliance, and multiple government agencies.

This guide provides a comprehensive overview of how to import cars in India, covering regulatory requirements, the homologation process, duty calculations, and documentation. Business professionals in the automotive sector and individuals looking to import personal vehicles will find essential information here.

Regulatory Framework for Car Imports

Car imports are governed by DGFT trade policy, the Motor Vehicles Act, the Central Motor Vehicle Rules, and emissions standards set by the Ministry of Road Transport and Highways. Every imported vehicle must obtain a homologation certificate from the Automotive Research Association of India (ARAI) or the International Centre for Automotive Technology (ICAT) certifying compliance with Indian safety and emissions standards.

The homologation process is one of the most critical and time-consuming steps. It verifies that the vehicle meets Indian standards for safety features, emission norms (currently BS-VI), noise levels, and crashworthiness. Without this certification, the vehicle cannot be registered for road use in India.

Licenses Required

An IEC from DGFT is needed for commercial imports. Apply through Patron Accounting IEC registration. ICEGATE registration and GST registration are required for customs processing. Personal imports by individuals also require customs compliance but may follow a slightly different process.

For commercial imports, the importer must be registered as an authorized dealer or have a distribution agreement with the manufacturer. Individual imports for personal use are permitted but attract the same high duty rates and homologation requirements.

Homologation Process

Homologation is the mandatory certification process for all imported vehicles. The vehicle is tested at ARAI or ICAT facilities for compliance with Central Motor Vehicle Rules covering safety features like seatbelts, airbags, and structural integrity, emission norms under BS-VI standards, noise level limits, and lighting and signalling requirements.

The testing process can take 2 to 6 months and involves significant costs. For luxury car import of models already type-approved in the EU or US, the process may be somewhat faster as these markets have comparable safety standards. However, India-specific testing is still required.

Step-by-Step Import Process

Step 1: Obtain IEC and Registrations

Complete IEC, ICEGATE, AD Code, and GST registrations. For commercial importers, ensure you have a valid distribution agreement with the manufacturer.

Step 2: Initiate Homologation

Submit the vehicle for testing at ARAI or ICAT. Provide technical specifications, test reports from the country of origin, and any modifications needed for Indian compliance.

Step 3: Arrange Shipment

Cars are shipped using RoRo (Roll-on Roll-off) vessels or in enclosed containers for high-value vehicles. Marine transit insurance at full declared value is essential.

Step 4: Customs Clearance and Duty Payment

File Bill of Entry through ICEGATE. Customs assesses the vehicle based on transaction value including freight and insurance. The combined duty can exceed 100% to 200% of the CIF value.

Step 5: Registration with RTO

After customs clearance, the vehicle must be registered with the Regional Transport Office (RTO) of the state where it will be used. Road tax and registration fees are payable to the state government.

Documents Required

IEC, commercial invoice, bill of lading, certificate of origin, homologation certificate from ARAI or ICAT, vehicle identification details, insurance certificate, manufacturer's compliance documents, emission test reports, and Bill of Entry.

Car Import Duty Structure

India has one of the highest import duties on cars globally. For completely built units (CBU), BCD is 60% for cars with CIF value up to USD 40,000 and 100% for cars exceeding USD 40,000. IGST at 28% applies on the assessable value plus BCD. Compensation Cess ranges from 1% to 22% based on engine capacity and vehicle type. The combined effective duty can range from 100% to over 200% of the CIF value.

Completely Knocked Down (CKD) imports attract lower BCD of 10% to 30%, which is why most global manufacturers assemble cars locally in India. Semi Knocked Down (SKD) imports attract intermediate duty rates. This tiered duty structure incentivizes domestic assembly and manufacturing.

Common Challenges

The prohibitively high duty makes car import commercially viable only for luxury and niche vehicles where customers are willing to pay the premium. Homologation delays and costs add to the overall expense. India's emissions and safety standards may require modifications to vehicles designed for other markets.

For personal imports, individuals often underestimate the total landed cost. Beyond customs duty, state registration charges, road tax, and insurance add significantly to the overall expense.

Types of Vehicle Import

India recognizes three categories of vehicle imports with different duty structures. Completely Built Units (CBU) are fully assembled vehicles ready to drive, attracting the highest import duty. Completely Knocked Down (CKD) units are fully disassembled vehicles shipped for local assembly, attracting the lowest duty. Semi Knocked Down (SKD) units fall between these categories with partially assembled components.

Most major global automakers have established local assembly plants in India using the CKD route to benefit from lower duties. CBU imports are typically limited to ultra-luxury brands, sports cars, and niche vehicles where the low volume does not justify setting up a local assembly line. Understanding these distinctions is important for evaluating the most cost-effective import strategy for different vehicle types.

Personal Import Provisions

Individuals relocating to India from overseas may be eligible to import their personal vehicle under the Transfer of Residence scheme. This provision allows returning Indians and foreign nationals to bring their personal car at concessional duty rates, subject to conditions including minimum one year of ownership and use in the country of origin, and the vehicle not being sold for two years after import.

The duty concession under Transfer of Residence is still substantial but significantly lower than the standard CBU duty. The applicant must provide proof of residence abroad, vehicle registration documents, and a declaration that the vehicle is for personal use only. Customs processes these applications at the port of arrival with verification of eligibility documents.

Electric Vehicle Import Considerations

With India's push for electric vehicle adoption, importing electric cars presents both opportunities and regulatory challenges. Electric vehicles attract lower customs duty compared to conventional cars, with the government offering concessional BCD rates to promote EV adoption. However, the battery and charging system must comply with AIS 038 and other India-specific standards for EV safety.

The charging infrastructure compatibility is another consideration. Imported EVs must support the charging standards adopted in India, including CCS2 and CHAdeMO protocols. The vehicle's software and connectivity features must also comply with Indian data localization requirements where applicable.

Future Policy Developments

India's automotive import policy continues to evolve. Recent discussions around reducing import duties for electric vehicles manufactured by companies committing to domestic production within a specified timeline could significantly impact the car import landscape. Tesla and other global EV manufacturers have been negotiating with the Indian government for favourable import terms as a precursor to establishing local manufacturing.

The introduction of India's own safety rating system, Bharat NCAP, alongside the existing Global NCAP assessments, may add another layer of compliance for imported vehicles. Importers should monitor these policy developments to anticipate changes that could create new opportunities or additional regulatory requirements for their import operations.

Common Questions

Frequently Asked Questions

Have a look at the answers to the most asked questions.

Q - Is homologation mandatory?

A - Yes, every imported vehicle must be homologation certified by ARAI or ICAT before it can be registered for road use

Q - Can I import a used car?

A - Used car import is restricted. Only Indians returning from abroad can import their personal vehicle used for atleast one year, subject to conditions.

Q - what is the difference between CKD and CBU and SKD?

A - CBU is fully assembled, CKD is completely dissembled for local assembly, SKD is partially dissembled. Each attracts different duty rates.

Q - How long does the import process take?

A - Including homologation, the entire process can take 3 to 9 months from order to road registration.