Import Duty on Cars in India 2026: Rates, Calculation & Tax Structure

Written by Dev Saini

Importing cars into India in 2026 is still costly. While importing a car into India, one must pay multiple taxes and fees, which makes the car very expensive. Buyers should know how these duties and taxes work before making decisions.

Key Takeaways

- Import duty on cars in India can be as low as 60% or as high as 165%, which depends on the type of car and the category it falls into.
- Luxury cars and completely built units or CBUs are taxed at high rates, while completely knocked down units or CKD kits have lower tax rates.
- Electric vehicles (EVs) and used cars have special duty structures but remain expensive.
- IGST on imports further increase the final cost beyond customs duty.

What Is Import Duty on Cars in India?

Import duty is the tax imposed on vehicles brought into India from abroad. It generates revenue for the government and protects domestic manufacturers. The duty applies to Completely Built Units (CBU), Completely Knocked Down (CKD) kits, luxury cars, Electric Vehicles (EVs), and used cars. This tax is applied on the Cost + Insurance + Freight value (CIF) on cars, followed by several other rates.

Types of Duties Applicable on Imported Cars

Imported cars attract several duties and taxes:

Basic Customs Duty (BCD):

1.CBU (Completely Built Units):

70% duty will be charged for cars for which the CIF value exceeds $40,000, and 70% duty will be charged for cars having a CIF value below $40,000

with an additional 40% AIDC, making the total effective duty ~110–115%

2.CKD (Completely Knocked Down kits):

10–20% duty depending on assembly level. ~10% for CKD and ~20% for SKD

Cars with engine capacities above 3,000cc (petrol) or 2,500cc (diesel): Generally attract the highest duty, often up to 110–115% (BCD + AIDC)

Vehicle Category	Length	Engine Cap. (Petrol/CNG)	Engine Cap. (Diesel)	IGST
Small Car	</=4 metres	</= 1200 cc	</=1500 cc	18%
Mid-Size/SUV	> 4 metres	> 1200 cc	> 1500 cc	40%

Luxury Cars: Often fall under the higher slab of 100%.

EV Cars: Around 60–100%

Used Cars: Around 125–165%

Social Welfare Surcharge: 10% on Basic customs duty.

GST:

Standard GST: Vehicles with engine capacity (1500cc) and vehicle length (4mtr) threshold is 18% on most imported cars.

Luxury & Premium Cars: Vehicles with engine capacity (>1500cc) and vehicle length (>4mtr) threshold + Ground Clearance (>170mm) is raised to 40%.

EV Cars: Taxed at a low rate of 5%.

GST is charged on:

(IGST) = Applicable Rate (28% / 5%) × [Cost, Insurance and Freight (CIF) Value + Basic Customs Duty (BCD) + Social Welfare Surcharge (SWS = 10% of BCD)]

Criteria	Condition	New GST (IGST)
Small Car (Petrol)	Length ≤ 4m AND Engine ≤ 1200cc	18%
Small Car (Diesel)	Length ≤ 4m AND Engine ≤ 1500cc	18%
Mid-size Car	Length > 4m AND Engine ≤ 1500cc	40%
Large Car / Sedan	Length > 4m AND Engine > 1500cc	40%
SUV (Highest Tax)	Length > 4m + Engine > 1500cc + Ground Clearance > 170mm	40%
Electric Vehicle (EV)	Any length / engine	5%

≤ 1500 cc - Treated as small / mid-segment cars

> 1500 cc - Considered large engine vehicles / SUVs

Note: Compensation cess has been completely removed based on the New GST reforms (effective from September 2025)

How is Import Duty computed for Cars in India?

The duties and taxes that we see above are figured out in this way:

Final Price = CIF Value + Basic Customs Duty + Social Welfare Surcharge + GST + State Road Tax/Registration Fees.

Let us assume we import a standard sedan a completely build up unit for $35000 from abroad and the exchange rate as 1$ =₹91 , the calculations will be as follows

CIF Value : USD 35,000 × ₹91 = ₹31,85,000

Basic Customs Duty (60%): ₹31,85,000 × 60% = ₹19,11,000

Social Welfare Surcharge (10% on BCD): ₹19,11,000 × 10% = ₹1,91,100

Subtotal (CIF + BCD + SWS): ₹31,85,000 + ₹19,11,000 + ₹1,91,100 = ₹52,87,100

GST (40%): ₹52,87,100 × 40% = ₹2114840

Final Price Before Road Tax: ₹52,87,100 + ₹14,80,388 = ₹67,67,488

Road Tax (15%): ₹67,67,488 × 15% = ₹10,15,123

Total On-Road Price: ₹67,67,488 + ₹10,15,123 = ₹77,82,611.

Understanding the Rules for Importing Car into India:

- Only right-hand drive cars are allowed.
- Cars has to meet Bharat Stage VI emission norms.
- Used cars should not be older than 3 years.
- Import requires homologation and certification from Indian authorities.
- We need some documents, like the Import License, the Invoice, the Insurance Policy, the Bill of Lading and the Test Report.
- Import of certain categories (like vintage cars) may have special exemptions.

Import Procedure for Cars in India

The procedures to import a car in India can be broken down as below,

Eligibility & Compliance Check

- Only right-hand drive cars are allowed.
- Cars has to meet Bharat Stage VI emission norms.
- Used cars should not be older than 3 years.
- The vehicle must conform to Indian safety and design standards (e.g., speedometer in km/h, headlamps for left-side driving)
- Certain categories might have special exemptions.

2. Import Licensing & Documentation

Import must comply with policy issued by Directorate General of Foreign Trade.

Importer must obtain an Import Export Code (IEC)

3. Customs Clearance

The importer should file a Bill of Entry.

Customs authorities assess the CIF value and apply duties.

Authorities may reassess value if required

4. Homologation & Testing

Cars that have never been sold in India before need to be checked at the Automotive Research Association of India (ARAI) Or other notified agencies (ICAT, etc.)

5. Registration with RTO

After clearing customs, the car needs to be registered with the Regional Transport Office.

Requirements include:

- Proof of duty payment
- Road tax payment
- Valid insurance
- Vehicle inspection and certification

6. Final On-Road Approval

Upon successful registration, the vehicle is assigned a registration number.

The car can then be legally driven on Indian roads, subject to compliance with all applicable regulations.

Impact of Trade Agreements on Car Import Duties

Trade agreements help lower or remove import taxes which makes cars from partner countries less expensive. They also offer a special rate which boosts competition in India and helps consumers by offering lower prices on some car brands.

Some of the key trade agreements are India–EU FTA (2026), India–Japan CEPA, India–South Korea CEPA, India–ASEAN Agreement and several more ev focused deals are coming.

Importing cars into India involves high custom duties and taxes , compliance checks, making them significantly more expensive than their international prices while trade agreements may reduce these duties.

FAQS

Do electric cars have a different rate?

EVs have a lower rate of 15% for Completely Built Units (CBU) priced at USD 35,000, for a maximum of 8,000 units annually. Here, the manufacturer is required to invest a minimum of ₹4,150 crore (~$500 million) and set up local manufacturing in three years.

Whether used cars can be imported into India, and at what rate they are taxed?

Yes, used cars can be imported into India. Used cars can be brought into India if the used cars are more than 3 years old, these duties are really high they go from 125 to 165 percent.

Are there any exemptions for car imports in India?

There are exemptions for diplomats, embassies and certain special categories like vintage cars. For everything the standard duties apply. The standard duties are in place for things but diplomats and embassies are exempt from these duties along with some other special categories, including vintage cars.

How do I get a car cleared through customs in India?

The importer has to do a thing with the Bill of Entry. They have to give it to Customs and pay the duties that apply like the Basic Customs Duty and the Social Welfare Surcharge and the Goods and Services Tax. After that they get clearance for the car.