Taxing Imported Motor Bikes

What is the issue?

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- US President Trump has repeatedly flagged import duty imposed by India against fully assembled bikes as a “discriminatory” trade practice.
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- But the rage seems logically congruent and misdirected as it is not consistent with the ground situation in the trade.
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Why is Mr. Trump’s rhetoric flawed?

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- **Tax cut -** Recently, the Indian Finance Ministry slashed Customs duty on fully assembled motorcycles of engine power over 800cc to 50%.
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- Previously, import duty on new bikes with engine capacity of up to 800cc, was 60%, and that on bikes with capacity of over 800cc, was 75%.
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- But despite the current duty cut, President Trump had made it clear that it wasn’t enough and that he was expecting more.
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- Notably, Mr. Trump’s statements have specifically highlighted the cause of legendary U.S. bike maker “Harley Davidson”.
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- **Misdirected rage –** The market scenario reflects that the import duty on fully assembled bikes would have little impact on Harley Davision’s sales.
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- This is because the company has been assembling motorcycles in India at its CKD assembly unit at Bawal in Haryana since 2011.
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- Harley-Davidson offers a range of about 13 models in India, of which eight (including its two bestsellers) are assembled at the Bawal unit.
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- Only the high-end modes of “Touring range and the CVO”, which carry price

tags of over Rs 30 lakhs, are brought into India as full imports.
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- These models, however, are a minuscule portion of the total sales in India.
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- **Significant Miss -** Contrarily, Mr. Trump seems to have missed out the more significant tariff hike for automobile parts in the 2018 budget.
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- Motorcycles imported in a "Completely Knocked Down (CKD) form" (further dismantling is not possible), was hiked from 10% to 15%.
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- Notably, India is only the second country where Harley-Davidson has set up CKD assembly operations outside the US, after Brazil.
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- Hence, the CKD duty would be the greater worry for it, rather than the duty on fully-built bike imports.
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How does the future look?

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- India is currently the world's largest motorcycle market, and 2017 alone saw close to 18 million two-wheelers being sold.
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- Despite this, Mr. Trump's tax cut demands to enhance U.S. bike sales seems irrational and will do little to help the industry there.
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- His threat of reciprocal taxation on Indian motorbikes also won't have much impact on the Indian companies that are importing bikes to the U.S.
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- Notably, U.S. was traditionally never a significant market for Indian bikes and Royal Enfield is the only Indian brand to have a market presence there.
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- Royal Enfilend too has limited sales there and carters to a niche clientele which is mostly the Indian Diaspora that is looking for a 2nd bike.
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Source: Indian Express

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