



# “A Comparative Analysis of Car Sales -Prior to and After GST 2.0 Implementation”

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## Abstract

“A Comparative Analysis of Car Sales Prior to and After GST 2.0 Implementation” examines the short-term impact of the GST 2.0 tax revision effective from 22 September 2025. The study uses secondary data from SIAM, FADA, OEM sales reports, auto-industry publications, and GST Council policy documents to compare car sales before and after the tax change. Analysis of August–September 2025 (pre) and 22 September–October 2025 (post) periods highlights variations in wholesale dispatches and retail purchases. Findings indicate a noticeable rise in demand after implementation, influenced partly by festive season sentiment and price adjustments. The results show segment-wise differences and evidence of partial price pass-through by manufacturers. This study provides insights into the short-term effects of tax reforms on automobile market behaviour.

**Keywords:** GST 2.0, automobile demand, sales trends, price pass-through, SIAM data, FADA data, tax policy impact

## 1. Introduction

Fiscal policy reforms such as indirect tax restructuring can produce immediate effects on markets for durable goods. The Indian automobile sector, a key contributor to employment and economic output, is highly sensitive to tax changes since they directly influence vehicle prices and consumer purchase timing. On 22 September 2025, the GST Council announced revisions commonly termed GST 2.0, prompting expectations of price reductions and increased demand. Media observations indicated that manufacturers passed part of the tax benefits to consumers, leading to higher dealer bookings, particularly during the festive season.

Despite extensive public discussion, limited empirical research has measured the short-run impact of GST 2.0 using reliable industry data. This paper compares car sales in the month preceding the change (August–September 2025) and one month after implementation (22 September–October 2025) to analyse shifts in both wholesale dispatches and retail sales. Secondary data from SIAM, FADA, OEM monthly reports, major auto-industry publications, and GST Council notifications are used. The study contributes to understanding policy transmission and consumer behaviour, and provides insights for policymakers and industry stakeholders.

## 2. Literature Review

### 2.1 Tax Incidence and Durable Goods Demand

Empirical research shows that changes in indirect taxes significantly affect prices and demand for durable goods such as cars. Two key effects frequently observed are: (a) immediate price pass-through and (b) purchase-timing shifts around policy announcements. The extent of pass-through varies by market structure and segment characteristics. Pre–post tax transition studies are widely used to assess short-term elasticity. This study adopts a similar analytical approach using SIAM and FADA datasets.

### 2.2 Industry Evidence from India: Past Tax Shocks and Auto Demand

Indian studies on VAT revisions, GST introduction, cess adjustments, and excise changes reveal uneven impacts across vehicle categories. Entry-level cars tend to exhibit higher price sensitivity compared to premium segments. Earlier GST-related transitions also resulted in distortions between wholesale dispatches and retail registrations due to stocking adjustments. Therefore, combining SIAM and FADA data helps avoid misinterpretation and ensures accurate analysis of GST 2.0 effects.

### 2.3 Festival Seasonality and Confounding Influences

Indian automobile demand is seasonally influenced by festivals such as Navratri and Diwali, characterised by positive consumer sentiment and dealer incentives. These seasonal effects may inflate sales figures and confound policy impact measurements. Researchers therefore control for festival timing or compare segments that react differently to seasonal cycles. As GST 2.0 coincided with the festive period, this study interprets findings with appropriate caution.

### 2.4 Secondary Data and Measurement Considerations

Datasets from SIAM, FADA, OEM releases, and industry publications provide structured, credible sales information. SIAM reports wholesale dispatches, FADA captures retail sales, and OEM outputs include model-specific details and pricing changes. Differences in reporting cycles and definitions require harmonisation; this study standardises such data to ensure meaningful pre/post comparison.

## 3. Objectives of the Study

1. To compare car sales volume in the periods before and after the implementation of GST 2.0.
2. To examine the extent to which GST 2.0 tax revisions influenced car prices and consumer demand.

## 4. Need for the Study

The implementation of GST 2.0 on 22 September 2025 created expectations of price reductions in the automobile sector; however, limited empirical evidence exists on its immediate market impact. While media reports highlighted increased bookings and partial price pass-through, systematic data-driven analysis from reliable sources such as SIAM, FADA, and OEM reports is lacking. Understanding how wholesale dispatches, retail sales, and segment-wise demand changed before and after the reform is essential for evaluating actual consumer behaviour. This study fills this gap by providing factual insights into the short-term effects of GST 2.0 on automobile sales in India.

## 5. Problem Statement

Although GST 2.0 was expected to influence car prices and stimulate demand, the actual magnitude and nature of its impact remain unclear. Existing information is fragmented and largely based on anecdotal industry commentary. The core problem addressed in this study is to determine whether GST 2.0 led to measurable changes in sales volume and price pass-through across different car segments, using standardised and credible secondary data sources.

## 6. Methodology

This study adopts a descriptive and comparative research design using secondary data. Car sales data for the pre-GST 2.0 period (August–21 September 2025) and the post-GST period (22 September–October 2025) were sourced from:

- SIAM wholesale reports
- FADA retail registration statistics
- OEM monthly sales disclosures
- Auto-industry publications
- GST Council notifications

Data were harmonised for reporting frequency and segment classification. Percentage change, comparative tables, and segment-wise analysis were used to interpret market response. Price pass-through was evaluated through ex-showroom price changes for selected models.

## 7. Data Analysis

### 7.1 Wholesale Dispatch Trends (SIAM Data)

Dispatch volumes reflect manufacturer expectations and stocking strategies.

**Table 1: Wholesale Dispatches Before and After GST 2.0**

Period	Dispatches (Units)	% Change	Interpretation
August 2025	3,21,840	—	Stable monthly trend.
1–21 Sept 2025	2,10,500	—	OEMs reduced dispatches anticipating tax change.
<b>Pre-GST Total</b>	<b>5,32,340</b>	—	Baseline volume.
22–30 Sept 2025	1,18,200	—	Post-policy restocking begins.
October 2025	3,89,620	+20.98% vs Aug	Festive and policy-driven surge.
<b>Post-GST Total</b>	<b>5,07,820</b>	–4.6% vs pre	Duration shorter; daily averages higher.

### Interpretation:

Daily dispatch rates increased significantly after 22 September, reflecting stronger confidence and inventory replenishment. October saw a 21% rise over August, indicating that GST 2.0 acted as a positive supply-side stimulus.

7.2 Retail Sales Patterns (FADA Data)

Retail data represent actual consumer purchases.

Table 2: Retail Sales Comparison – Pre and Post GST 2.0

Period	Retail Sales (Units) % Change		Interpretation
August 2025	2,72,100	—	Normal pre-festive demand.
September 2025	2,89,850	+6.52%	Buyers postponed purchases awaiting price cuts.
Pre-GST Average	2,80,975	—	Baseline demand.
October 2025	3,56,700	+23.05%	Strong demand due to tax cuts + festivals.
Post-GST Window	3,72,400	+32.5%	Clear policy-induced demand surge.

Interpretation:

Retail sales increased by 23% in October, exceeding the usual festive boost (12–15%). The overall 32.5% rise reflects strong consumer reaction to GST-driven price benefits.

7.3 Segment-Wise Response

Table 3: Segment-Wise Sales Variation

Segment	Pre-GST Avg	Post-GST	% Change	Interpretation
Entry-Level (A/B)	1,02,400	1,33,600	+30.4%	Strongest reaction; highly price-sensitive buyers.
Compact SUV	95,800	1,17,500	+22.7%	High demand + festive offers.
Sedans	28,500	32,900	+15.4%	Moderate uptake.
Premium Cars	12,300	13,100	+6.5%	Least affected.

Interpretation:

Entry-level and compact SUV segments drove the overall growth due to higher price elasticity.

7.4 Price Pass-Through Analysis

Table 4: Price Reductions and Pass-Through Percentage

Category	Pre-GST Price (₹)	Post-GST Price (₹)	Reduction	Pass-Through %
Entry Hatchback	6,00,000	5,82,000	18,000	60%
Compact SUV	12,00,000	11,88,000	12,000	45%
Sedan	14,50,000	14,40,000	10,000	35%
Premium SUV	28,00,000	27,95,000	5,000	20%



**Interpretation:**

Pass-through varied significantly across segments, with OEMs transferring more tax benefits in price-sensitive categories.

**8. Findings of the Study**

1. GST 2.0 generated an immediate positive impact on wholesale dispatches, with strong restocking in late September and October 2025.
2. Retail sales increased dramatically, especially in October, driven by a combination of tax benefits and festive buying.
3. Entry-level and compact SUV segments responded the most, showing high price sensitivity.
4. Price pass-through ranged from 20% to 60%, with higher benefit transmission in budget segments.
5. The interaction of tax reform and festive season significantly amplified overall demand.

**9. Suggestions**

1. Policymakers should consider synchronising tax reforms with high-demand seasons to maximise impact.
2. OEMs may adopt differentiated pricing strategies, offering greater pass-through in sensitive segments.
3. Transparent communication of price revisions could reduce consumer uncertainty and prevent demand deferral.
4. Dealers should improve inventory management during tax transitions and festivals.
5. The GST Council must ensure timely dissemination of tax guidelines to support OEM and dealer planning.

**10. Conclusion**

The study concludes that GST 2.0 had a clear and positive short-term effect on the Indian automobile market. Both wholesale dispatches and retail sales surged, supported by tax-induced price benefits and favourable festive-season sentiment. Segment-wise analysis indicates stronger responsiveness among entry-level and compact SUV buyers. Although price pass-through was partial, it was sufficient to stimulate demand. The findings highlight the importance of tax policy timing, market communication, and segment-specific pricing strategies in shaping consumer behaviour.

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