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Nation raises tax for diesel, naphtha

By Xin Zhiming (China Daily)
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The government has begun charging the full rate of consumption tax for fuel oil and naphtha, the finance ministry and taxation bureau said.

Rates under the new tax scheme are 0.10 yuan a liter for diesel and 0.20 yuan for naphtha, which is used as a petrochemical feedstock and blending component for gasoline.

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The government began levying consumption tax on fuel oil and naphtha at those levels in April 2006, but has allowed a 70 percent cut for both products since then, saying it would charge the full rates at the "appropriate time".

The latest adjustment is a continuation of the country's recent efforts to curb resource-intensive sectors and promote energy efficiency, analysts said.

But they said that the limited adjustment would not add more pressure to prices. The CPI, a barometer for inflation, rose to an 11-year high of 7.1 percent in January.

Meanwhile, the government has decided to raise export tariffs on some fertilizer products to ensure domestic market demand and offered preferential tax policies for imports of parts used to make high-end farming equipment.

The Ministry of Finance said it will raise taxes on ammonium dibasic phosphate and ammonium biphosphate to 35 percent from the current 20 percent from February 25 to the end of September. It will restore the previous tax rate in the remaining months of the year, according to a statement on its website.

Analysts said the move is aimed at easing exports, ensuring demand from the domestic market and anchoring domestic prices, especially given the challenge brought by heavy snowstorms for the agricultural sector.

The ministry, meanwhile, said it will offer a rebate for tariffs and value-added taxes for domestic manufacturers who import key parts of farming equipment - such as tractors and sowing machines - for their own R&D.

The tax rebates will be used to support local manufacturers' independent innovation, according to a statement on the ministry's website. It took effect from the start of this year, the statement said.

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