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## Tax on big cars raised to save fuel

Taxes will be raised on big cars and reduced on smaller ones from Sept 1 to save energy and reduce pollution.

Owners of cars with engines above 4-liter capacity will have to pay 40 percent tax, double the existing rate, the Ministry of Finance said yesterday. The tax for vehicles with engines between 3 and 4 liters will be up from 15 to 25 percent.

And the tax on cars with engines below 1-liter capacity will be reduced from 3 to 1 percent.

China is one of the biggest and fastest growing auto markets, with vehicles accounting for the lion's share of its gasoline.

The proportion of imported oil to total consumption in the country has risen to about 50 percent, prompting it to adopt policies to improve energy efficiency, analysts said.

The country has pledged to lower energy consumption per unit of GDP by 20 percent and cut emission of major pollutants by 10 percent during the 11th Five-Year Plan (2006-10).

Last year, however, it could not meet its annual target of 4 percent reduction, falling short by 0.34 percentage points.

Cars with engines between 3 and 4 liters sold the most last year. The increase in their sales was phenomenal: six-fold to 12,100 units, the China Association of Automobile Manufacturers has said.

In contrast, the sale of cars with engines below 1 liter fell 31 percent to 251,700 units.

In another vital step to reduce the use of energy, the government increased gasoline and diesel prices in late June.

The move was aimed at preventing the country's oil producers and refiners from suffering huge losses, too, because of rising global prices.

The tax move is a good first step for the country toward an energy efficient and environmentally friendly economy, Zhong Shi, a Beijing-based industrial analyst, said.

"It's good to see that the government has started using taxation policies as a tool to achieve its energy efficiency goals."

The tax increase, however, is not likely to stop the rich from buying big cars because such people are not very sensitive to price changes, he said.