

Exemption of Vehicles Purchase Tax Suggested

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A proposal suggesting a possible tax reduction or exemption for purchasing cars with engines of less than 1.6 litres was filed recently, Shanghai Securities News reported on Tuesday.

The suggestion is part of a series of effort aimed at boosting China's auto market. It was filed by the National Association for Passenger Car Information Exchange over to the National Development and Reform Commission, the Ministry of Finance, the Ministry of Industry and Information Technology, and the Ministry of Commerce.

The proposal gives two options for the reduction or exemption of vehicles purchasing tax.

Scheme A suggests imposing on vehicle purchasing tax in accordance with the auto's engine size. It ranges from 2 percent for a car with an engine of less than 1 litre, to 10 percent for those of more than 4 litres.

Scheme B calls for the exemption of vehicle purchasing tax for cars with an engine size of less than 1.6 litres, often categorized as low-emission vehicles.

Sources say the proposal, aimed at stimulating domestic consumption and at the same time conserving energy and cutting emissions, is being considered by China's top decision makers. And the second option is their favoured plan.

"The central government is mulling over plans to stimulate the domestic auto market," said Dong Jianping, deputy secretary general of the China Association of Automobile Manufacturers, "and the fuel price and tax reform would be the most efficient way to achieve this goal, while reform on vehicle purchase tax being the second best option."

China now imposes a 10 percent vehicle purchase tax to car buyers. Currently, cars with an engine size of between 1.0 and 1.6 litres took up about one third of sedan sales from January to October. (Xinhua)

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