

Sri Lanka reverses hybrid car incentive

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Suzuki's hybrid Wagon R compact car has proved enormously popular in Sri Lanka

Sri Lanka Wednesday sharply increased customs duties on imports of the top-selling Japanese hybrid car, in an apparent shift in its policy of encouraging greener vehicles.

The duty on the popular Suzuki Wagon R hybrid model was raised from 825,000 rupees (\$5,156) to 1.25 million rupees (\$7,812) with immediate effect, finance ministry officials said.

According to the latest data, out of 5,190 new cars registered in the country in April, more than half (2,619) were the small hybrid Suzuki models.

Only last November the government reduced duties on electric and hybrid cars as part of its plans to phase out fossil fuel vehicles by 2040 in the island nation of 21 million people.

The new announcement came as the central bank warned that car imports had inflated the trade deficit by \$700 million year-on-year to \$4.9 billion for the first five months of 2018.

Sri Lanka's rupee has been under pressure this year with the local currency losing over four percent of its value against the dollar in the first seven months amid a surge in imports.

Last year, Finance Minister Mangala Samaraweera announced plans to replace all state-owned vehicles with electric or hybrid models by 2025, a move that will be extended to private vehicles by 2040.

Sri Lanka had joined Britain and France in announcing plans to phase out fossil fuel vehicles by 2040. India wants to make new vehicle sales all-electric by 2030.

Sri Lanka had around 7.2 million vehicles, most imported from Japan and India, on its roads at the end of 2017, including over 720,000 cars.

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