

China to scrap purchase tax on electric vehicles

10 July 2014



A model poses by an i3, a BMW electric car, on display at the Beijing Automotive Exhibition on April 20, 2014

China will exempt electric cars and other types of "new energy" vehicles from purchase tax, the government said, as it seeks to reduce pollution and conserve resources.

The State Council, or cabinet, said that buyers of new [energy vehicles](#)—fully electric, hybrid and [fuel cell](#) cars—would not have to pay the levy from September to the end of 2017, according to a statement.

The tax is 10 percent of the net value of the vehicle, according to state media.

"For achieving industrial development and environmental protection, this is a win-win," the State Council said in the statement Wednesday.

The exemption applies to imported vehicles as well as domestically produced ones, the statement said, adding the government would compile a catalogue of eligible models.

China has sought to increase ownership of electric

and [hybrid vehicles](#) to ease chronic pollution and reduce reliance on oil imports, but high prices, lack of infrastructure and consumer reluctance have been obstacles.

The government has set a target of having five million new energy vehicles on the streets by 2020.

But China has only 70,000 currently in use, the China Daily newspaper reported Thursday.

The central government also offers outright subsidies for electric passenger car buyers, which were set at \$5,700 to \$9,800 last year, while local incentives can bring the price down further.



German Chancellor Angela Merkel (C) and her delegation ride an electric vehicle during a visit to the FAW-Volkswagen plant in Chengdu, southwest China's Sichuan province on July 6, 2014

Lack of charging stations and the desires of Chinese consumers—many first time owners—for big, flashy vehicles have hurt electric car sales.

Policymakers are seeking to move away from state spending to domestic consumption as a key driver

of the economy, which has been slowing.

Several foreign auto makers have announced plans to develop environmentally-friendly vehicles in China, despite the currently small market.

US electric car maker Tesla Motors has also caused a stir with aggressive marketing and by pitching its imported vehicles to luxury buyers in China, although analysts say they might only find a niche market.

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