



Marginally cheaper foreign cars?

Lower import duties, tariffs and new tax structure

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PUTRAJAYA, Wed. — The long wait is over, but it may be another week before Malaysians know how much they will have to fork out for a Honda. Toyota or Mercedes Benz.

For now, the consensus is that consumers can expect to pay marginally lower prices for foreign cars but may have to fork out more to own multi-purpose vehicles (MPVs).

This was the general sentiment after the tax structure for vehicles and the National Automotive Policy Framework were released today.

Import duties for new passenger vehicles from Southeast Asia will be lowered from 20 per cent to 15 per cent from tomorrow, while the tariff will be cut from 50 per cent to 30 per cent for vehicles from other regions.

Excise duty for passenger cars of up to 1,800cc — which make up about 80 per cent of total industry sales volume — is now reduced to 80 per cent from 90 per cent.

Importing MPVs and vans has become more expensive, but the effective tax rate gets lower as the engine capacity increases.

For example, the excise duty on MPVs of 1,500cc to 1,800cc has been increased

NATIONAL AUTOMOTIVE POLICY



from 40 per cent to 55 per cent, while the duty on vehicles of 2,500cc to 3,000cc goes down from 150 per cent to 140 per cent.

The Finance Ministry said the classification and tax structure for cars using diesel and petrol is now uniform.

It also said that the formula for excise duty on completely built-up vehicles is changed based on the tax-on-tax.

Until now, excise duty on CBU vehicle's had been based on the value of cost, insurance and freight (CIF).

Under the tax-on-tax formula, excise duties will be based on the CIF value, including import duties.

In the days ahead, car companies and distributors will be crunching numbers to answer the only question that interests most Malaysians: Will foreign makes be cheaper?

FRAMEWORK: THE OBJECTIVES

To spur its further growth, the Malaysian automotive sector will be driven by these objectives:

- To promote a competitive and viable automotive sector, in particular national car manufacturers.
- To become a regional hub for manufacturing, assembly and distribution for automotive vehicles.
- To enhance value added and local capabilities in the automotive sector.
- To promote export-oriented Malaysian manufacturers as well as component and parts vendors.
- To promote competitive and broad-based Bumiputera participation in vehicle manufacturing, distribution and importation as well as in component and parts manufacturing.

DRB-HICOM welcomes NAP as it has removed market uncertainties and will enable Malaysian automotive companies to move ahead and prepare for a new operating environment, as mapped out by the policy. We are pleased that the policy sets a more dynamic and transparent paradigm for the Malaysian automotive industry, enabling companies to leverage on their capabilities and become more competitive in the region.'



The NAP is a positive step in the evolution of the Malaysian automotive industry by creating a more competitive playing field while maintaining a conducive and more transparent environment to develop the nation's industrial potential.

Proton spokesman

DRB-HICOM Group chairman Tan Sri Mohd Saleh Sulong