

# TaxFlash



## *New Luxury-Goods Sales Tax Incentives on Motor Vehicles*

On 23 May 2013, the Government issued Government Regulation (GR) No.41/2013 (GR-41) regarding the Luxury-Goods Sales Tax (LST) on Motor Vehicles to promote the use of Low Cost Green Cars (LCGC), to support fuel conversion and to increase the domestic production of motor vehicles. GR-41 revokes Articles 2 and 3 of GR No.145/2000 regarding the Classification of Luxurious Taxable Goods Subject to LST, as lastly amended by GR No.12/2006 (GR-12).

While the LST rates remain the same, the LST base used under this incentive will be lower. This will effectively lower the applied LST or mean there is even no LST for certain products (i.e. they are included in the zero rated LST base category), subject to fulfilling the requirements that are currently being prepared by the Minister of Industry (MoI) in coordination with the Minister of Finance (MoF).

The incentive is available for motor vehicles with LST rates of 10%, 20%, 30%, 40%, and 75%. There will be three categories in the incentive program as follows:

LST Base	Incentive Program
<b>75%</b>	Motor vehicles using advance diesel/petrol engine technology, dual petrol gas engines (converter kit CNG/LGV), biofuel engines, hybrid engines, CNG/LGV dedicated engines with oil fuel consumption (and other similar fuel) of 20 to 28 km/litre
<b>50%</b>	Motor vehicles using advance diesel/petrol engine technology, biofuel engines, hybrid engines, CNG/LGV dedicated engines with oil fuel consumption (and other similar fuel) of more than 28 km/litre
<b>0%</b>	Motor vehicles under LCGC and Low Carbon Emission programs, other than sedans or station wagons, with the following requirements: <ol style="list-style-type: none"><li>1. spark ignition up to 1200 CC, or</li><li>2. compression ignition (diesel/semi diesel) up to 1500 CC</li></ol> with oil fuel consumption (and other similar fuel) of at least 20 km/litre

GR-41 also confirms that LST is due on the delivery or importation of luxurious taxable goods. Other events considered as the timing of LST due will be stipulated further in another MoF Regulation.

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