

Car prices to drop next year on import tariff cuts

The Finance Ministry on Wednesday issued an order amending the vehicle import tariff, in keeping with Viet Nam's commitment to the World Trade Organisation (WTO) on tax reduction.

According to the ministry, the duty on passenger cars, including station wagons, sport cars and motor homes (self-propelled recreational vehicles which offer living accommodation), as well as cars with less than 10 seats and an engine capacity of more than 2.5 litres, will be cut from 67 per cent to 64 per cent.

Meanwhile, the duty on four-wheel-drive (4WD) vehicles will be reduced from 70 per cent to 59 per cent, while the import tariff on trucks with a loading capacity of less than five tonnes will be reduced from 59 per cent to 56 per cent.

The tariff on motorcycles, sidecars and mopeds will also be reduced from 47 per cent to 40 per cent.

All tariff cuts will take effect on January 1, 2015, according to the ministry.

Car importers reacted with excitement at the amendments.

"From next year, the Vietnamese people will have more opportunities to own cars at more reasonable prices, and of course, our business will be better as well," said Nguyen Van Dung, general director of Northern Automobile, a prominent car dealer in Ha Noi.

However, Dung said that the duty cut will pose a serious threat to the country's auto industry, which is expected to compete with the price and quality of imported cars.

"The price gap between the imported cars and the locally assembled vehicles will be further narrowed." said Nguyen Dinh Tung, sales manager at EuCar company in Ha Noi.

ASEAN members' auto imports are already receiving a preferential 50 per cent import tariff since early 2014, as a result of the ASEAN Trade in Goods Agreement (ATIGA). In addition, following commitments made to the ASEAN, auto import duties will be completely abolished in 2018.

ASEAN will waive tariffs on car imports between ASEAN member countries, as well as from Japan, South Korea and China, who are all party to the agreement.

According to the General Statistics Office (GSO), from January to November this year, the total car import value reached \$1.23 billion, a 100.7 per cent year-on-year increase.

The figure means that the country is likely to spend US\$1.5 billion on auto imports in 2014, the highest level so far in Viet Nam's history.

Source: <http://bizhub.vn>

