

CHAPTER 6: NEW TAX LEGISLATION ON MOTOR VEHICLE

6.1. Introduction

The objective of this chapter is to analyze the changes in import duty and excise duty for motor vehicles as announced by the government on 31 December 2003 applicable to ASEAN countries (CEPT). In general, the analysis is divided into two parts namely tariff applicable for Completely Built-Up (CBU) and Completely Knocked-Down (CKD) vehicles respectively. CBU vehicles refer to vehicles that are assembled in the country of origin of the parts, and enter into Malaysia as a complete vehicle unit ready for sale. However, a CKD refers to vehicles in which parts are brought in from various countries but locally assembled in Malaysia.

6.2. Import and Excise Taxes on CBU for ASEAN (CEPT) Market

Table 6.1 indicates that the import duty for passenger cars before the announcement was between 140% to 300% according to the engine capacity displacement. After the announcement, we can see a reduction of 70% to 110% of import duty which resulted in the import duty of 70% to 190% for all passenger cars. However, an imposition of excise duty of between 60% to 100%, which was introduced in the year 2004, resulted in total duties of 130% to 290% on the passenger cars. In other words, for the passenger car sector (CBU), there is only a reduction of 10% in the total duties (import and excise) as a result of the announcement.

Table 6.1: Total Duties for Passenger Cars(CBU)

Type/Capacity	ASEAN (CEPT)				Total Duties Before/After
	Import Duties		Excise Duties		
Engine CBU	Before	After	Before	After	
Passengers Car					
<1,800	140	70	0	60	140/130
1,800-1,999	170	90	0	70	170/160
2,000 –2,499	200	110	0	80	200/190
2,500-2,999	250	150	0	90	250/240
>3,000	300	190	0	100	300/290

We can also see that in the MPV/Van category, the import duty imposed was in between 60% to 200%, and again it is based on the engine displacement capacity. The new legislation indicates a reduction of 20% - 80% of import duty which resulted in only 40% to 120% of import duty on MPV/Van. However, similar to passenger cars, an imposition of 30% to 90% of excise duty sets off the reduction in import duty and resulted in higher total duties (import and excise) by 10%.

Table 6.2: Total Duties for MPV/Van (CBU)

Type/Capacity	ASEAN (CEPT)				
	Import Duties		Excise Duties		Total Duties
Engine	Before	After	Before	After	Before/After
CBU	Before	After	Before	After	Before/After
MPV/Van	%	%	%	%	%
<1,499	60	40	0	30	60/70
1,500 – 1,799	60	40	0	30	60/70
1,800 – 1,999	80	50	0	40	80/90
2,000 – 2,499	150	90	0	70	150/160
2,500 – 2,999	180	110	0	80	180/190
>3,000	200	120	0	90	200/210

A higher increase of total duties (import and excise) can be seen in the 4WD category in which an initial 60%-200% of import duty which is reduced to 40%-110% is set off by the excise duty of 50 – 90%. The net result shows that for engine capacity of 2,000cc and below, there is an increment of total tax by 30%, but no change of total duties for the engine capacity exceeding 2,000 cc.

Table 6.3: Total Duties for 4WD (CBU)

Type/Capacity	ASEAN (CEPT)				
	Import Duties		Excise Duties		Total Duties
Engine	Before	After	Before	After	Before/After
CBU	Before	After	Before	After	Before/After
4WD	%	%	%	%	%
<1,799	60	40	0	50	60/90
1,800 – 2,000	80	50	0	60	80/110
2,000 – 2,499	150	80	0	70	150/150
2,500 – 2,999	180	100	0	80	180/180
>3,000	200	110	0	90	200/200

6.3. Import and Excise Taxes on CKD for ASEAN (CEPT) Market

In general, the import duty and excise duty imposed on Completely Knocked-Down (CKD) products are lower compared to CBU vehicles. This is because the government wants to encourage the development of the local assembler as well as the manufacturers of parts.

For the passenger car, the import duty was between 42% to 80%, depending on the engine displacement capacity. The new rates dictate that an even rate is imposed on the passenger car, in which 25% is applicable for all passenger cars, disregard of the engine displacement capacity. The excise duty which was previously imposed on a scale rate of 25 – 68% has been revised to a flat rate of 60% to 100%, according to the engine capacity. The net impact of the total tax is indirect because due to the scaling rate, the previous rates of 67 – 148% is now increased/reduced to 85 to 125%, depending on the engine displacement capacity.

In respect of MPV/Van, the new tax changes give a mixed result in the category. The prior import duty was between 5 to 40%, whereas the excise duty imposed was a flat rate of 30% for all categories of engine displacement capacity. However, the new import duty demonstrates a reduction of 5 to 30% and an increase of 0% to 60% for excise duty. The net result indicates no changes in terms of total tax for all MPV/Van with an engine displacement capacity below 2,000cc, an increase of 20% for 2,000-2,499cc and another 30% increase for engine displacement capacity greater than or equal to 3,000cc.

A flat increase of 5% is applicable in respect of 4WD for all engine displacement capacity. This is due to a reduction of between 0 to 30% of import duty and an increase of 5 to 45% of excise duty. The total duty imposed on 4WD is ranges from 60% to 100% depending on the engine displacement capacity.

Table 6.4: Total Duties for ASEAN (CEPT) for CKD Vehicles

Type/Capacity	ASEAN (CEPT)				Total Duties
	Import Duties		Excise Duties		
Engine	Before	After	Before	After	Before/After
CKD					
Passengers Car					
<1,800	42	25	25-65	60	67-107/85
1,800-1,999	42	25	25-65	70	67-107/95
2,000 – 2,499	60	25	25-66	80	85-126/105
2,500-2,999	70	25	25-67	90	95-137/115
>3,000	80	25	25-68	100	105-148/125
MPV/Van					
<1,499	5	0	30	30	35/35
1,500 – 1,799	10	10	30	30	40/40
1,800 – 1,999	20	10	30	40	50/50
2,000 – 2,499	30	10	30	70	60/80
2,500 – 2,999	40	10	30	80	70/90
>3,000	40	10	30	90	70/100
4WD					
<1,799	10	10	45	50	55/60
1,800 – 2,000	20	10	45	60	65/70
2,000 – 2,499	30	10	45	70	75/80
2,500 – 2,999	40	10	45	80	85/90
>3,000	40	10	45	90	85/100

Source: Custom Department