



**Asia-Pacific
Economic Cooperation**

2016/AD1/006
Agenda Item: 3.1

Korea's Automotive Industry Market Situation

Purpose: Information
Submitted by: Korea



24th Automotive Dialogue
Manila, Philippines
25-27 May 2016



[Korea] Automotive Industry Market Situation

24th APEC Automotive Dialogue
Manila, Philippine
26 May 2016

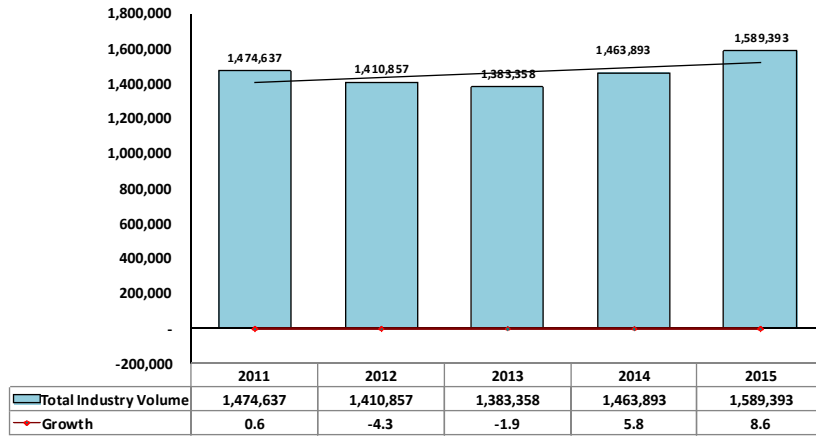


Industry Overview

Categories	Total No. of Manufactures/ Companies	Total No. of New Entry Companies in 2015	Total No. of Employment
Automobile Manufacturers	7	0	127,800
Motorcycle Manufacturers	2	0	550
Parts Manufacturers	883	4	295,000
Direct Importers	14	0	NA
Total	906	4	-

Industry Overview

Automotive Sales in Korea

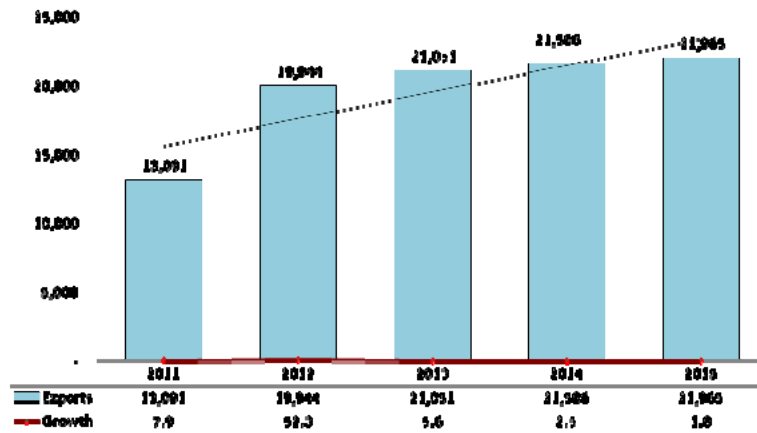


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Industry Overview

Auto Parts Export

Bil. KRW



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Market Outlook

	2015 ACTUAL	2016 FORECAST	Projected Growth Rate
Total Industry Volume (TIV)	1,589,393	1,470,000	-7.5
Passenger Vehicles (PV)	1,326,776	1,235,000	-6.9
Commercial Vehicles (CV)	262,617	235,000	-10.5

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Tax Structure of Korea

Stages	Type of Taxes
Purchase	Individual Consumption Tax
Registration	Acquisition Tax
Possession	Annual Vehicle Tax
Use	Fuel Excise Tax

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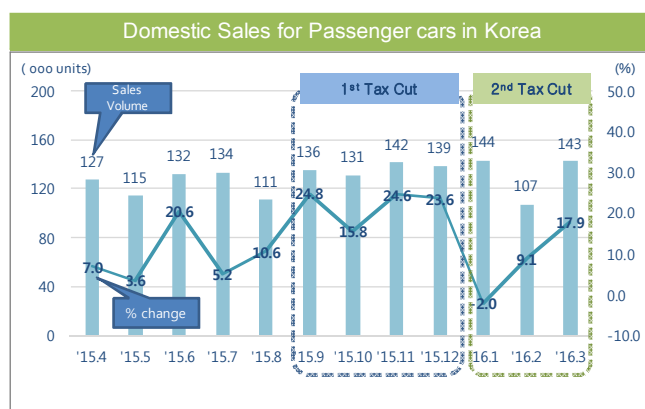
Individual Consumption Tax

Engine Displacements	Tax Rates	Remarks
≤ 1000cc	Exempted	Education Tax : 30% of Individual Consumption Tax
over 1000 cc	5% of ex-factory price <i>(Down to 3.5% for the period from Aug. 2015 to Jun. 2016)</i>	VAT: 10% of (Ex-factory price + Individual Consumption Tax + education tax)

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< Effect of Individual Excise Tax Cut >

- The Individual Excise Tax Cut (Aug. '15~Dec. '16) increase the domestic sales 22.2% year on year and Extension of the cut until June '16 are expected to be helpful for increasing the domestic sales. (1st Q/T 7.6% up)



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Acquisition Tax

Type of Vehicles	Tax Rates	Remarks
Passenger Cars	7% of (retail price minus VAT)	Retail price : Ex-factory price + Individual Consumption Tax + Education Tax + VAT
Commercial Vehicles	4% of (retail price minus VAT)	

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Annual Vehicle Tax

Engine Displacements	Tax Rates	Remarks
≤ 1000cc	¥ 80/cc	Education Tax : 30% of Annual Vehicle Tax
1001 ~ 1600cc	¥ 140/cc	
> 1600cc	¥ 200/cc	

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Fuel Excise Tax

Type of Fuels	Tax Rates	Remarks
Gasoline	₩ 529/l	Education Tax: 15% of Fuel Excise Tax
Diesel	₩ 375/l	Motor Fuel Tax : 26% of Fuel Excise Tax
LPG	₩ 275/kg	VAT: 10% of (Ex-factory Price + Fuel Excise Tax + Motor Fuel Tax + Education Tax)

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Individual Consumption Tax

Engine Displacements	Tax Rates	Remarks
≤ 1000cc	Exempted	Education Tax : 30% of Individual Consumption Tax
Over 1000 cc	5% of ex-factory price	VAT: 10% of (Ex-factory price + Individual Consumption Tax + education tax)
(> 2001cc)	*(phased down from 7% to 5% by 2015)	

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Impact on Korean Auto Market

Car sales in Korea by engine displacement

	2012	2015	(Units)
			Chg. %
Mini ≤ 1000cc	202,844	173,418	-14.5
Small 1001 ~ 1600cc	240,971	208,971	-13.3
Medium 1601 ~ 2000cc	242,635	212,664	-12.3
Large > 2001cc	179,747	182,948	1.8
MPV	309,494	548,775	77.3
Total	1,211,284	1,326,776	9.5

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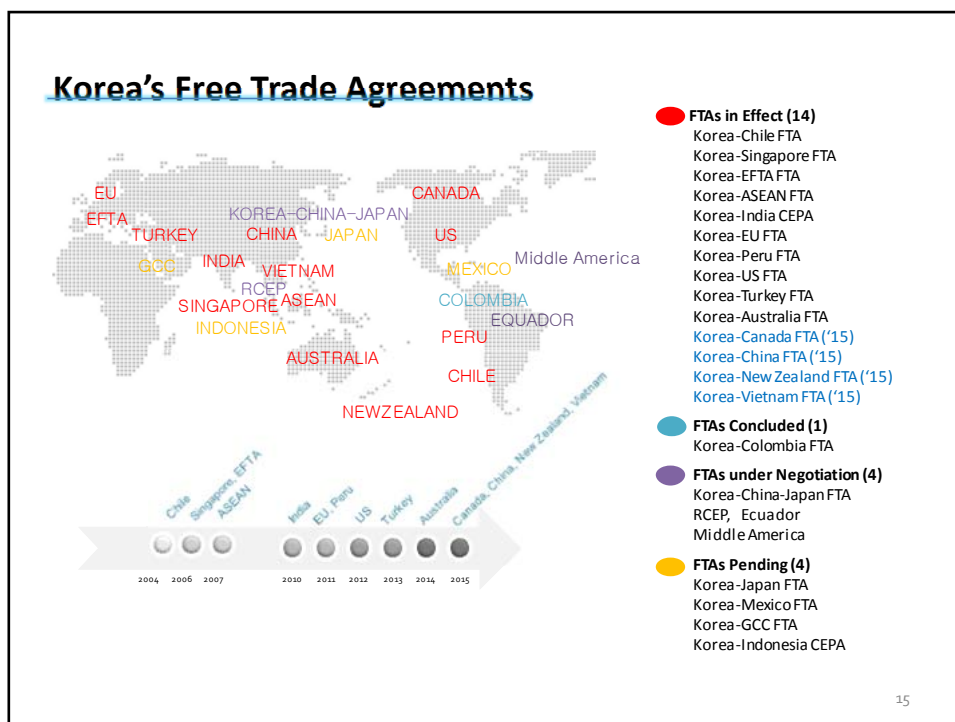
Free Trade Agreements

- Bilaterals(14):

- Chile, Singapore, EFTA, ASEAN, India, EU,
- Peru, US, Turkey, Australia
- Canada('15), China FTA ('15), New Zealand ('15)
- Vietnam FTA ('15)

Under Negotiation(4): Korea-China-Japan,
Ecuador, RCEP, Middle America

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Korean FTA (2015)

Country	Effective Date	Tariff Concession Schedule
Canada	1 st Jan. 2015	<ul style="list-style-type: none"> All Kinds of Vehicles : Down to 0% until 1 January 2017
China	20 th Dec. 2015	<ul style="list-style-type: none"> Cars : No Concession Buses/Trucks : 15-20years
Vietnam	20 th Dec. 2015	<ul style="list-style-type: none"> Cars (over 3,000cc 4WD gasoline) : 10years Trucks(5T-20T Diesel Refrigerator): Down to 0~5% until 1 January 2021 Remaining Items : No concession
New Zealand	20 th Dec. 2015	<ul style="list-style-type: none"> Cars : 0 % Tariff Buses/Trucks : from 0-5% to 0% on the effective date

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Automotive Policies and Regulations

1. Emission Regulation

■ Gasoline

Emission standards for natural gas fueled vehicles and gasoline fueled vehicles from 2016 to 2025

Classification		As is	To be	Note
Implementation Year	From 2009 to 2015	From 2016 to 2025	From 2016 to 2025	
Emission Standards	Standards	4 Standards	7 Standards	Currently: Standard 1 (LEV), Standard 2 (ULEV), Standard 3 (SULEV), Standard 4 (ZEV) From 2016: Standard 1 (LEV), Standard 2 (ULEV), Standard 3, Standard 4, Standard 5 (SULEV), Standard 6, Standard 7 (ZEV)
	CO, HCHO	Limited	Stricter limit	Current Standard 3 of Formaldehyde limit will be applied to all vehicles.
	NMOG, NOx	Limited separately	Combined into single limit	Both NMOG and NOx causes a photochemical reaction in the atmosphere, creating ozone. Thus, the sum of NMOG and NOx emissions will be limited under a single standard.
	PM (Particulate Matter)	Only applied to Gasoline Direct Injection (GDI) engines	Applied to all natural gas and gasoline vehicles	The new PM limit of 0.002g/km will be gradually applied from 2017 and will be applied to all vehicles in 2021.
	BOG (Boil Off Gas)	1.2g/test	0.35g/test	The new BOG limit will be gradually applied starting from 2018 and will be applied to all vehicles in 2022
Average annual emission of each automaker	Limited based on NMOG emission	Limited based on the sum of NMOG and NOx emission	In 2025, emission standards will be 71% stricter compared to that of 2009. 0.066g/km(2009) 0.063g/km(2016) 0.019g/km(2025)	

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Automotive Policies and Regulations

■ Diesel Vehicles

- Euro 6 regulations have been (and will be gradually more) applied to diesel vehicles according to vehicle size classes since January 2014.

Vehicle Size Class	2014	2015	2016
Mini vehicles, small & medium passenger cars, small & medium trucks below 1,305kg	New vehicles as of Sept.	Existing vehicles as of Sept.	
Small & medium trucks over 1,305kg		New vehicles as of Sept.	Existing vehicles as of Sept.
Heavy-duty & Extra-large passenger cars and trucks	New vehicles as of Jan.	Existing vehicles as of Jan.	

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Automotive Policies and Regulations

2. Guaranteed period of emissions

Type of Fuel	Vehicle Size Class	Guaranteed Period	
		From 2013	From 2016
Petrol	Mini vehicles, small & medium passenger cars and trucks	10 years or 192,000km	15 years or 240,000km
	Large and extra-large vehicles	2 years or 160,000km	2 years or 160,000km
Natural Gas	Mini vehicles	6 years or 100,000km	10 years or 192,000km
	Small & medium passenger cars and trucks	10 years or 192,000km	15 years or 240,000km
	Large and extra-large vehicles	2 years or 160,000km	2 years or 160,000km
Diesel	Mini vehicles, small & medium passenger cars and trucks	10 years or 160,000km	10 years or 160,000km
	Large vehicles	6 years or 300,000km	6 years or 300,000km
	Extra-large vehicles	7 years or 700,000km	7 years or 700,000km
EV and FCV	All classes of vehicles	Guaranteed period on certificate application	

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Fuel Efficiency

Grade by fuel economy

GRADE	1	2	3	4	5
Fuel Efficiency (km/liter)	Over 16.0	15.9-13.8	13.7-11.6	11.5-9.4	Below 9.3

Fuel Efficiency and Emission Standards

Year		2016	2017	2018	2019	2020
Passenger Cars	Fuel Efficiency (km/liter)	18.6	19.2	19.6	21.4	24.3
	CO2(g/km)	127	123	120	110	97
Light Commercial Vehicles	Fuel Efficiency (km/liter)	14.4	14.5	14.6	15.1	15.6
	CO2(g/km)	180	178	177	172	166

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