



**Asia-Pacific
Economic Cooperation**

2019/AD1/005
Agenda Item: 3.3

**Automobile-Related Taxes in Japan and the Result
of the Tax Reform for Fy2019 by Japan Automobile
Manufacturers Association's (JAMA) Activities for
Reducing the Tax Burden**

Purpose: Information
Submitted by: Japan



**30th Automotive Dialogue
Bali, Indonesia
25 to 28 June 2019**



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Advancing
Free Trade for Asia-Pacific
Prosperity

Automobile-Related Taxes in Japan and the Result of the Tax Reform for Fy2019 by JAMA's Activities for Reducing the Tax Burden

26 June 2019 – Indonesia

Presented by
Naoto Muraoka, JAMA, Japan

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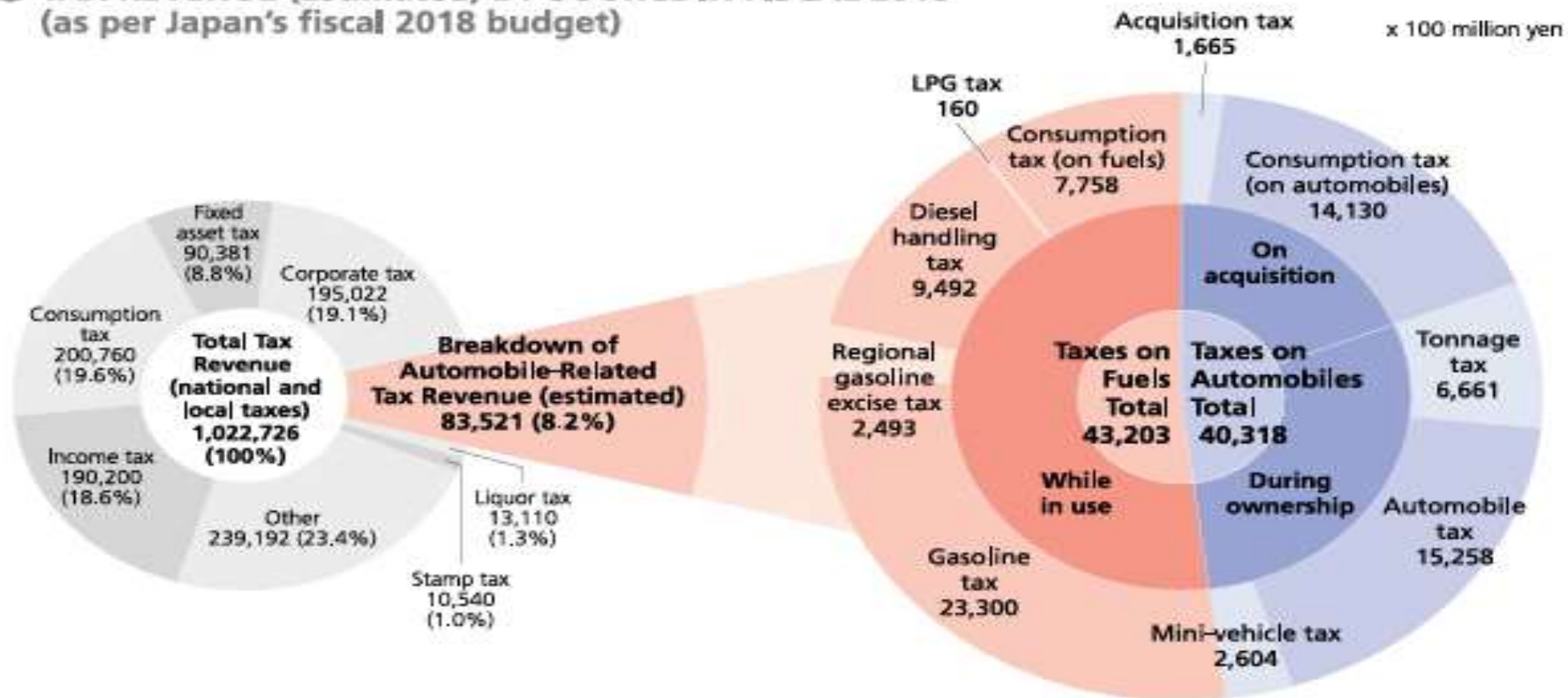
1. Overview of Automobile-Related Taxes in Japan
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Japan's Automobile-Related Tax Revenue (Estimated) in Fiscal 2018



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TAX REVENUE (Estimated) BY SOURCE IN FISCAL 2018 (as per Japan's fiscal 2018 budget)



Notes: 1. Automobile-related consumption tax revenue is not included in the "Consumption tax" segment in the chart on the left, but is included in the breakdown of automobile-related tax revenue appearing in the chart on the right. 2. Automobile-related consumption tax revenue values (including the consumption tax revenue from automobile servicing, not shown but included in figures here) have been calculated by JAMA. 3. The consumption tax is a national sales tax, of which 1.7% of the revenue is redistributed as revenue to local governments.

Sources: Ministry of Finance; Ministry of Internal Affairs and Communications

Outline of Japan's Automobile-Related Taxes



- Automobile-related taxation in Japan comprises nine different taxes, imposed at the time of vehicle purchase, during ownership, and during actual vehicle use.
- Automobile-related taxes pose a heavy burden on vehicle owners but are a significant source of revenue for the central and local governments.
- When Japan's consumption tax is raised in October 2019, the automobile acquisition tax will be abolished but a new environmental performance tax will be introduced.

	Tax Category & Levying Authority		Tax Rate
On acquisition	Acquisition tax To be abolished in Oct. 2019	Prefecture	3% (2% for commercial vehicles and mini-vehicles)
	Consumption tax (on automobiles)	Central gov't	8%
During ownership	Tonnage tax	Central gov't	¥4,100/0.5t per year (for private-use passenger cars; lower rate applies in specific cases)
	Automobile tax	Prefecture	¥29,500-¥111,000 per year (according to engine capacity)
	Mini-vehicle tax	Municipality	¥10,800/year (for private-use passenger cars)
While in use	Gasoline tax	Central gov't	¥48.6/ℓ
	Regional gasoline excise tax	Central gov't	¥5.2/ℓ
	Diesel handling tax	Prefecture	¥32.1/ℓ (light oil)
	LPG tax	Central gov't	¥17.5/kg (LPG)
	Consumption tax (on fuels)	Central gov't	8%

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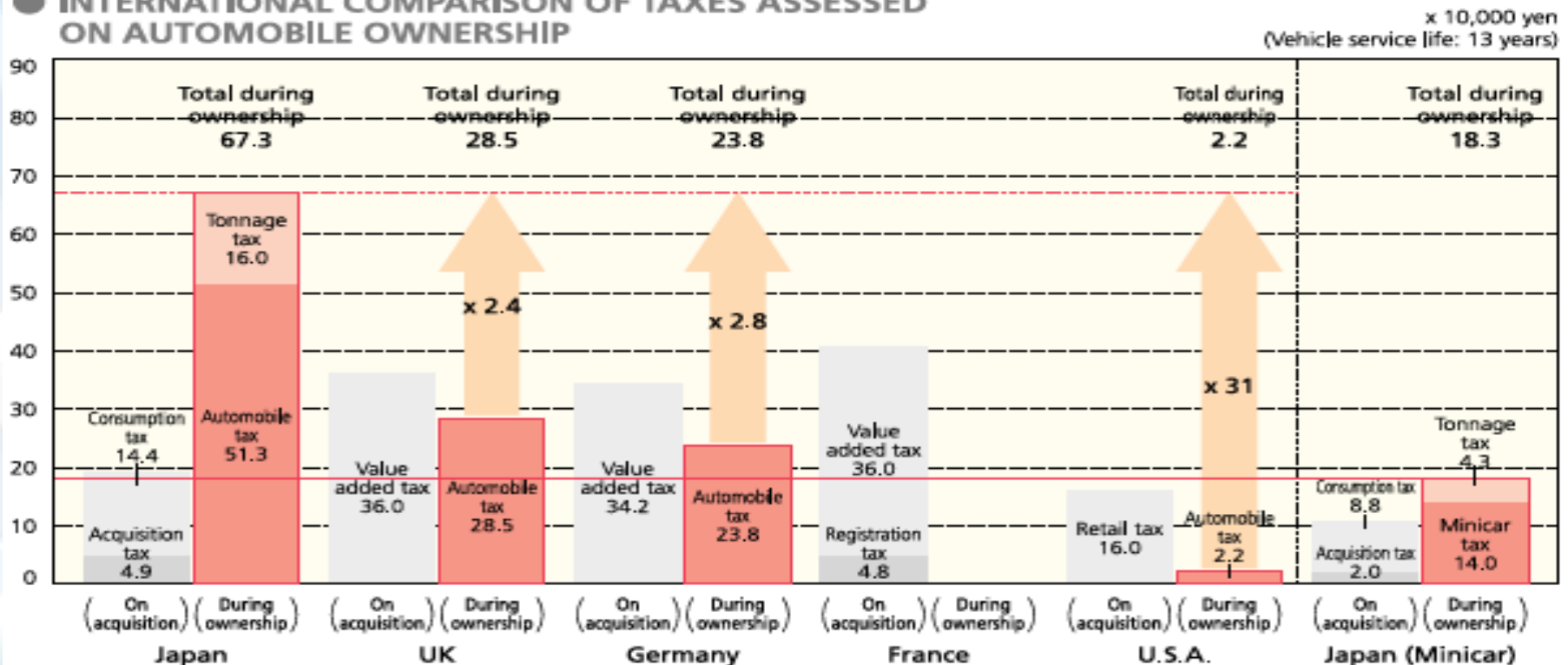


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Vehicle Ownership Tax Burdens: International Comparisons

- The tax burden posed by automobile ownership in Japan is approximately 2.4 times greater than in the UK; approximately 2.8 times greater than in Germany; and 31 times greater than in the United States.

INTERNATIONAL COMPARISON OF TAXES ASSESSED ON AUTOMOBILE OWNERSHIP



Assumptions: 1) Engine capacity: 1800cc. 2) GVW≤1.5t. 3) Purchase price: ¥1.8 million (¥1.1 million for a minicar). 4) Fuel consumption (JC08 test cycle-based): 15.8km/l (CO₂ emissions: 147g/km). 5) France = Paris; U.S.A. = New York City. 6) France: Vehicle in no. 8 horsepower "class." 7) Service life: 13 years. 8) Currency exchange rates: EUR 1 = JPY 131, GBP 1 = JPY 151, USD 1 = JPY 112 (averaged April 2017-March 2018).

Notes: 1. Figures here are based on tax rates in effect in April 2018. 2. Figures here do not take into account applicable incentives/surcharges, such as tax incentives for eco-friendly vehicles in Japan, if any.

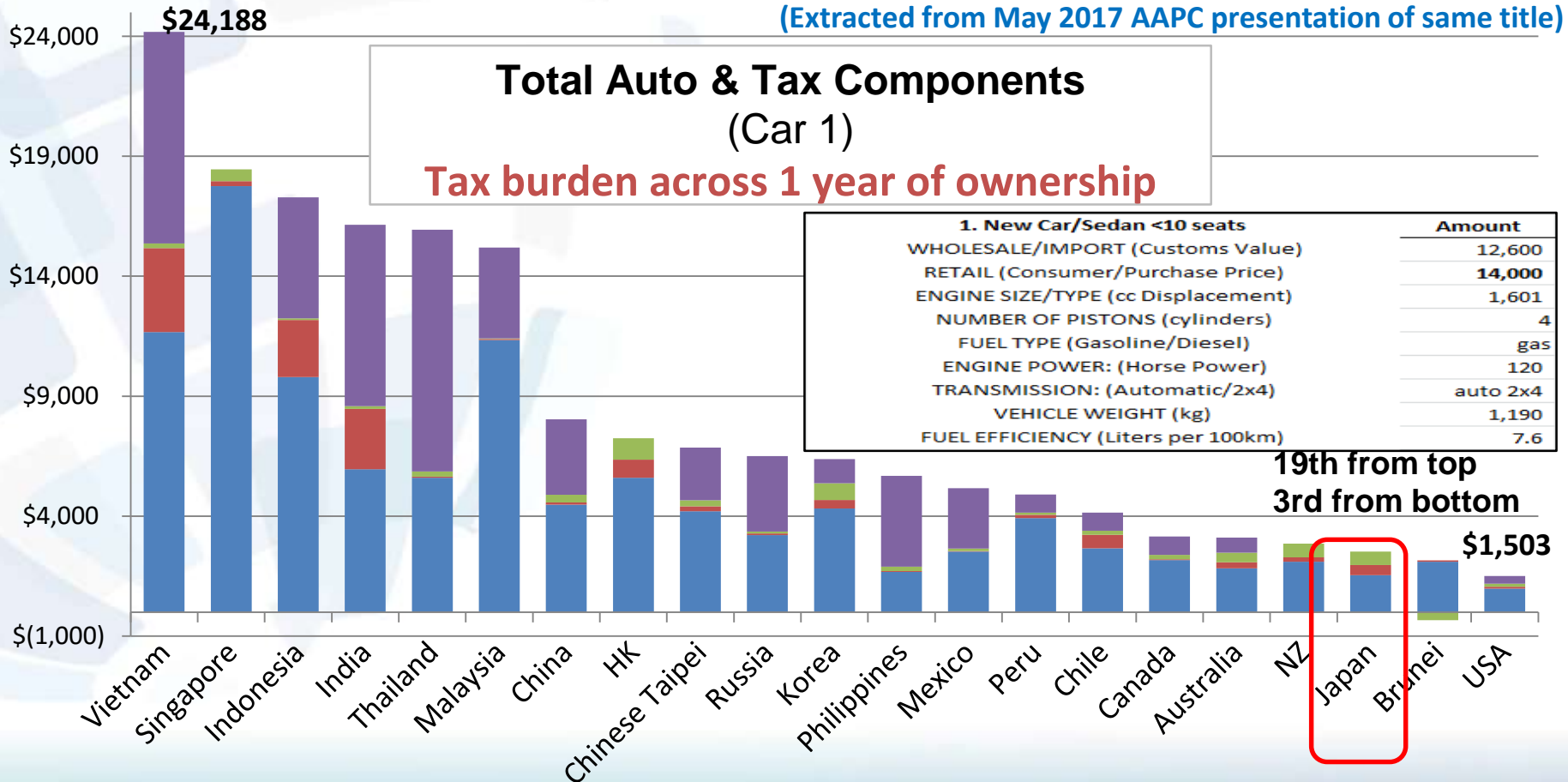
Source: Japan Automobile Manufacturers Association



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APEC Motor Vehicle Related Taxation

(Extracted from May 2017 AAPC presentation of same title)



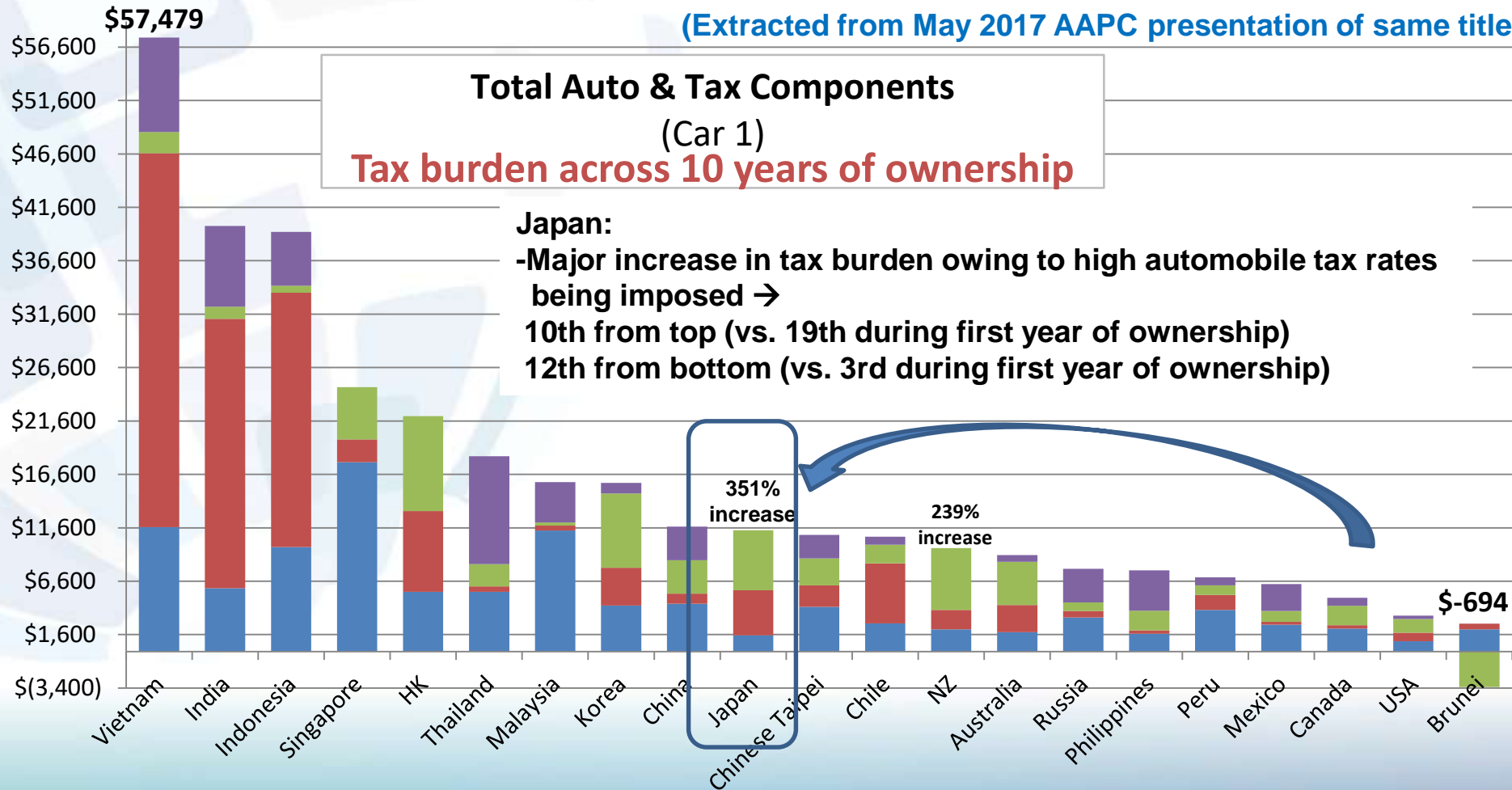
■ Auto Purchase Taxes (Car 1) ■ Auto Possession Taxes (Car 1) ■ Auto Use Taxes Car 1) ■ Auto Border Taxes (Car 1)



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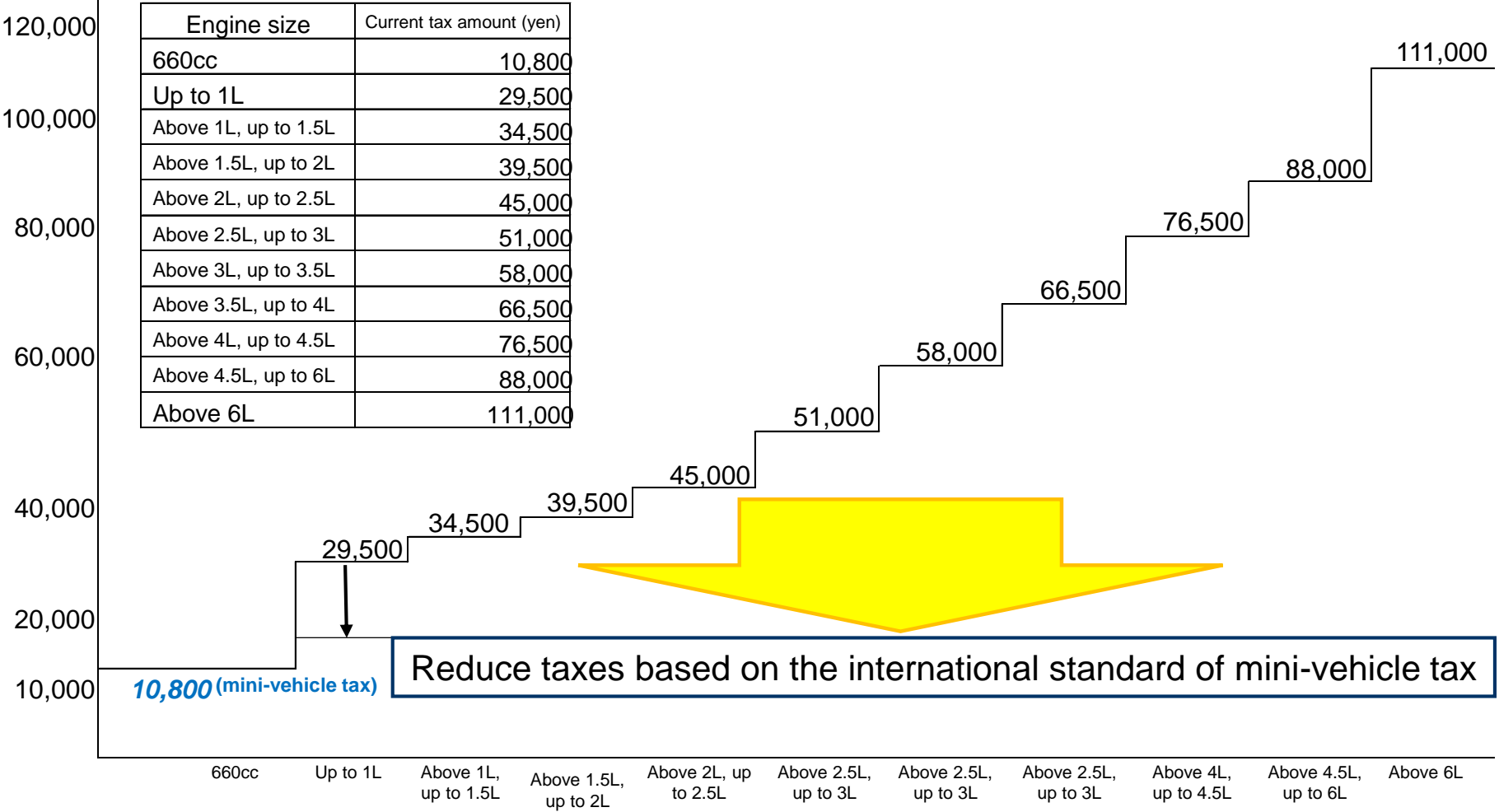
Voices of Car Users about Automobile Tax



JAMA Draft Automobile Tax Reform Proposal

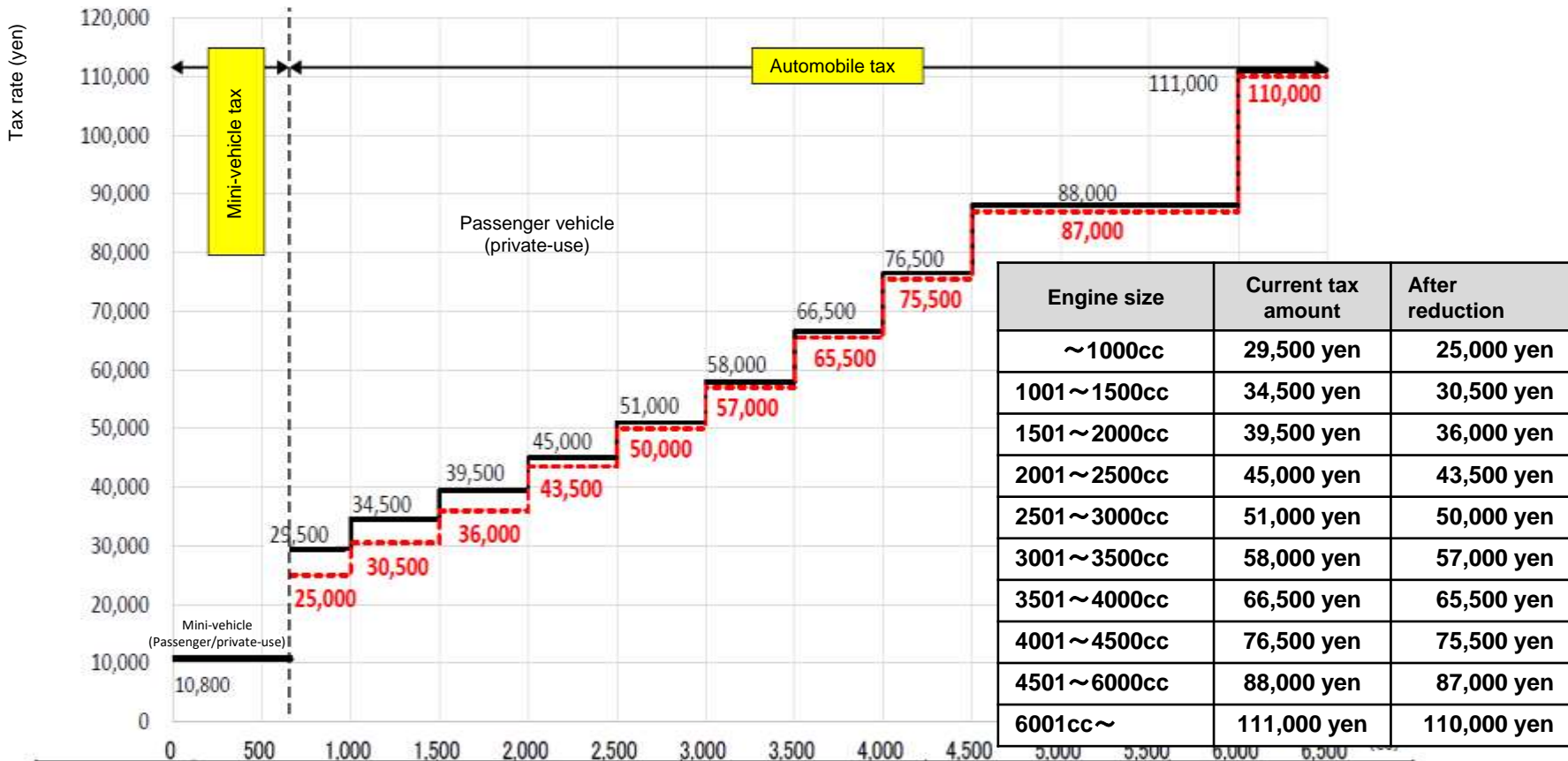
(Tax rate: yen)

Engine size	Current tax amount (yen)
660cc	10,800
Up to 1L	29,500
Above 1L, up to 1.5L	34,500
Above 1.5L, up to 2L	39,500
Above 2L, up to 2.5L	45,000
Above 2.5L, up to 3L	51,000
Above 3L, up to 3.5L	58,000
Above 3.5L, up to 4L	66,500
Above 4L, up to 4.5L	76,500
Above 4.5L, up to 6L	88,000
Above 6L	111,000



Realized Automobile Tax Reduction in Fiscal 2019 Reform

- For new automobiles purchased after October 2019, automobile tax rates will be permanently reduced across all engine size categories for the first time since the system was established
- Automobiles with engine sizes up to 2,000cc will have automobile tax reduced by 10% to 15%, and the reduced tax rate will also apply from the second year onward
- While the significant reduction based on mini-vehicle tax aimed at by JAMA was not realized, an unprecedented major tax reduction was realized



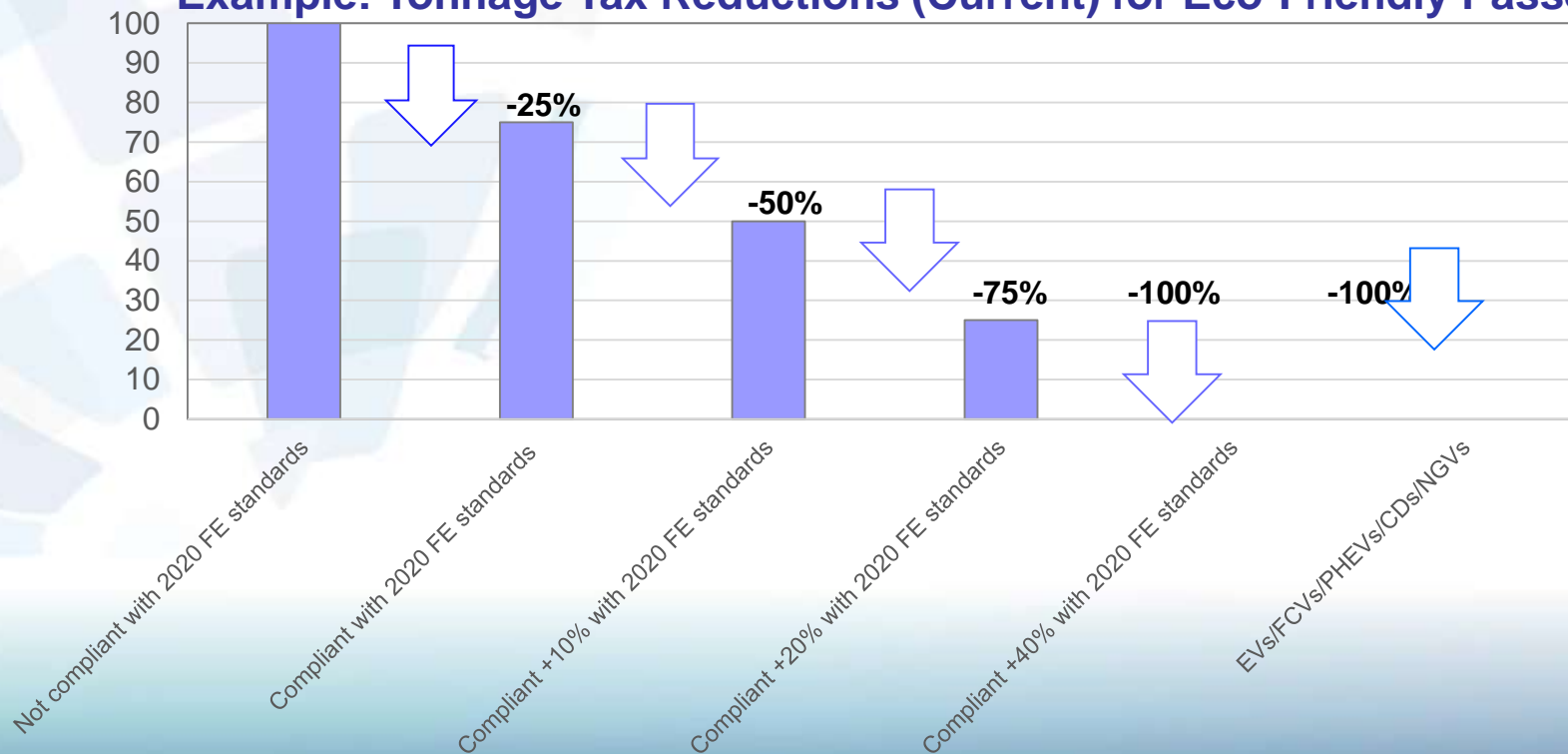
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Japan's Incentive Measures for the Purchase of Eco-Friendly Vehicles

- Vehicles that meet stipulated performance criteria with regard to fuel efficiency and emissions benefit from tax exemptions/reductions tied to their level of performance.
- This incentive for the wide range of eco-friendly vehicles contribute to the increase in sales of the cars and encourage the development of environment technology.

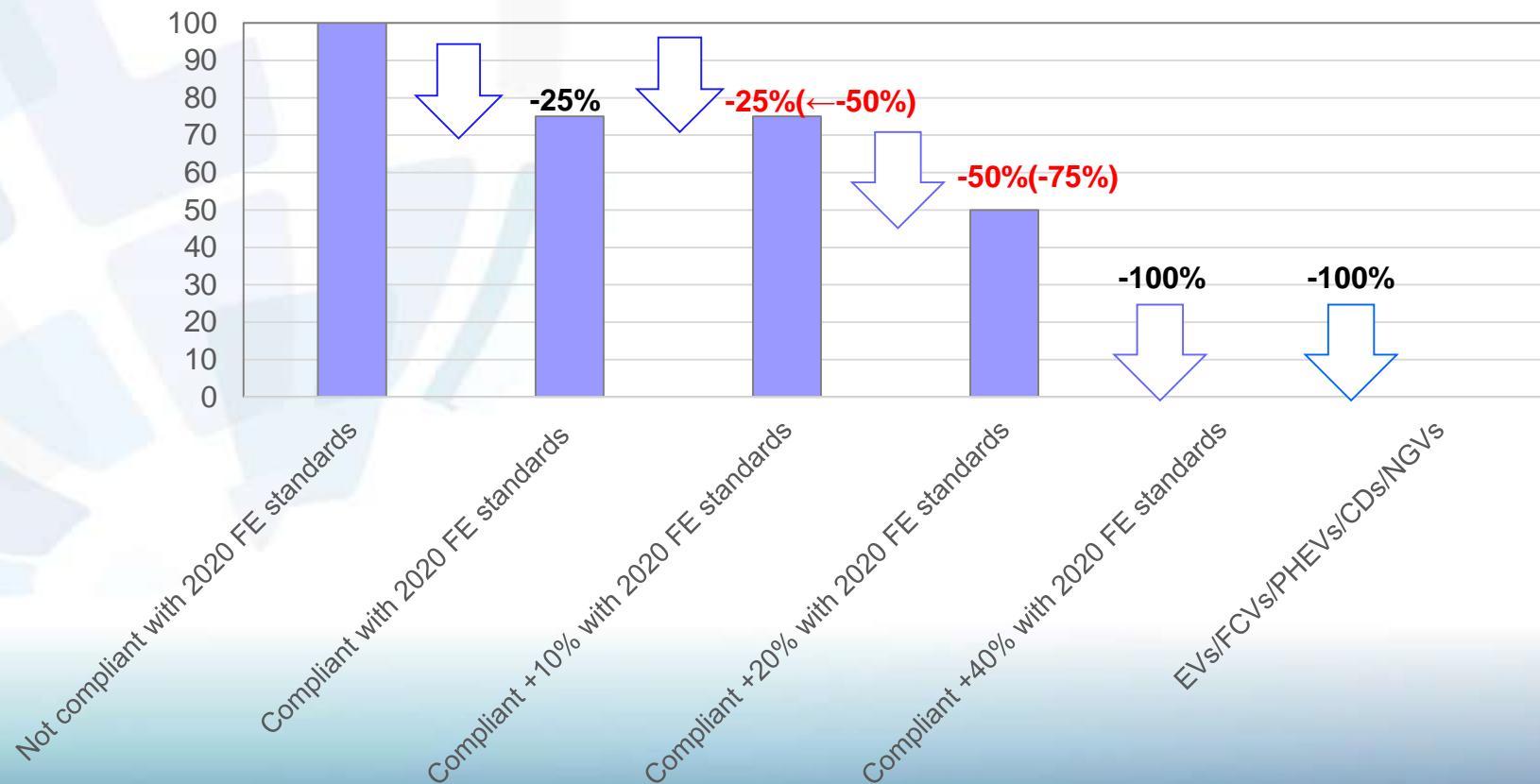
Example: Tonnage Tax Reductions (Current) for Eco-Friendly Passenger Cars



Tonnage Tax Reductions for Eco-Friendly Vehicles Realized in Fiscal 2019 Reform

- Basic structure of the incentive for Eco-friendly Vehicles is maintained.
- But the tax reduction level is cut to some extent for some category.

Example: Tonnage Tax Reductions (Current) for Eco-Friendly Passenger Cars



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Japan's New Environmental Performance Tax (All Vehicles)



- The new tax will impose rates of 1% to 3% of the vehicle purchase price, with tax rates tied to vehicles' environmental performance levels.
- The new tax will be introduced when the automobile acquisition tax is abolished in October next year.
- To relieve the impact of consumption tax increases the burden of new tax is lower than the present tax.

	Acquisition Tax Reductions	Acquisition Tax Reductions	New Environmental Performance Tax	New Environmental Performance Tax
When assessed	At time of purchase	At time of purchase	At time of purchase	At time of purchase
In effect	Thru 3.2019	From 4.2020	From 10.2020	From 10.2021
EVs/FCVs/ PHEVs/CDs/ NGVs	Exempt(0%)	Exempt(0%)	Exempt(0%)	Exempt(0%)
=2020 +40%	Exempt(0%)	Exempt(0%)		
=2020 +30%	-80%(0.6%)	-50%(1.5%)		
=2020 +20%	-60%(1.2%)	-50%(1.5%)	1%	1%
=2020 +10%	-40%(1.8%)	-25%(2.25%)	1%	2%
=2020	-20%(2.4%)	-20%(2.4%)	2%	3%

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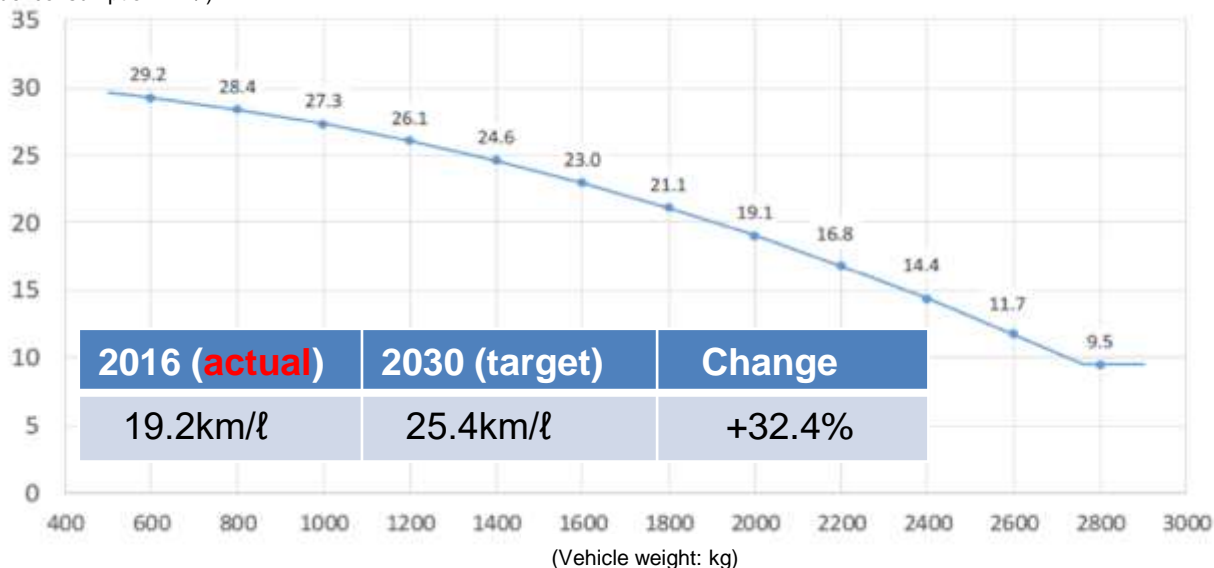
Future Topics for Discussion (example)

With regard to automobile-related taxes, the government will examine what the taxes should be in light of the trend from the ownership to the rental of cars and the need for further reduction of environmental burden from the mid- or long-term point of view.

The new revised 2030 passenger car fuel efficiency standard will possibly be the standard for the next tax incentive for eco-friendly passenger cars from April 2021, but the standard is very high.

2030 Passenger Car Fuel Efficiency Standards by Vehicle Weight Category

(Fuel consumption: km/l)





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