

AUTOMOTIVE

China institutes additional 10pc tax on super luxury automobiles

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Image courtesy of Rolls-Royce

By STAFF REPORTS

China's Finance Ministry is implementing a 10 percent import tax on the highest priced automobiles entering the country.

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The tax, which goes into effect on Dec. 1, affects vehicles retailing for at least 1.3 million yuan, or \$190,000 at current exchange. Over the past few years, the government's communist party has been working to curb conspicuous spending, in an attempt to fight corruption in politics.

Price hike

This tax will impact automakers such as Rolls-Royce, Bentley, Ferrari and Lamborghini. These high-priced vehicles are already subject to a 35 percent import tariff, a value added tax and an emissions tax, per the [Financial Times](#).

As with most other products, those who have the money to buy very expensive items are not likely to be deterred by an extra 10 percent added to the purchase price.



Bentley Bentayga

China was a high growth market for super luxury automakers, but recently demand has cooled. This reflects the overall change in China since 2013, when President Xi Jinping began instituting austerity measures that impacted hard luxury goods and services such as high-end restaurants.

In addition to trying to curb spending, the ministry said that this is an effort to conserve energy and lower emissions, causing buyers to pick more efficient cars.

On the opposite side of China, Indonesia recently removed the luxury tax on most goods to combat slow growth in its economy and encourage consumers to purchase more merchandise at home.

In an announcement on June 11, 2015, the finance minister of the country said that the majority of items would now be exempt from the previous up to 75 percent luxury tax. Domestic consumption had slowed, but this tax relief is aiming to boost shopping spree sales before the period of fasting during Ramadan ([see story](#)).

British automaker Aston Martin opened its first outpost in the Indonesian capital of Jakarta following this move.

Aston Martin operates a number of dealership within China where its brand awareness is strong, but in Indonesia and other Southeast Asian countries, the automaker had yet to establish a physical presence ([see story](#)).

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