An overview of policies on car importation and their effects
- Case of Sri Lanka

Dr Sugath Yalegama
Ministry of National Policies and Economic Affairs
Sri Lanka
Factors affecting Policies on Car importation in Sri Lanka

- **FX Outflow**
  - Large trade deficit (10.2% of GDP in 2015), limited reserves (USD 6b)

- **State revenue**
  - Low ratio to GDP (12.1% in 2015, 10.1% in 2014)

- **Fuel efficiency**
  - High fuel efficient vehicles to reduce fuel import cost

- **Environment friendliness**
  - Promote new and environment friendly cars

- **Road space**
  - Urban roads already highly congested

- **Equity – for low income groups**
  - Right to own a car

- **Leasing facility**
  - Low interest leasing increase car ownership
Current fiscal policy

- Engine capacity based taxing - higher tax/cm³ for high engine capacity vehicles
- Age based import restriction (< 3 years)
- High tax rates (normally over 100%) but relatively low rates for hybrid and electric cars
## Tax regime on Cars

### Engine capacity

<table>
<thead>
<tr>
<th>Engine capacity</th>
<th>Hybrid</th>
<th>Non hybrid</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;1000cc</td>
<td>70% or Rs. 1,250 (US$8.5)/cm³</td>
<td>150% or Rs 1,750 (US$12)/cm³</td>
</tr>
<tr>
<td>1000cc – 1500cc</td>
<td>90% or Rs. 2,000 (US$14)/cm³</td>
<td>160% or Rs 2,750 (US$18)/cm³</td>
</tr>
<tr>
<td>1500cc – 1600cc</td>
<td>90% or Rs. 3,500 (US$24)/cm³</td>
<td>160% or Rs 4,000 (US$27)/cm³</td>
</tr>
<tr>
<td>1600cc – 1800cc</td>
<td>90% or Rs 4,000 (US$27)/cm³</td>
<td>160% or Rs 4,500 (US$30)/cm³</td>
</tr>
<tr>
<td>1800cc – 2000cc</td>
<td>125% or Rs 4,500 (US$30)/cm³</td>
<td>160% or Rs 5,500 (US$37)/cm³</td>
</tr>
<tr>
<td>2000cc – 3000cc</td>
<td>150% or Rs 5,000 (US$34)/cm³</td>
<td>220% or Rs 6,000 (US$40)/cm³</td>
</tr>
<tr>
<td>Other</td>
<td>200% or Rs 5,500 (US$37)/cm³</td>
<td>250% or Rs 6,000 (US$40)/cm³</td>
</tr>
</tbody>
</table>

### Electric Cars

- <50 kW: − 30% of Rs 15,000 (US$100)/kWh
- 50-100 kW: − 40% of Rs 25,000 (US$170)/kWh
- 100-200kW: − 50% of Rs 40,000 (US$270)/kWh
- >200kW: − 50% of Rs 55,000 (US$370)/kWh
Effects

- Good condition cars
- Small cars dominating
- Three wheelers overflowing
- Increased hybrid car population and rising electric car population
- Significant contribution to state revenue
New registration of cars
Reasons for high vehicle registrations in 2015

- Increased disposable income
- Low interest rate for leasing
- Relatively low taxes on hybrid and electric vehicle and those have engine capacity less than 1000cc

(Central Bank of Sri Lanka)
## Fuel economy improvement (estimated)

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel economy (l/100km)</td>
<td>6.4</td>
<td>5.9</td>
<td>5.3</td>
</tr>
</tbody>
</table>
Annual average PM10 at Colombo Fort monitoring site