

**MINISTRY OF FINANCE
CUSTOMS AND EXCISE DIVISION**

NOTICE TO IMPORTERS NO. 21 OF 2016

SUBJECT: AMENDMENTS MADE TO:

- 1) THE FOURTH SCHEDULE TO THE MOTOR VEHICLES AND ROAD TRAFFIC ACT CHAP. 48:50;**
- 2) THE VALUE ADDED TAX ACT CHAP. 75:06; AND**
- 3) THE CUSTOMS ACT CHAP. 78:01**

The attention of all importers is drawn to Parts IV 5(b), VIII 9(b) and IX of Act No. 7 of 2016, Finance (No.2) Act, 2016 which:

- 1) Deletes and substitutes paragraphs 8, 8A, 8B, 9 and 10 of the Fourth Schedule to the Motor Vehicles and Road Traffic Act Chap. 48:50;
- 2) Deletes and substitutes items 8 and 43 in Schedule 2 to the Value Added Tax Act Chap. 75:06; and
- 3) Inserts after Section 45A, paragraphs 45B and 45C of the Customs Act Chap. 78:01 and also expands the description in respect of sub-heading “8708.99.30” of the said Act.

The effects of these amendments are:

1. **Motor Vehicles Tax (MVT) and Value Added Tax (VAT)** shall **not** be charged, levied, imposed and collected in respect of:

New and used motor vehicles, imported for **private or commercial use**, which are **manufactured** to use **Compressed Natural Gas (CNG)**.

This provision applies **only to OEM (Original Equipment Manufacturer) CNG vehicles** and **should not be applied to retro-fitted vehicles**.

Legal Notice No. 18 of 2016, circulated as Notice to Importers No. 5 of 2016, was replaced by the relevant terms in Finance (No.2) Act, 2016.

See the table below for effective dates of implementation and expiration.

2. **Motor Vehicles Tax (MVT), Value Added Tax (VAT) and Customs Duty** shall **not** be charged, levied, imposed and collected in respect of:

- a) **New and used electric vehicles** imported for **private or commercial use**; and
- b) **New and used hybrid vehicles** imported for **private or commercial use**.

Used electric vehicles, hybrid vehicles and vehicles **manufactured** to use Compressed Natural Gas, stated above, **must not be older than four years from the year of manufacture for this exemption to apply.**

“**Electric vehicle**” means a vehicle with an engine size **not** exceeding **179 kilowatts**, which is propelled by an electric motor powered by a rechargeable battery pack or other energy storage device. ‘Other energy storage devices’ include capacitors and electromechanical flywheels that store an electrical charge.

Where the engine capacity is expressed in **hp (horsepower)** a conversion of **0.746 hp = 1kw** can be used to determine engine size expressed in **kw**.

Motor vehicles exceeding 179kw or 240hp, do not qualify for Customs Duty/VAT/MVT exemptions and those taxes become payable in whole without being pro-rated.

“**Hybrid vehicle**” means a vehicle, with an engine size **not** exceeding **1999cc**, which is capable of being propelled by a combination of an internal combustion engine and an on-board rechargeable energy system or other energy storage device.

Hybrid vehicles **must** consist of **both** an **Internal Combustion (IC)** engine and an electric motor. There is **no** restriction on the size of the electric motor but the **IC engine cannot exceed 1999cc**.

The phrase ‘propelled by a combination’ means that the electric motor and the IC engine work in tandem in order for the vehicle to be propelled. Vehicles that do **not** satisfy this criterion lack the essential characteristic of a ‘hybrid vehicle’ as defined by Section 45c (2) of the Customs Act Chap. 78:01.

‘On-Board Rechargeable Energy System’ refers to a system that stores energy for delivery of electric energy and which is rechargeable. **Energy sources** may include a rechargeable storage battery, fuel cell or photovoltaic array. **Other energy storage devices** include capacitors and electromechanical flywheels that store an electrical charge.

See the table below for effective dates of implementation and expiration.

3. The First Schedule to the Customs Act Chap. 78:01 is amended in respect of sub-heading **8708.99.30** as follows:

- i. Change in description of the sub-heading by inserting after the words “**Compressed Natural Gas (CNG) Systems**” the following:

“**and component parts, namely, CNG Injector, Air/Fuel Mixer, ECU of CNG Kit, Coalescing Filter, CNG Refuelling Receptacle, High Pressure Piping (Stainless Steel) and CNG Cylinder (Type 4)**”; and

- ii. Change in duty applicable by deleting the words “**25%**” and substituting the word “**Free**”.

Table of **Implementation Dates** for the measures stated above.

ITEM DESCRIPTION	MOTOR VEHICLES TAX (MVT)	VALUE ADDED TAX (VAT)	CUSTOMS DUTY
New and used CNG vehicles	January 1 st , 2016 to December 31 st , 2020	July 20 th , 2016 to December 31 st , 2020	Rates of duty applicable as set out in 1st Schedule to Chap.78:01
New and used electric vehicles	July 20 th , 2016 to December 31 st , 2020	July 20 th , 2016 to December 31 st , 2020	July 20 th , 2016 to December 31 st , 2020
New and used hybrid vehicles	July 20 th , 2016 to December 31 st , 2020	July 20 th , 2016 to December 31 st , 2020	July 20 th , 2016 to December 31 st , 2020
CNG Systems and component parts	Not Applicable	VAT Payable 12.5%	Free with effect from July 20th, 2016.

An extract of Act No. 7 of 2016, Finance (No.2) Act, 2016, highlighting Parts IV 5(b), VIII 9(b) and IX is attached for ease of reference.

In the instance where the question of a refund of Customs Duty arises based on the above mentioned measures, Officers are advised that the normal criteria and application process apply in accordance with Sections 9(1) and 55 of the Customs Act Chap. 78:01.

The Customs and Excise Division does **not** process applications for the **refund of MVT or VAT**. Members of the public are advised that any queries with respect to the refund of MVT or VAT are to be directed to the Ministry of Finance.

Importers are to be guided accordingly.

Comptroller of Customs and Excise (Ag.)
Dated: 18/08/2016