

## Budget Statement 2003

### Annex I – Valuation of Motor Vehicles

1. Currently, the value of a motor vehicle is assessed to be the price it would normally fetch between independent buyers and sellers in an open market. This method of valuation, which is based on the ***Brussels Definition of Value (BDV)***, generally includes the following expenses in arriving at the taxable value of a motor vehicle:

- a) ***‘Transaction value’***: The price paid or payable for a vehicle by a buyer (e.g. motor trader) to a supplier on a CIF basis. CIF refers to the cost of goods plus insurance and freight charges.
- b) ***‘Handling charge’***: The handling expense for transferring a vehicle from the conveyance carrier onto land if the vehicle arrives by air or sea. Handling charges are imputed as 1% of the vehicle’s CIF value.
- c) ***‘Agency uplift’***: Expenses for advertising, promotion, warranties, as well as showroom and warehousing costs. Generally, agency uplift is estimated as a percentage of a vehicle’s invoice price. This percentage is generally reviewed on an annual basis.

2. The value of a vehicle, commonly known as its ‘open market value’ or OMV, is computed as follows:

|                    |   |   |
|--------------------|---|---|
| Value of a vehicle | = | Transaction value + Handling charge + Agency uplift |
|--------------------|---|---|

3. The ***Customs Valuation Code (CVC)*** is an alternative method of valuation that is endorsed by the WTO, and increasingly used by many countries. This method generally assesses the value of a motor vehicle based on its transaction value.

4. With effect from 1 April 2003, the basis for valuing motor vehicles in Singapore will change from the ***BDV*** to the more widely-accepted ***CVC***. The new valuation method will apply to those vehicles where excise duties are paid on or after 1 April 2003.

5. As a result, the Additional Registration Fee (ARF) and excise duty payable for most vehicles are expected to decrease by at least 3 to 5%. This reduction in taxes arises because the ‘handling charge’ and ‘agency uplift’, which are included under the BDV, will no longer be added to the value of a vehicle under the CVC. For a typical 1,500 cc car with an assessed open market value or OMV of \$15,000 under the BDV, a 5% saving in tax amounts to about \$1,100.

6. Generally, the reductions in ARF and excise duty will be greater for cars with higher uplifts. Cars with higher uplifts will generally be those with higher marketing, warranties, showroom and warehousing costs relative to the volume of cars sold.