



Cash for Clunkers Program

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JAPAN
CASH-FOR-CLUNKERS PROGRAM

On April 11, 2009, the Japanese government released Countermeasures Against Economic Crisis.¹ This legislation provided the policies and measures to be put in place by the government to overcome the current Japanese economic crisis. One of the measures enacted was the promotion of eco-cars to replace older cars, referred to as the “scrap incentive.”² The Diet (Japanese Parliament) subsequently approved the 2009 supplementary budget, which authorized funding for the program.³

Under the scrap incentive program, the owner of a normal passenger car that was registered thirteen or more years ago may receive 250,000 yen (approximately US\$ 2,700) from the government if he replaces the vehicle with a qualified new car, and registers the new car between April 2009 and March 31, 2010.⁴ Old cars must be transferred to car dealers or other licensed businesses in accordance with procedures under the Automobile Recycling Law.⁵ The buyer of an eco-car, to be eligible, must have owned the old car for more than one year immediately prior to the disposition of the old car. The new car owner must keep and use the car for more than one year. If the new car owner transfers ownership of the new car within one year, he must return the money received under the program back to the government.⁶ An “eco-passenger car” means a car that satisfies 2010 fuel efficiency standards.⁷ 2010 fuel efficiency

¹ KEIZAI KIKI TAISAKU [COUNTERMEASURES AGAINST ECONOMIC CRISIS], the Prime Minister and Cabinet of Japan (April 10, 2009), available at <http://www.kantei.go.jp/jp/asophoto/2009/04/090410kikitaisaku.pdf>.

² *Id.* at 8 and 25.

³ Heisei 21 nendo hosei yosan [2009 fiscal year supplementary budget].

⁴ Automobile Sec., Manufacturing Industry Div., Ministry of Economy, Trade and Industry (METI) and Planning Rm., General Affairs Sec., Automobile and Traffic Div., Ministry of Land, Infrastructure, and Transportation (MLIT), KANKYŌ TAIŌSHA E NO KAIKAE KŌNYŪ NI TAISURU HOJO SEIDO NI TSUITE (SHINSEI UKETSUKE KAISHI GO TSUIHO BAN) [REGARDING SYSTEM TO SUPPORT PURCHASE OF ECO CARS WITH OR WITHOUT REPLACING OLD CARS (Supplemented ed.)], 1-3 (June 19, 2009), available at <http://www.mlit.go.jp/common/000039166.pdf>.

⁵ *Id.* at 3. The Automobile Recycling Law was enacted in 2002 and became effective in 2005. Under this law, car manufacturers are obligated to receive discarded cars and recycle parts that are suitable for recycling. The first owner of a vehicle must pay recycling fees that are specified under the Law, depending on the type of vehicle involved (SHIYŌ ZUMI JIDŌSHA NO SAI SHIGEN KA TŌ NI KANSURU HŌRITSU [LAW CONCERNING RECYCLING OF DISCARDED VEHICLES], Law No. 87 of 2002).

⁶ METI and MLIT, *supra* note 4, at 3-5.

⁷ *Id.* at 7.

standards are specified by car types and weights. Car manufacturers are required to meet these standards in new cars by 2010.⁸

The scrap incentive program is applicable to light passenger cars⁹ and larger vehicles as well, such as buses and trucks. The owner of a light passenger car who has owned the vehicle for thirteen years or more may receive 125,000 yen (approximately US\$ 1,350) if he replaces it with a light passenger eco-car. In cases of larger cars, 400,000, 800,000 or 1.8 million yen (approximately US\$ 4,320, 8,640, or 19,440), may be paid to the new car purchaser, depending on the weight of the vehicle.¹⁰

New eco-car buyers who do not replace their old cars, or who replace old cars that were registered within thirteen years may also receive incentive payments from the government. The amount paid is 100,000 yen (approximately US\$ 1,080) for normal passenger cars; 50,000 yen (approximately US\$ 540) for light vehicles; 200,000, 400,000 or 900,000 yen (approximately US\$ 2,160, \$4,320, or \$9,720), for larger vehicles, depending on the weight of the vehicle.¹¹

The Japanese government has not yet released its analysis of the program. According to the monthly statistics of new car sales however, it appears that automobile sales volumes have increased since implementation of the program, as compared with last year's volume.¹²

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⁸ The fuel efficiency standards are established under the ENERUGI NO SHIYŌNO GŌRIKA NI KANSURU HŌRITSU [ENERGY EFFICIENCY LAW], Law No. 49 of 1979, *as amended*.

⁹ Light passenger cars that have 660 or less cubic centimeters of engine displacement are placed into a special category under the law (METI and MLIT, *supra* note 4).

¹⁰ METI and MLIT, *supra* note 4, at 2.

¹¹ *Id.* at 2 and 9.

¹² Tōrokusha daisū [Number of newly registered cars], Japan Automobile Dealers Association, <http://www.jada.or.jp/contents/data/type/index01.php> (last visited Sept. 16, 2009).

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SOUTH KOREA
CASH-FOR-CLUNKERS PROGRAM

The Republic of Korea implemented a temporary tax incentive program in May 2009 that reduced taxes for automobiles purchased to replace automobiles registered before the end of 1999.¹ Under the program, an individual who purchases a new car and disposes of an old car within two months before or after the purchase date will receive an exemption of 70% of the consumption tax, car acquisition tax, and car registration tax, up to 2.5 million *won* (US\$ 2,041).² This program applies to purchasers of new cars that are purchased by the end of 2009.

The Land and Sea Ministry reported in April that the number of registrations of new cars during the first quarter of 2009 declined by 20% from the first quarter of 2008.³ The Bank of Korea, however, reported in July that the Korean economy grew by 2.3% during the second quarter of 2009, as compared to the second quarter of 2008, and that new car sales constituted 0.8% of this growth.⁴ The growth has been attributed to the temporary tax incentive program.

The Korean program is not applicable to purchasers of new cars that have less than 1,000 cubic centimeters of engine displacement. Some have criticized that the program is inconsistent with the ecological policy of the Korean government.⁵ In July, the Korean government implemented a separate tax incentive program for buyers of new hybrid cars, which does not require qualified buyers to replace old cars.⁶

¹ Wong-suk Che, *Kei jidōsha kōnyū sha e no hojokin shikyū jitsugen sezu* [No support supplied to buyers of light vehicles], CHOSUN NEWSPAPER (Japanese version), May 1, 2009, <http://www.chosunonline.com/news/20090501000012>.

² *Kikaku zaiseibu VS chishiki keizaibu, rōkyūsha kaikae shien meguri tairitsu* [Conflicts between Strategy and Finance Ministry and Knowledge and Economy Ministry concerning support for replacing old cars], CHOSUN NEWSPAPER (Japanese language version), Sept. 4, 2009, <http://www.chosunonline.com/news/20090904000050>.

³ *1-3 gatsu ki no shinsha kōnyū sū, sakunen hi 20% gen* [20% decrease of number of newly purchased cars from January to March, compared from the last year], CHOSUN NEWSPAPER (Japanese version), April 14, 2009, <http://www.chosunonline.com/news/20090414000003>.

⁴ *Jidōsha ni yoru GDP oshiage kouka, 7gatsu ikō daun ka* [Push of GDP by car sales may decline after July], CHOSUN NEWSPAPER (Japanese version), July 25, 2009, <http://www.chosunonline.com/news/20090725000024>.

⁵ *Zeisei yūgū nai kei jidōsha, 2kagetsu renzoku de hanbai kyūgen* [Rapid decrease of sale of light cars for two months, no tax incentive for them], Wow! Korea, July 7, 2009, <http://www.wowkorea.jp/news/Korea/2009/0707/10059472.html>.

⁶ Son-gyu Bae, *Chishiki keizai bu eko kā zenzei taishō o shiborikomi* [Knowledge and Economy Ministry specified qualified eco cars for the tax incentive], CHOSUN NEWSPAPER (Japanese version), June 30, 2009, <http://www.chosunonline.com/news/20090630000009>.

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