China not to extend auto incentives next year

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Dec 6 (Reuters) - China will not extend tax incentives for small cars next year, a local newspaper reported on Monday, as the government moves to phase out stimulus measures that helped the country weather the global financial crisis.

Beijing will also stop handing out 3,000 yuan ($450) subsidies for fuel-efficient small cars from Jan. 1, 2010, the Chongqing Evening News reported, citing an unnamed official from the National Development and Reform Commission (NDRC), the country's top economic planner.

NDRC officials are not immediately available for comment.

Beijing cut the sales tax for cars with a 1.6-litre engine or smaller by half in 2009, a move that had significantly boosted automobile demand and helped China eclipse the United States as the world's biggest auto market that year.

The scale-back of the incentives since the beginning of this year is already seen by many industry insiders as a sign that they will be discontinued in 2011.

Many industry executives, including Kevin Wale, president and managing director of General Motors' (GM.N) China operations, expect China's vehicle market to return to a more rational growth pattern next year, gaining 10-15 percent, after robust expansion in 2009 and early 2010.

But December car sales could accelerate rapidly as people rush to take advantage of policy incentives before they are scrapped, analysts said.