

China's expanded incentives for scrapping and replacing transportation equipment in 2025

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In January 2025, the National Development and Reform Commission and the Ministry of Finance of China jointly released A Notice on Enhancing and Expanding the Implementation of the Large-scale Equipment Renewal and Trade-in of Consumer Goods Policies in 2025 (hereafter, “the 2025 Program”).¹ This 2025 Program is the second phase of the Large-scale Equipment Renewal and Consumer Goods Trade-in Program initiated in 2024 (hereafter, “the 2024 Program”).²

China provides national-level incentives to promote the scrappage and replacement of old passenger cars, trucks, buses, ships, off-road agricultural machineries, and other consumer goods such as home appliances and digital products. This paper details the scope of and incentives for transportation equipment scrappage and replacement under the 2025 Program and compares it with the 2024 Program.

BACKGROUND AND OVERVIEW

Renewal and scrappage programs provide incentives to phase out outdated products and equipment and promote the production and application of advanced equipment. Approximately ¥300 billion in ultra-long-term special treasury bonds were allocated to support the 2024 Program across a broad range of industries.³ The 2025 Program

- 1 National Development and Reform Commission and Ministry of Finance, 国家发展改革委 财政部关于 2025 年加力扩围实施大规模设备更新和消费品以旧换新政策的通知 [Notice of the National Development and Reform Commission and the Ministry of Finance on strengthening and expanding the implementation of the policy of large-scale equipment renewal and trade-in of consumer goods policies in 2025], 2025, https://www.ndrc.gov.cn/xxgk/zcfb/tz/202501/t20250108_1395564.html.
- 2 State Council, 国务院关于印发《推动大规模设备更新和消费品以旧换新行动方案》的通知 [Notice of the State Council on issuing the action plan for promoting large-scale equipment renewal and trade-in of consumer goods], 2024, https://www.gov.cn/zhengce/content/202403/content_6939232.htm.
- 3 National Development and Reform Commission and Ministry of Finance, 国家发展改革委 财政部印发《关于加力支持大规模设备更新和消费品以旧换新的若干措施》的通知 [Notice of the National Development and Reform Commission and the Ministry of Finance on issuing several measures to strengthen support for large-scale equipment renewal and trade-in of consumer goods], 2024, https://www.gov.cn/zhengce/zhengceku/202407/content_6964409.htm.

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will expand these efforts; the Ministry of Finance announced a plan during this year's National People's Congress to increase the bond allocation to ¥500 billion.⁴

With respect to transportation equipment, the incentive policies target doubling the volume of scrapped cars compared with 2023 and increasing second-hand car transactions by 45% by 2027.⁵ The policies also aim to continuously reduce transportation carbon and pollutant emission intensities, leading to a further decline in total pollutant emissions by 2028.⁶

As outlined by the programs, the incentive policies cover a wide range of transportation equipment, including passenger cars, trucks, new energy buses and batteries, ships, and off-road agricultural machinery. For trucks, ships, and off-road agricultural machinery, scrapping alone is eligible for incentives, meaning that the owners are subsidized for early scrapping, and can receive additional subsidies for replacing them with new equipment. For passenger cars, as well as new energy buses and batteries, only the replacement is eligible for the incentives, which requires new purchases after scrapping or transferring old ones. Furthermore, a relatively higher incentive is provided to encourage the adoption of clean or new energy-powered equipment for cars, trucks, and ships, compared with traditional fossil fuel-powered equipment.

As shown in Table 1, the 2025 Program has broadly followed the design of the 2024 Program, while broadening the qualification criteria and enhancing the incentive levels. The 2025 Program has extended the eligibility age for old passenger cars by 8 months for new energy vehicles (NEVs) and by 1 year for internal combustion engine (ICE) vehicles, thereby expanding the coverage from passenger cars manufactured under China 3 standards and below to a partial inclusion of China 4 cars.⁷ In a similar vein, the 2025 Program extends incentives to the scrapping of old commercial diesel trucks with emission standards at or below China IV, an expansion from China III and below. Moreover, the 2025 Program introduces an increased subsidy for the renewal of new energy city buses and their batteries. In addition to vehicles, a stronger incentive is also provided for scrapping agricultural machinery. Table 1 compares the 2025 and 2024 Programs, and the incentive details for each are provided in the next section.

4 Ministry of Finance, 关于 2024 年中央和地方预算执行情况与 2025 年中央和地方预算草案的报告 [Report on the implementation of the central and local budgets for 2024 and on the draft central and local budgets for 2025] (submitted at the Third Session of the 14th National People's Congress, Beijing, March 2025), https://www.mof.gov.cn/zhengwuxinxi/caizhengxinwen/202503/t20250314_3959885.htm.

5 State Council, 国务院关于印发《推动大规模设备更新和消费品以旧换新行动方案》的通知 [Notice of the State Council on issuing the action plan for promoting large-scale equipment renewal and trade-in of consumer goods], 2024, https://www.gov.cn/zhengce/content_6939232.htm.

6 Ministry of Transport et al., 交通运输部等十三部门关于印发《交通运输大规模设备更新行动方案》的通知 [Notice of thirteen departments including the Ministry of Transport on issuing the action plan for large-scale equipment renewal in transportation], 2024, https://www.gov.cn/zhengce/zhengceku/202406/content_6956170.htm.

7 Ministry of Commerce et al., 商务部等 7 部门关于进一步做好汽车以旧换新有关工作的通知 [Notice of the Ministry of Commerce and other six departments on further improving the work related to the replacement of old automobiles with new ones], 2024, https://www.gov.cn/zhengce/zhengceku/202408/content_6968810.htm.

Table 1

Summary of key changes to incentive policies from 2024 to 2025

Sectors	Incentive	2024 Program	2025 Program
Passenger cars	<ul style="list-style-type: none"> Scrapping and purchasing a new ICE vehicle or NEV 	Qualified old car should be registered no later than: Gasoline ICE vehicle: June 30, 2011 Diesel/other ICE vehicle: June 30, 2013 NEV: April 30, 2018	Qualified old car should be registered no later than: Gasoline ICE vehicle: June 30, 2012 Diesel/other ICE vehicle: June 30, 2014 NEV: December 31, 2018
	<ul style="list-style-type: none"> Replacing vehicle with a new ICE vehicle or NEV 	Local governments determine subsidy levels and eligibility requirements	Maximum subsidy for purchasing a new car: NEV: ¥15,000 ICE vehicle: ¥13,000
Trucks	<ul style="list-style-type: none"> Scrapping only Scrapping and purchasing a new ICE vehicle or NEV 	Scrapping of commercial diesel trucks with emission standards at or below China III	Scrapping of commercial diesel trucks with emission standards at or below China IV
Buses	<ul style="list-style-type: none"> Renewing new energy city buses and replacing batteries 	Average subsidy of ¥60,000 per vehicle	Average subsidy of ¥80,000 per vehicle
Ships	<ul style="list-style-type: none"> Scrapping only Scrapping and building a new ship powered by oil or new/clean energy 	2025 Program broadly follows the 2024 incentive design for ships and highlights improvement of implementation	
Agricultural machinery	<ul style="list-style-type: none"> Scrapping only Scrapping and purchasing new agricultural machinery 	Central government determined 9 types of agricultural machinery are eligible for the subsidy Local governments can add no more than 6 types to the scrapping subsidy scope base on local conditions For scrapping and replacing cotton pickers, the maximum scrapping subsidy is ¥60,000 per unit	Central government determined 15 types of agricultural machinery are eligible for the subsidy Localities can add no more than 12 types to the scrapping subsidy scope base on local conditions For scrapping and replacing cotton pickers, the maximum scrapping subsidy is ¥80,000 per unit

Notes: A summary of eligibility requirements and subsidy amounts for passenger cars and trucks are provided in Tables 2–4

INCENTIVES FOR TRANSPORTATION EQUIPMENT

PASSENGER CARS

Based on the 2025 Program, individual consumers are eligible for incentives when they scrap old cars and purchase new ones. Specifically, those who scrap an older fossil fuel-powered car or a new energy car will receive an incentive of ¥15,000 for subsequently purchasing a cleaner fossil fuel-powered car and ¥20,000 for a new energy car. As detailed in Table 2, the scrapped car should be registered before the required date—which encompasses cars registered under China 3 and below or registered in the first implementation year of China 4—or be a new energy car about 7 years old or older. The newly purchased fossil fuel-powered car should have a displacement of 2.0 L or less, and the new energy car should be listed in the product catalogue as required.⁸

The transfer and replacement of cars is also eligible for incentives, which is expected to support the second-hand car market. The incentive details for this category are primarily determined by local governments. However, the central government has

8 Ministry of Industry and Information Technology, 工业和信息化部《减免车辆购置税的新能源汽车车型目录》（第十六批）[Catalogue of new energy vehicle models eligible for vehicle purchase tax exemption issued by the Ministry of Industry and Information Technology (No.16)], 2025, https://www.miit-eidc.org.cn/art/2025/4/15/art_1691_11354.html.

established maximum levels for the replacement incentive in 2025, as detailed in Table 2. Furthermore, according to the newly released 2025 incentive plan, each individual consumer can receive the replacement incentive only once within a calendar year and can only apply for either the scrapping or the transferring subsidy for the same car.⁹

Table 2
Incentives for passenger cars under the 2025 Program

Application scenarios	Requirement		Subsidy
	Scrapped/replaced car	Newly purchased car	
Scrapping incentive: Scrapping and purchasing a new ICE vehicle or NEV	Gasoline-ICE vehicle: Registered no later than June 30, 2012	NEV: Car models should be listed in product catalogue eligible for vehicle purchase tax exemption issued by the Ministry of Industry and Information Technology	¥20,000
	Diesel/other-ICE vehicle: Registered no later than June 30, 2014		
	NEV: Registered no later than December 31, 2018	ICE vehicle: Passenger cars with a displacement of 2.0 L or less	¥15,000
Replacement incentive: Transferring and purchasing a new ICE vehicle or NEV	The old car should be held no later than January 8, 2025	NEV: Details determined by the local government	≤ ¥15,000
	Details determined by the local government	ICE vehicle: Details determined by the local government	≤ ¥13,000

COMMERCIAL DIESEL TRUCKS

As outlined in the 2025 Program, incentives are provided for scrapping old commercial diesel trucks and replacing them with cleaner trucks of more recent standards. Truck owners can receive subsidies for the early scrapping of China IV trucks or trucks below China IV before their mandatory retirement age and can receive additional subsidies for replacing them with China VI trucks or new energy trucks.

The 2025 Program maintains the same subsidy amounts as in 2024. As detailed in Tables 3 and 4, the subsidies are calculated separately for scrapping and replacement. The calculation takes into account the type of vehicle being scrapped, the timing of early scrapping, and the powertrain of the newly purchased vehicle.¹⁰ The timing of early scrapping refers to the amount of time remaining before a truck's mandatory retirement age of 15 years.¹¹ Truck owners will not receive a scrappage subsidy if the vehicle age is less than 1 year from mandatory retirement, but the 2025 Program specifies that these truck owners can still apply for the replacement subsidy to purchase a new vehicle.¹²

9 Ministry of Commerce et al., 商务部等 8 部门办公厅关于做好 2025 年汽车以旧换新工作的通知 [Notice of the general offices of the Ministry of Commerce and other seven departments on doing a good job in the work of replacing old automobiles with new ones in 2025], 2025, https://www.gov.cn/zhengce/zhengceku/202501/content_6999564.htm.

10 Ministry of Transport and Ministry of Finance, 交通运输部 财政部关于实施老旧营运货车报废更新的通知 [Notice of the Ministry of Transport and the Ministry of Finance on implementing the scrap and renewal of old commercial trucks], 2024, https://www.gov.cn/zhengce/zhengceku/202408/content_6965763.htm.

11 Ministry of Commerce, National Development and Reform Commission, Ministry of Public Security, Ministry of Ecology and Environment, “机动车强制报废标准规定” [Regulations on compulsory retirement standards for motor vehicles], 2012, https://www.mee.gov.cn/gkml/hbb/gwy/201301/t20130115_245171.htm.

12 Ministry of Transport, National Development and Reform Commission, and Ministry of Finance, 交通运输部 国家发展改革委 财政部关于实施老旧营运货车报废更新的通知 [Notice of the Ministry of Transport, the National Development and Reform Commission, and the Ministry of Finance on implementing the scrapping and renewal of old commercial trucks], 2025, https://www.gov.cn/zhengce/zhengceku/202503/content_7014455.htm.

Table 3

Subsidy requirements for the early scrapping of old commercial diesel trucks in 2024 and 2025

Truck types	Time before mandatory retirement of vehicle	Subsidy amount
Medium-duty trucks	1 year to less than 2 years	¥10,000
	2 years to less than 4 years	¥18,000
	4 years or more	¥25,000
Heavy-duty trucks	1 year to less than 2 years	¥12,000
	2 years to less than 4 years	¥35,000
	4 years or more	¥45,000

Note: Mandatory vehicle retirement age is 15 years.

Table 4

Subsidies for the new purchase of commercial trucks to replace scrapped trucks in 2024 and 2025

Truck types		Subsidy for the new purchase of China VI commercial truck	Subsidy for the new purchase of new energy commercial truck
Medium-duty trucks		¥25,000	¥35,000
Heavy-duty trucks	2 axles	¥40,000	¥70,000
	3 axles	¥55,000	¥85,000
	4 axles and above	¥65,000	¥95,000

NEW ENERGY CITY BUSES AND BATTERIES

Urban public transport enterprises are incentivized to renew their new energy city buses and replace their batteries. Under the 2024 Program, the overall average subsidy per vehicle was ¥60,000. Renewing a new energy city bus—replacing an older new energy bus with a new bus—received an average subsidy of ¥80,000 per vehicle, while replacing the batteries in a new energy bus received ¥42,000 per vehicle.¹³ Localities set their specific subsidy standards based on the subsidy funds allocated and the target requirements issued by the Ministry of Finance and the Ministry of Transport.

Under the 2025 Program, the overall average subsidy per vehicle increased from ¥60,000 to ¥80,000 for renewing city buses aged 8 years and older, as well as batteries that are beyond their warranty period or do not meet safe operating conditions.¹⁴ Local governments can maintain 2024-level subsidies for power battery replacement and set their own standards for vehicle replacements.

13 Ministry of Transport and Ministry of Finance, 交通运输部 财政部关于印发《新能源城市公交车及动力电池更新补贴实施细则》的通知 [Notice of the Ministry of Transport and the Ministry of Finance on issuing the implementation rules for subsidies for the renewal of new energy city buses and power batteries], 2024, https://www.gov.cn/zhengce/zhengceku/202408/content_6968573.htm.

14 Ministry of Transport, National Development and Reform Commission, and Ministry of Finance, 交通运输部办公厅 国家发展改革委办公厅 财政部办公厅关于印发《2025年新能源城市公交车及动力电池更新补贴实施细则》的通知 [Notice of the Ministry of Transport, the National Development and Reform Commission, and the Ministry of Finance on issuing the 2025 implementation rules for subsidies for the renewal of new energy city buses and power batteries], 2025, https://xxgk.mot.gov.cn/2020/jigou/ysfws/202503/t20250319_4165744.html.

SHIPS

China introduced a new national-level incentive policy for scrapping and renewing coastal and inland river ships, effective from August 2, 2024, to December 31, 2028.¹⁵ This policy targets the scrapping and renewal of old ships that are registered in China and operate within the country's coastal and inland waterways, covering both cargo and passenger vessels. For coastal ships, the subsidy is applicable to cargo ships aged 20–30 years and passenger ships aged 15–25 years. Earlier scrapping of inland river ships is also encouraged, with a 5-year age extension for both cargo and passenger ships.

The subsidy amount is determined based on the ship type, age, size, and the fuel/power type of the new vessel. Ship owners are subsidized for early scrapping and can receive additional subsidies for replacing their ships with new vessels; these are calculated separately. Overall, the policy provides higher incentives to encourage the adoption of clean or new energy vessels, including those powered by methanol, hydrogen, ammonia, liquefied natural gas, or battery electric systems. The incentive policy for ship scrapping and renewal was detailed in a previous ICCT's policy update.¹⁶ The 2025 Program broadly follows the 2024 Program design for ships, while focusing on strengthening the implementation, enhancing project planning, and tracking to ensure efficient execution.

OFF-ROAD AGRICULTURAL MACHINERY

Incentives are provided for scrapping old agricultural machinery, and additional subsidies will be provided for new purchases.¹⁷ The central government defined nine categories of agricultural machinery eligible for the scrappage incentive in 2024: tractors, seeders, combine harvesters, rice transplanters, BeiDou satellite navigation-assisted driving systems, motorized sprayers (dusters), motorized threshers, feed (grass) grinders, and forage cutters.¹⁸ The 2025 Program includes six additional types: rice seedling throwing machines, field operation detection terminals, plant protection unmanned aerial vehicles, grain dryers, color sorters, and flour mills.¹⁹ Local governments can select specific types from the list and can include up to 12 extra types not listed to be eligible for the scrappage incentives according to the 2025 Program.

15 National Development and Reform Commission and Ministry of Transport, 国家发展改革委 交通运输部关于印发《交通运输老旧营运船舶报废更新补贴实施细则》的通知 [Notice of the National Development and Reform Commission and the Ministry of Transport on issuing the implementation rules for subsidies for the scrap and renewal of old operating ships in transportation], 2024, https://www.gov.cn/zhengce/zhengceku/202408/content_6966728.htm.

16 Zhihang Meng, *New central subsidies for scrapping and renewing coastal and inland river ships in China* (International Council on Clean Transportation, 2024), <https://theicct.org/publication/subsidies-for-scrapping-and-renewing-existing-fleet-in-china-nov24/>.

17 Ministry of Agriculture and Rural Affairs Office, Ministry of Finance Office, “农业农村部办公厅、财政部办公厅关于加大工作力度持续实施好农业机械报废更新补贴政策的的通知” [Notice of the General Office of the Ministry of Agriculture and Rural Affairs and the General Office of the Ministry of Finance on strengthening efforts to continuously implement the subsidy policy for the scrap and renewal of agricultural machinery] (2024), https://www.gov.cn/zhengce/zhengceku/202406/content_6960238.htm.

18 Ministry of Agriculture and Rural Affairs General Office, National Development and Reform Commission General Office, and Ministry of Finance General Office, “农业农村部办公厅 国家发展改革委办公厅 财政部办公厅关于加大工作力度持续实施好农业机械报废更新补贴政策的补充通知” [Notice of the General Offices of the Ministry of Agriculture and Rural Affairs, the National Development and Reform Commission, and the Ministry of Finance on strengthening work efforts to continuously implement the supplementary notice on the policy of subsidizing the scrap and renewal of agricultural machinery] (2024), https://www.gov.cn/zhengce/zhengceku/202409/content_6972931.htm.

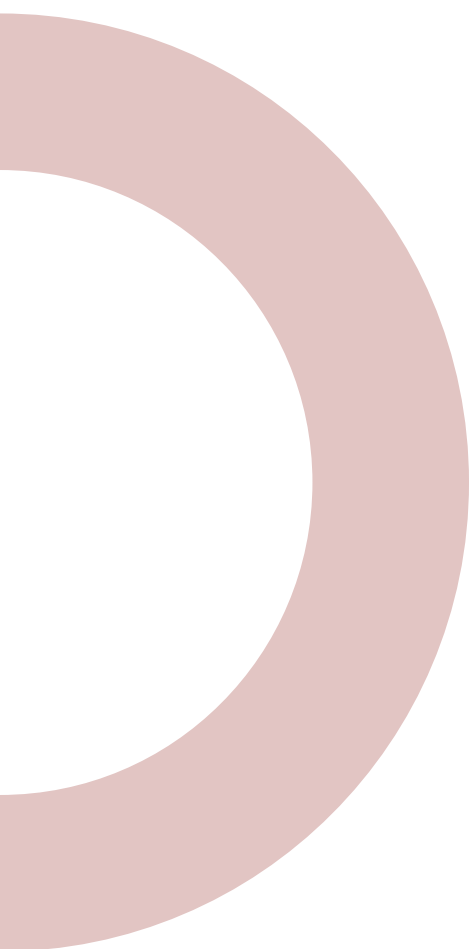
19 Ministry of Agriculture and Rural Affairs General Office et al., 农业农村部办公厅 国家发展改革委办公厅 财政部办公厅 国家粮食和物资储备局办公室关于实施好2025年农业机械报废更新补贴政策的的通知 [Notice of the Ministry of Agriculture and Rural Affairs General Office, the National Development and Reform Commission General Office, the Ministry of Finance General Office, and the National Food and Strategic Reserves Administration Office on the implementation of the subsidy policy for the scrappage and renewal of agricultural machinery], 2025, https://www.gov.cn/zhengce/zhengceku/202502/content_7004734.htm.

The central government provides maximum scrappage and purchase subsidy limits for various categories of agricultural machinery. Local governments will determine their specific subsidy standards in accordance with the relevant regulations.

STATUS AND NEXT STEPS

Following the release of the 2025 Program in January, the relevant ministries developed incentive implementation plans for 2025 in collaboration with the National Development and Reform Commission and the Ministry of Finance. For example, the Ministry of Transport is responsible for the implementation plans for trucks, buses, and ships, while the Ministry of Commerce oversees the plans for passenger cars.

Local governments will also determine local incentive details in accordance with the 2025 Program's national-level standards of eligibility and subsidy levels for passenger cars, trucks, and ships as provided above. Moreover, local governments will primarily determine the specific incentive details for new energy buses and batteries, as well as off-road agricultural equipment, in accordance with the relevant policies under the 2025 Program. As of May 2025, many provinces—including Henan, Guangxi, Jiangsu, Sichuan, and Shandong—have rolled out corresponding local incentive details for 2025. Meanwhile, interim measures were introduced to ensure a smooth transition between the incentive policies of 2024 and 2025.



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