5 percent for electric vehicles, 35 percent for luxury cars: Cuba is liberalizing the auto market

The new laws are intended to make vehicles more affordable and promote local assembly (Source: lezumbalaberenjena/Flickr/CC-BY-SA 2.0)

Anyone in Cuba who wants to own a car has, at best, three options: keep a 70-year-old Chevrolet running, pay a hefty sum at a state-run car dealership—or wait. Either for an affordable used car or for the next reform. The latter arrived yesterday: With Official Gazette No. 65 (PDF), Cuba is restructuring the entire auto market—including purchases, imports, transfers of ownership, and, for the first time, assembly by private companies. The rules take effect on August 11.

Transportation Minister Eduardo Rodríguez Dávila announced “new flexibilities” at a press conference. In fact, the package represents the most radical course correction since the opening of the commercial car trade in 2023.

Market Access for All Players

Specifically, it consists of two decrees and nine accompanying resolutions. The changes are part of the reform package adopted in June comprising 176 “economic and social transformations”; specifically, they implement measures 146, 147, and 148. The reform aims to make vehicles more affordable, provide effective incentives for the transition to electric mobility, and promote local production and vehicle assembly.

The fact that this readjustment of the vehicle market is being implemented so early in the reform package is also related to the situation facing Cuba’s transportation sector: Public transit, once the backbone of the island’s transportation system, is among the hardest-hit sectors in the context of the current energy and economic crisis. At the same time, the first round of liberalization is having an impact where the government initially expected it least: in the boom of electric two-wheelers. The new regulation addresses precisely this issue and uses the tax system as a policy tool.

As a key innovation, the reform opens the vehicle market to **all stakeholders**: Cubans, state-owned and private companies, as well as foreigners and foreign investors with permanent, temporary, provisional, humanitarian, or real-estate-related residence permits can participate in the market and buy, sell, gift, exchange, transfer, and bequeath vehicles to one another.

Some special regulations apply to state-owned enterprises to prevent the mass sell-off of existing fleets; otherwise, all participants are now treated equally.

The **upper limit** of six vehicles within five years—which previously applied to both individuals and companies when purchasing from authorized dealerships—has been eliminated without replacement.

Anyone who wants to and is able to buy a vehicle may now do so without any limit. One drawback remains the still cumbersome purchase process: It must still be notarized, and payment must be made electronically.

Five Percent or 35: The Mobility Transition Through Taxes

At the heart of the package is the revised special tax on vehicles, which now provides even clearer incentives for different vehicle types: Anyone who buys an electric car pays **five percent**, as before, regardless of the class. Anyone who opts for a high-end internal combustion engine vehicle—defined in the law as vehicles in segment D or higher with a length of more than four and a half meters—pays **35 percent**. Hybrids fall in the middle at 15 percent; conventional internal-combustion vehicles (cars, SUVs, and pickup trucks) are taxed at 25 percent; and motorcycles, triciclos (three-wheelers), panel vans, trucks, and tractor-trailers are taxed at 20 percent.

Bases imponibles y tipos impositivos a aplicar para los vehículos de motor

Base imponible	Tipo impositivo
a) Precio de venta de los vehículos de lujo o alta gama, de combustión e híbridos, de las clases autos y auto rurales.	35%
b) Precio de venta de los vehículos de combustión, de las clases auto, auto rural y camioneta.	25%

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Base imponible	Tipo impositivo
c) Precio de venta de los vehículos de combustión, de las clases moto, triciclo, panel, camión y cuña tractora.	20%
d) Precio de venta de los vehículos de combustión, de la clase ómnibus y microbuses.	12%
e) Precio de venta de los vehículos híbridos (incluye los eléctricos con extensores de combustión), todas las clases, excepto los que se consignan en el punto a).	15%
f) Precio de venta de los vehículos eléctricos, todas las clases.	5%
g) Precio de venta de los vehículos de combustión ensamblados en la industria nacional, de las clases auto, auto rural y camioneta.	20%
h) Precio de los vehículos de combustión ensamblados en la industria nacional, de las clases moto, triciclo, panel, camión y cuña tractora.	10%
i) Precio de los vehículos de combustión ensamblados en la industria nacional, de la clase ómnibus y microbuses.	7%
j) Precio de los vehículos híbridos (incluye los eléctricos con extensores de combustión), ensamblados en la industria nacional, todas las clases.	5%
k) Precio de los vehículos eléctricos, ensamblados por las personas jurídicas autorizadas, todas las clases.	3%

Nota 1: Se exceptúan de este impuesto los vehículos eléctricos de todas las clases ensamblados por las personas jurídicas autorizadas, que se comercialicen con sus correspondientes estaciones de carga con fuentes renovables de energía con cobertura total.

Nota 2: A las carrocerías, cabinas, chasis y cuadros de motos se les aplica el Impuesto Especial a Productos y Servicios, según la clase y la gama descrita anteriormente, teniendo en cuenta el tipo impositivo que corresponde a cada uno.

There are also changes for buses. The special tax on buses and minibuses is being reduced from 20 to **12 percent**; for models assembled domestically, the rate drops to 7 percent, and for electric models, to 5 percent. The rationale behind this is the dire state of public transit, which Transportation Minister Rodríguez Dávila described as one of the sectors hardest hit in recent years. The reduction is intended to directly support its recovery—indirectly, the public transportation fund is funded by this tax anyway.

For **domestically assembled vehicles**, lower rates generally apply: 20 percent for internal combustion engine cars, 10 percent for motorcycles and trucks, 5 percent for hybrids, and 3 percent for all types of electric vehicles. **Electric vehicles are completely tax-exempt** when sold (following prior certification by the Authority for Rational Energy Use) together with a charging station powered by renewable sources that provides full coverage.

More Dealers—and Dealer Obligations

At the same time, the number of dealers is growing significantly: Resolution 104/2026 of the Ministry of Foreign Trade grants **17 Cuban companies** import licenses for vehicles, trailers, engines, car bodies, and motorcycle frames—previously, there were just seven. In addition to well-known state-owned entities such as CIMEX, SASA, and Cadena Caribe, the list will now include companies like TRANSIMPORT and TRADEX for heavy-duty commercial vehicles, as well as SOLIMPORT for two-wheelers. These same companies are permitted to sell in U.S. dollars or other foreign currencies. Only used vehicles from the state-owned tourism rental fleet and other domestic sources will be sold in Cuban pesos.

However, this opening comes at a cost for dealers—and that's not bad news for customers: Anyone wishing to sell vehicles in Cuba must offer **more than one year of technical warranty** for new cars and more than six months for used ones, along with customer service that includes a domestic supply of replacement parts and round-the-clock roadside assistance. Liability for this rests with the Cuban trading company, not the foreign supplier.

Duty-Free Import of Electric Cars

For individuals living in Cuba (both Cuban and foreign nationals with virtually any type of residence permit), the package introduces an important change: **everyone is allowed to import once a fully electric car duty-free**, either as unaccompanied baggage or as a cargo shipment. However, this applies only if the vehicle is accompanied by a charging station powered entirely by renewable energy; anyone importing a vehicle without one will pay a tiered fee ranging from **500 to 2,000 U.S. dollars**, depending on the vehicle's value—a fraction of what the government would otherwise charge the market in the form of special taxes and dealer markups.

For two-wheelers—which have long been the backbone of mass motorization on the island—the regulations are becoming more nuanced**: Every five years, you can directly import a moped or motorcycle with an internal combustion or hybrid engine** up to 250 cubic centimeters, including a sidecar. For electric vehicles, the limits are higher: up to two e-mopeds or e-motorcycles, and every five years an **additional electric or hybrid tricycle**. Another change is that, for the first time, internal-combustion-engine tricycles with engine capacities of up to 250 cubic centimeters may be imported directly.

The advantage over purchasing from a dealer—which is now unrestricted—lies in the price: Those who import the vehicles themselves avoid special taxes and dealer markups and pay only customs duties based on low reference values (850 to 950 dollars for internal combustion engines, 200 for electric two-wheelers) plus an 8-dollar clearance fee. For electric mopeds, customs duties for citizens and foreigners with permanent residence permits are even billed in pesos—a fraction of what dealers charge.

Two details show that someone in Havana has thought this through: For every imported two-wheeler, two full-face helmets can be brought in duty-free (three with a sidecar), and light trailers weighing up to 750 kilograms can also be imported. The only restriction applies to shipping: Only a single electric two-wheeler is allowed per shipment.

The situation for **Cubans on state missions abroad**—such as doctors, teachers, diplomats, and ship crews—has also improved significantly. After at least two consecutive years of service, they can purchase or import a vehicle with **up to eight seats**, and for the first time, they can do so through **any** authorized trading company, rather than just a single designated agency. The vehicle may originate from the country of assignment or from a third country and can be new or used; a letter of guarantee from the respective ministry is required. The customs duty here is the lowest in the entire package: $100 for an electric vehicle, $200 for a hybrid, $300 for a combustion-engine vehicle—and the special tax is waived entirely on a one-time basis.

Those hoping to convert their classic internal-combustion cars in the garage to electric power in the future have also had their wishes granted: **Electric motors for converting internal-combustion engines may be imported.** Conversely, converting an electric vehicle back to an internal-combustion engine remains strictly prohibited. Range extenders, however, are permitted—these are small internal-combustion generators that charge the battery while driving. The vehicle is then officially classified as a hybrid.

Vehicle Production by the Private Sector

The possibility of manufacturing vehicles in Cuba, announced as part of the [recent opening to the private sector](), is now formalized in this legislative package: **Under the reform, private companies are permitted to assemble and sell electric vehicles—mopeds, motorcycles, triciclos, and cars**. If these vehicles are sold with a sufficiently sized renewable charging station, they are also exempt from the special tax, as described above. Relevant projects must be submitted through the provincial government, including a guarantee and an assessment of whether existing state-owned industrial facilities on-site can be utilized; final approval is granted by the Council of Ministers through the Ministry of Transportation. This new development marks the first legal opening for private vehicle production since the revolution—albeit one with many safeguards and limited exclusively to electric propulsion.

At the top of it all stands the **Vehicle Evaluation Committee (CEMA)**, headed by the Minister of Transportation himself. It includes representatives from twelve ministries—ranging from Economy and Industry to the Interior and the Armed Forces—as well as Customs and the military holding company GAESA. New members now include the Central Bank and two economic institutes. The committee decides on brands, models, and suppliers, maintains the registry of authorized importers, and can revoke companies' licenses in the event of violations. Cuba's auto market remains regulated rather than fully liberalized.

Of course, Cuba’s hobbyists continue to offer an alternative to state-licensed vehicle manufacturing—and they, too, are being taken into account: With the package of laws taking effect, a temporary legalization campaign begins for mopeds, motorcycles, triciclos, quads, and trailers built privately from individual parts; cars are excluded. Anyone wishing to register their vehicle must do so by October 6 on a website operated by the Ministry of Transportation; proof of the legal origin of the engine and frame is required. Repair shops and self-employed individuals with a transportation license are still expressly prohibited from assembling vehicles, though they are permitted to install electric motors. The line between repair shop and factory remains clearly drawn.

30 Percent Electric Vehicles Among New Sales

Just how much the market has shifted since the initial opening is evidenced by the figures Rodríguez Dávila presented at the press conference. According to the figures, 35,494 motor vehicles were sold through retail chains by the end of June 2026: 65 percent with internal combustion engines, five percent hybrids, and 30 percent electric.

Nearly 70 percent of these were mopeds, motorcycles, and triciclos—electric two- and three-wheelers have become the island’s new “people’s vehicle.” The other channel tells an even clearer story: During the same period, private individuals directly imported 41,963 vehicles—more than the total number sold through state-run channels—including 19,443 electric two-wheelers, which have apparently long been making their way onto the market through private imports without the state having to import them. In addition, there were 13,689 transfers of ownership, almost all (12,444) between private individuals.

A portion of the special tax and customs revenue goes toward the **Fund for the Development of Public Transportation**, administered by the Ministry of Transportation. To date, this has enabled the purchase of 110 minibuses and 30 route buses for national and tourist bus companies, 300 electric trikes for passenger transport, a catamaran for the Isle of Youth, approximately 200 electric cars for dialysis patients, and additional vehicles for healthcare personnel. Rodríguez Dávila candidly acknowledged that restrictions remain: due to accumulated wear and tear in the vehicle fleet and due to “external restrictions”—that is, U.S. sanctions—which even delay the arrival of resources that have already been paid for.

Conclusion: A Clear Direction for Cuba’s Vehicle Market

Cuba’s second round of liberalization in twenty months is more of a change in direction than an update. The 2024 opening demonstrated that demand exists and that the market functions when left to its own devices: Over 40,000 direct imports in a year and a half speak for themselves. The government has apparently learned its lesson and is now following through with the means at its disposal: a level playing field for all, more dealers, and a tax system that, with a range from 5 to 35 percent, pushes so clearly toward electric mobility in a way that has never been seen before in Cuba.

This does nothing to change the fundamental nature of the market: As long as the economy remains in shambles and the purchasing power of wages hovers in the low double-digit dollar range, a new vehicle will remain a pipe dream for most Cubans. But things are clearly moving forward: with two- and three-wheeled electric vehicles, with private imports—which now benefit from significant incentives—and with new opportunities for the private sector to assemble and sell vehicles in Cuba. (Cubaheute)