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Stan Lehman, Associated Press

SAO PAULO (AP) — The government is threatening to suspend auto industry tax breaks in a bid to persuade car makers not to lay off workers, Brazil's largest newspaper said Friday.

Brazil's government reduced its value-added tax on car sales earlier this year amid slumping sales, and in turn asked the industry to not lay off workers.

But the Folha de S.Paulo newspaper reported that the tax may be reintroduced in early August, a month ahead of schedule.

The paper says Brazilian Finance Minister Guido Mantega will meet next week with representatives of the Brazilian subsidiary of General Motors Co. to discuss the auto maker's possible dismissal of more than 1,000 workers.

The Finance Ministry and General Motors confirmed the meeting, but declined to comment on what will be discussed.

Agencia Brasil, the state-run news agency Friday quoted President Dilma Rousseff as saying: "We give fiscal and financial incentives to guarantee employment." No mention was made of suspending the tax break.

Rousseff is in London attending the opening ceremonies of the Olympic games.

The metalworkers union of Sao Jose dos Campos, where GM has eight plants, has said that it fears the auto maker could soon announce the dismissal of 1,500 workers as a result of the production halt of three models.

GM has said that it has made no decisions regarding layoffs.

The union also fears the complete shutdown of the plant where GM still produces a sedan.

The union says that it and GM agreed there would be no layoffs or strikes until Aug. 4 when the two sides meet again to work out a solution.

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