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REPORT

on the Commission communication on taxation of passenger cars in the European Union
(COM(2002) 431 - (2002/2260(INI))

Committee on Economic and Monetary Affairs

Rapporteur: Mary Honeyball

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PROCEDURAL PAGE

By letter of 6 September 2002, the Commission forwarded to Parliament a communication on taxation of passenger cars in the European Union (COM (2002) 431 – C5-0573/2002), which was forwarded to Committee on Economic and Monetary Affairs for information.

At the sitting of 19 December 2002 the President of Parliament announced that the Committee on Economic and Monetary Affairs had been authorised to draw up an own-initiative report on this subject pursuant to Rule 47.2 and Rule 163 of the Rules of Procedure and that the Committee on the Environment, Public Health and Consumer Policy, Committee on Industry, External Trade, Research and Energy and Committee on Regional Policy, Transport and Tourism had been asked for their opinions.

The Committee on Economic and Monetary Affairs appointed Mary Honeyball rapporteur at its meeting of 1 October 2002.

It considered the Commission communication and the draft report at its meetings of 19 February 2003, 18 March 2003 and 12 June 2003 and 8 July 2003.

At the latter meeting it adopted the motion for a resolution by 19 votes to 17, with 4 abstentions.

The following were present for the vote: Christa Randzio-Plath, chairman; José Manuel García-Margallo y Marfil, Philippe A.R. Herzog and John Purvis, vice-chairmen; Mary Honeyball, rapporteur; Generoso Andria, Roberto Felice Bigliardo, Hans Blokland, Jean-Louis Bourlanges (for Brice Hortefeux), Hans Udo Bullmann, Benedetto Della Vedova, Bert Doorn (for Mónica Ridruejo), Harald Ettl (for Helena Torres Marques), Jonathan Evans, Carles-Alfred Gasòliba i Böhm, Robert Goebbels, Lisbeth Grönfeldt Bergman, Christopher Huhne, Pierre Jonckheer (for Alain Lipietz), Othmar Karas, Giorgos Katiforis, Piia-Noora Kauppi, Christoph Werner Konrad, Wilfried Kuckelkorn (for a full member to be nominated), Werner Langen (for Ingo Friedrich), Thomas Mann (Astrid Lulling), Ioannis Marinos, David W. Martin, Hans-Peter Mayer, Miquel Mayol i Raynal, Fernando Pérez Royo, Alexander Radwan, Bernhard Rapkay, Amalia Sartori (for Renato Brunetta pursuant to Rule 153(2)), Herman Schmid (for Ioannis Patakis), Olle Schmidt, Peter William Skinner, Bruno Trentin, Ieke van den Burg (for Pervenche Berès) and Theresa Villiers.

The opinions of the Committee on the Environment, Public Health and Consumer Policy and the Committee on Committee on Regional Policy, Transport and Tourism are attached; the Committee on Committee on Industry, External Trade, Research and Energy decided on 8 October 2002 not to deliver an opinion.

The report was tabled on 10 July 2003.

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the Commission communication on taxation of passenger cars in the European Union (COM(2002) 431 - (2002/2260(INI))

The European Parliament,

– having regard to the Commission communication (COM (2002) 431 – C5-0573/2002[1]),

– having regard to its resolution of 18 June 1998 on the Commission on the proposal for a Council Directive governing the tax treatment of private motor vehicles moved permanently to another Member State in connection with a transfer of residence or used temporarily in a Member State other than that in which they are registered (COM(1998) 30[2])[3],

– having regard to its resolution of 14 March 2002 on the Commission communication to the Council, the European Parliament and the Economic and Social Committee on tax policy in the European Union (COM(2001) 260[4])[5],

– having regard to the proposal for a Council Directive amending Directive 92/81/EEC and Directive 92/82/EEC to introduce special tax arrangements for diesel fuel used for commercial purposes and to align the excise duties on petrol and diesel fuel (COM(2002) 410[6]),

– having regard to its resolution of 10 April 1997 on the Commission communication on a Community strategy to reduce CO2 emissions from passenger cars and improve fuel economy (COM(1995) 689)[7],

– having regard to the Commission communication to the Council and the European Parliament on Implementing the Community Strategy to Reduce CO2 Emissions from Cars: Third annual report on the effectiveness of the strategy (Reporting year 2001) (COM(2002) 693[8]),

– having regard to the reports presented at the hearing of experts organised by the Committee on Economic and Monetary Affairs in March 2003,

– having regard to Rule 47(2) and 163 of its Rules of Procedure,

– having regard to the report of the Committee on Economic and Monetary Affairs and the opinions of the Committee on the Environment, Public Health and Consumer Policy and

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[1] OJ C not yet published.
[2] OJ C 108, 7.4.1998, p. 75
[3] OJ C 210, 6.7.1998, p. 204
[4] OJ C 284, 10.10.2001, p. 6
[5] OJ C E 47, 27.2.2003. p. 591
[6] OJ C 291 E, 26.11.2002, p. 221
[7] OJ C 132, 28.4.1997, p. 210
[8] OJ C not yet published.

the Committee on Regional Policy, Transport and Tourism (A5-0265/2003),

A. Whereas citizens wishing to transfer their car from one Member State to another face considerable administrative and financial barriers which might impair their right to free movement,

B. whereas the Commission, the Parliament and the Court of Justice every year receive a large number of complaints from citizens concerning problems arising in connection with cross-border movements of cars; whereas this suggests that there is a need to complete the Single Market in this area,

C. whereas current legislation requires citizens to re-register their vehicles even for a relatively brief stay in another Member State, and it also prevents companies from re-renting a car registered in one Member State arrived in another, instead requiring the vehicle to be repatriated empty to its country of registration,

D. whereas transport is responsible for 28% of total CO_2 emissions, and road transport alone represents 84% of all transport-related CO_2 emissions, half of which is accounted for by passenger cars,

E. having regard to rising transport-related CO2 emissions and to the continuing trend towards large-engined, high-consumption off-road vehicles (SUVs),

F. having regard to the objective, laid down in Article 5 of the Sixth Environmental Action Programme, of reducing greenhouse gas emissions in the transport sector by laying down and implementing additional, specific measures for motor vehicles,

G. whereas the European Union and its Member States have in ratifying the Kyoto Protocol committed themselves to substantially reduce CO_2 emissions over the coming years,

H. whereas as part of the 1995 Strategy to reduce CO_2 emissions, the Commission has secured commitments from the automobile industry aimed at reducing such emissions from new cars from an average of 186 g CO_2 /km to 140 g CO_2 /km by 2008/9,

I. having regard to the European Parliament's and the Council's shared objective of reducing new passenger cars' average CO2 emissions to 120 g/km by 2010 at the latest,

J. whereas a certain amount of tax competition between the Member States is reasonable and advantageous for strong economic development in the EU;

1. Agrees that there is an urgent need to restructure vehicle taxes in the European Union;

2. Agrees that it is necessary to improve the functioning of the internal market by removing or reducing administrative barriers between Member States, and to better address wider policy considerations, especially the European Union's environmental commitments;

3. Considers therefore that urgent action must be taken at national level to remove barriers to the free movement of persons and cars;

4. Underlines that passenger car taxation cannot be seen in isolation from the taxation of fuels or from road user charges ;

5. Underlines its belief that the level of the annual circulation tax paid by users of private cars does not affect the functioning of the internal market and considers that these taxes are of the competence of the National Authorities concerned;

6. Stresses that such an annual circulation tax is a transparent instrument clearly identifying the component parts relating to emission and consumption levels and is easily understandable and easy to use;

7. Emphatically reasserts, in this connection, its decision of 10 April 1997 on an appropriate tax model:

'7. Calls on the Commission, in order to promote the introduction of low-consumption and environmentally compatible motor vehicles, to submit a proposal for a directive on the structure of car purchase taxes and/or annual road taxes in the EU, which might include the following points:
- *an exclusive focus on emissions which affect the environment (vehicle emissions, particles and carbon dioxide),*

classification of each vehicle type according to EU directives on vehicle emission reductions (EURO I, II, III) and establishment of a basic tax for each type which would take account of any lower excise duty on diesel fuel,

a progressively graduated CO_2 supplement to be levied on passenger cars producing more than 120 g/km of CO_2 emissions, which would be added to the basic tax to calculate the final tax level,

rebates to be allowed for vehicles with less than 120 g/km of CO_2 emissions, to be structured so as to ensure that 'three-litre cars' are tax-free;';

8. Points out that the proposal to remove the favourable tax treatment for diesel cars in most Member States may be counterproductive insofar as the objective to reduce greenhouse gas emissions is concerned;

9. Stresses its conviction that in order to avoid any reduction of economic activity, the excise duty on fuel should not be set much higher than the external cost of fuel use;

10. Is of the opinion that the tax structures must be kept simple and transparent and considers that the criteria used for determining the tax should be kept at an absolute minimum; considers therefore that it would not be useful to also link the tax to vehicle or road safety elements, especially as the environmental and vehicle safety aspects may contradict each other;

11. Calls on the Commission and the Member States to ensure that tax benefits are accorded to low-pollution passenger vehicles and technical innovations to vehicles aimed at the further reduction of gas pollution.

12. Considers, in addition, that changes are necessary in a number of other areas in order to ensure an optimal environmental impact, for example registration and insurance

requirements for temporary transfers from one Member State to another should be reformed and made more flexible;

13. Is convinced that, without environment-oriented taxation, the objectives of the three-pillar Community strategy on CO2 reduction and the shared goal of achieving a CO2 level of 120 g/km for new cars by 2010 at the latest are in jeopardy and cannot be realised;

14. Calls on the Council to implement the third pillar of the Community CO2 strategy speedily;

15. Finds it unacceptable that 10 years after the launch of the Single Market, such a large number of obstacles to transfer of cars caused by administrative practices or procedures still remain;

16. Calls on the Commission before the end of November 2003 to present proposals, as a temporary solution pending measures to abolish registration taxes, and to present proposals to overcome internal market barriers resulting from registration taxes;

17. Recalls its strong support for the Commission's 1998 proposal seeking to eliminate the double imposition of registration taxes, but points out that this has failed secure the unanimous agreement of the Council;

18. Calls consequently on the Council to in the future make a greater effort to facilitate the passage of the measures envisaged in this report, in partilcuar as they concern issues directly affecting the daily lives of European citizens;

19. Calls on the Commission and Member States to, in addition to the removal of the tax barriers caused by the registration taxes, also tackle all other existing barriers to cross border transfers of cars in order to reduce the time and expense required for the importation or exportation of a vehicle;

20. Requires the Commission to take all necessary measures to ensure that in accordance with Council Directive 83/183/EEC, cars are not taxed when a person moves from one Member State to another. It further asks the Commission to evaluate whether restrictions imposed by some Member States, on the resale of the vehicle within a period of three years after its importation are compatible with the single market;

21. Calls on the Member States to make information on, as well as the required documents for import and export procedures available in languages other than the official languages of country and to take steps to reduce the administrative fees levied;

22. Instructs its President to the Commission, the Council and the Parliament's of the Member States.

EXPLANATORY STATEMENT

Background

New and used passenger cars are subject to a wide spectrum of taxes, which in turn differ considerably from one Member State to another.

In short, car ownership and use is subject to four distinct types of taxes:

- **Registration Tax (RT)** which is generally paid when a car is bought or imported. At present, ten Member States levy RT ranging from 0 to 180% of the pre-tax car price.

- All Members States, except France, levy an ***Annual Circulation Tax (ACT)*** at levels ranging from €30 to €463 per year.

- Under the 6th VAT Directive, purchases of new cars are subject to ***VAT at the standard rate applicable in the buyer's country of residence.***

- ***Fuel Taxes,*** or rather excise duties on fuels, have been the subject of a minimum degree of harmonisation at EU level. With the exception of the UK, all Member States apply lower levels of tax on diesel. The Commission, for its part, considers that this favourable tax treatment of diesel no longer is justified, and has put forward a proposal which would align the minimum rate of excise duty of non-commercial diesel with the minimum rate for unleaded petrol (Currently under consideration by the Committee).

The Problem

a) The Single Market Issue for Citizens

There is a considerable amount of evidence that car taxation can be an obstacle for people moving or working across the Union's internal borders. Each year, a large number of complaints are sent either to the European Parliament's Committee on Petitions, to the Commission, and, ultimately, to the ECJ.

Citizens are facing two main hurdles in trying to move across the Single Market with their cars.

<u>Registration Taxes</u>

Although annual circulation taxes sometimes are reimbursed, RT is never re-paid when a car is transferred to another Member State. Some Member States that levy RT require that a RT has to be paid (again) when a car is to remain permanently on their territory. A related problem is that the values applied by Member States for assessing the taxable value of used cars often is excessively high.

Such double taxation still happens despite the fact that two Council Directives, in force since 1983, regulate the tax treatment of cars when persons move, either temporarily or permanently from one Member State to another, seeking to avoid double taxation of cars.

Although an abundance of case law from the European Court of Justice has further limited Member States' competence to tax cars moving from one Member State to another, the steady stream of complaints suggests that the current framework is not enough to protect citizens against double taxation.

<u>Red Tape and Lack of Information</u>

Another problem is that information is often lacking, e.g. in most countries, information on the formalities for importing a car is only available in the national language. Thus, most are forced to use the services of a professional in order to accomplish what is in essence a relatively easy task.

According to a study commissioned by the European Commission, the average cost for the formalities for somebody transferring her residence and taking her car with her is estimated at up to €351. According to the Commission study, the export part of the move (deregistration in the country of origin) can take up to a whole day requiring the presentation of between 5-11 documents and to contact up to 5 different institutions. In the Member State of destination, workload for the citizen ranges from 1 and 9 hours and requires the presentation of up to 9 documents, and contacts with up to 7 institutions.

b) The Single Market Implications for Companies

The level of Registration Tax in any given Member State generally directly influences the pre-tax price applied by a car manufacturer to a given model in that country. Pre-tax car prices are typically higher in those countries applying low or no RT, while pre-tax prices are lower in high tax countries. Different taxation levels can, according to the Commission, explain 20% of car price differentials.

Potentially, granted that cars are taxed in the country of residence, this could be an opportunity for citizens to benefit from the Single Market by shopping where cars are cheapest (pre tax). However, there is almost no cross border retail trade in cars at the EU, although it is expected that this situation will change following the recent reform of competition rules for car sales and servicing.

For the motor industry, however, the current fragmentation of the European market means that they must have different pricing strategies for each Member State, and, additionally, may have to produce modified versions of their models for certain markets, either to make them cheaper in high tax countries, or to squeeze them under a certain tax threshold (fiscal horse powers, cc etc). This would appear to be incompatible with the spirit of the internal market.

c) Wider Policy Objectives

The taxation of cars is of course an issue that cannot be seen in isolation from other policy considerations. In this context, special attention must be paid to the environmental appropriateness and impact of car taxation.

Cars are a major source of CO_2 emissions and, given the European Union's and the Member States' commitments to reduce greenhouse gas emissions under the Kyoto Protocol, due consideration must also be given to how car taxation can contribute towards this goal.

Considering that CO_2 emissions and other unwelcome externalities such as congestion, noise are directly proportional to the use of the car, it may be logical to work towards a tax reform where use and environmental impact, rather than ownership are the focal points. An interesting example is in that regard the United Kingdom, which as only Member State, levies a CO_2 -based annual circulation tax. The UK ACT is consequently considerably lower for cars which emit (relatively) little CO_2 per km.

The Proposed Solutions

In its Communication, the Commission sets out some ideas for reforming car taxation. In short, the Commission considers that in the medium term (5 to 10 years), RT should be abolished and that the emphasis instead should be on ACT, fuel duties and environmental levies.

It also suggests that a RT refund system should be established without delay in all ten Member States currently applying a RT. This system should ensure, during the transitional period, a pro rata refund of the residual RT in all cases where a passenger car, registered in one Member State, is exported or is moved permanently to another Member State. General rules with regard to the method of calculation of RT on used cars imported from other Member States should also be established. This method of calculation of the residual amount of RT should also apply to the refund system.

Finally, it considers that a number of steps should be taken to establish a more direct relation between taxation levels and the CO_2 emissions of new passenger cars. It considers that both RT and ACT should be turned into entirely CO_2 based taxes, or at least that a CO_2 sensitive element should be added to both of them.

Critical Appraisal

Having consulted with all the main stakeholders in this process, your rapporteur cannot but welcome this initiative from the Commission and urges the Commission to go ahead and implement the policy options set out in its Communication. It is clear that time is ripe to reform car taxation in Europe, and this for two distinct reasons.

First, the EU and its Member States are committed to reduce greenhouse gas emissions, and given that passenger cars is a major source of such emissions, every effort must be made to ensure that such emissions are reduced as far as possible. The industry, in partnership with the EU, is committed to a substantial reduction in CO_2 emissions from new cars, and it would be illogical for car taxation not to take this into account.

Your rapporteur therefore firmly believes that it is high time to make vehicle taxation greener by directly linking it to environmental objectives, for example CO_2 emissions per kilometre. This would send an important signal to consumers when making their purchase decisions.

Second, it is also necessary to tackle the considerable barriers to transfer of cars from one country to another still being caused by differences in tax legislation, as well as, by inflexible administrative practices. The Commission's suggestion to phase out RT would indeed be a solution to most of the tax related problems, and your rapporteur hopes that this can be achieved within a reasonable time frame. However, recognising that this will take time, your rapporteur calls on the Commission to present proposal for a simple and non-bureaucratic RT refund system before November 2003 so that it can be examined by before the 2004 EP elections.

It should be noted that already in 1998, the Commission did put forward a proposal aimed at eliminating the double taxation (RT) of cars. It was broadly supported by the European Parliament, but has still not been approved by the Council and one might against that background wonder what chances a new proposal from the Commission in the same area will have of securing the unanimous support of the Council.

In her report, in addition to express support for the Commission's tentative legislative agenda, concerning the gradual phasing out of the RT and the reform of the ACT, your rapporteur also raises a number of specific points which she would like to Commission to address.

As indicated above, the Commission has put forward a separate proposal which would remove the favourable (in relative terms) tax treatment of diesel fuel. Your rapporteur would simply like to point out that this would in effect be counterproductive to the notion of introducing a CO_2 component in the ACT as several studies have shown that CO_2 emissions are considerably lower from diesel cars than from petrol cars. A 2001 study by the Swedish National Road Administration shows that CO_2 emissions are 40% greater for petrol cars than for diesel cars on the basis of comparisons between cars of the same make and similar specifications using the EU measuring standards. It goes on to add that the difference is probably is even greater in real driving conditions. That being said, one must also take into account the fact that diesel generates considerably more particulate and NO_x emissions.

A further area where action should be need is the income tax treatment of company cars. Although, this is not an area of competence of the EU, it is nonetheless important to draw Member State's attention to the need to ensure that also income tax systems provide the right incentives when it comes to choosing company cars. Just as for ACT, it is important that Member States ensure that the environmental properties of a company car is reflected in the income tax calculation for the person enjoying the benefit.

It is also necessary to clarify the rules on the temporary transfer of vehicles from one Member State to another, and to make them more flexible. One can distinguish between (at least) two separate cases:

a) When a motorist spend periods of time abroad, in most cases more than six months, such as a stay in a secondary residence, or for academic or professional reasons, but without changing their main residence, they are required to re-register and reinsure the car in the second country involving, as we have seen, considerable time and expense, only to be forced to go through the same process a few months. This rigid system does no longer seem justified in a Single Market supposed to encourage movements across borders.

b) A second issue concerns leasing and rental companies which cannot operate on a European basis. Suppose that a customers rents a car in Brussels to drive to London. The company's agent in London is not allowed to rent out the car, but has to repatriate it empty thus requiring an unnecessary journey with all the costs and emissions that comes with it.

On a final note, whilst being a staunch supporter of introducing a CO_2 element in passenger car taxation, your rapporteur would caution against the inclusion of further criteria such as vehicle safety. Too many fiscal initiatives may be confusing for the customer, and it is unlikely that they will generate an overall positive result. Indeed, they may be in contradiction with each other as increasing car safety may mean an increase in the weight of the car, hence increasing fuel consumption, and hence increasing CO_2 emissions.

30 April 2003

OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND CONSUMER POLICY

for the Committee on Economic and Monetary Affairs

on the taxation of passenger cars in the European Union - options for action at national and Community level

(COM(2002) 431 – C5-0573/2002 – 2002/2260(INI))

Draftsman: Bernd Lange

PROCEDURE

The Committee on the Environment, Public Health and Consumer Policy appointed Bernd Lange draftsman at its meeting of 9 December 2002.

It considered the draft opinion at its meetings of 24 March and 30 April 2003.

At the latter meeting it adopted the following conclusions by 29 votes to 5, with no abstentions.

The following were present for the vote: Caroline F. Jackson (chairman), Mauro Nobilia and Guido Sacconi (vice-chairmen), Bernd Lange (draftsman), María del Pilar Ayuso González, Hans Blokland, David Robert Bowe, John Bowis, Martin Callanan, Dorette Corbey, Chris Davies, Véronique De Keyser (for Anne Ferreira), Karl-Heinz Florenz, Cristina García-Orcoyen Tormo, Laura González Álvarez, Robert Goodwill, Françoise Grossetête, Jutta D. Haug (for Rosemarie Müller), Christa Klaß, Paul A.A.J.G. Lannoye (for Hiltrud Breyer), Peter Liese, Torben Lund, Minerva Melpomeni Malliori, Jorge Moreira da Silva, Emilia Franziska Müller, Riitta Myller, Ria G.H.C. Oomen-Ruijten, Marit Paulsen, Dagmar Roth-Behrendt, Renate Sommer (for Horst Schnellhardt), María Sornosa Martínez, Bart Staes (for Marie Anne Isler Béguin), Antonios Trakatellis and Kathleen Van Brempt.

CONCLUSIONS

The Committee on the Environment, Public Health and Consumer Policy calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following points in its motion for a resolution:

The European Parliament,

- having regard to the Council conclusions of 25 June 1996 and the European Parliament resolution of 10 April 1997[1] on the Commission communication on a Community strategy to reduce CO_2 emissions from passenger cars and improve fuel economy (COM(95)0689),

A. having regard to the EU's three-pillar Community strategy to reduce CO_2 emissions from passenger cars, comprising:

   1. the self-imposed commitment of European automobile manufacturers (ACEA), and subsequently of Japanese and Korean manufacturers, requiring, through technical measures, an average reduction in CO_2 emissions (from 185 g/km at the time) to 140 g/km to be achieved for new cars by 2008 ;

   2. fuel economy and CO_2 emissions labelling, made mandatory by Directive 1999/94/EC, in connection with the sale of new cars;

   3. tax incentives in support of low-consumption vehicles;

B. having regard to the patchwork of different motor vehicle taxation systems within the European Union, involving registration taxes and/or annual circulation taxes, which are geared to no more than a very limited extent to reducing CO_2 emissions or to other environmental criteria,

C. having regard to rising transport-related CO_2 emissions and to the continuing trend towards large-engined, high-consumption off-road vehicles (SUVs),

D. having regard to the objective, laid down in Article 5 of the Sixth Environmental Action Programme, of reducing greenhouse gas emissions in the transport sector by laying down and implementing additional, specific measures for motor vehicles,

E. having regard to the European Parliament's and the Council's shared objective of reducing new passenger cars' average CO_2 emissions to 120 g/km by 2010 at the latest,

1. Welcomes the Commission's push to gear motor vehicle taxation in the European Union towards reducing CO_2 emissions;

2. Emphatically reasserts, in this connection, its decision of 10 April 1997 on an appropriate tax model:

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[1] OJ C 132, 28.4.1997, p. 210.

'7. Calls on the Commission, in order to promote the introduction of low-consumption and environmentally compatible motor vehicles, to submit a proposal for a directive on the structure of car purchase taxes and/or annual road taxes in the EU, which might include the following points:

- *an exclusive focus on emissions which affect the environment (vehicle emissions, particles and carbon dioxide),*
- *classification of each vehicle type according to EU directives on vehicle emission reductions (EURO I, II, III) and establishment of a basic tax for each type which would take account of any lower excise duty on diesel fuel,*
- *a progressively graduated CO_2 supplement to be levied on passenger cars producing more than 120 g/km of CO_2 emissions, which would be added to the basic tax to calculate the final tax level,*
- *rebates to be allowed for vehicles with less than 120 g/km of CO_2 emissions, to be structured so as to ensure that 'three-litre cars' are tax-free;'*;

3. Notes that the motor vehicle taxation strategy must be viewed in conjunction with the approximation of excise on petrol and diesel fuels in order to arrive at a logical and integrated approach;

4. Stresses that the tax must be neutral in terms of receipts, i.e. overall it must involve neither less revenue for the state nor an additional burden on citizens, and that that requirement can be met by such an annual circulation tax;

5. Takes the view that Community-wide harmonisation of motor vehicle taxation would act as a guiding hand and help to foster the market for low-consumption vehicles;

6. Stresses that such an annual circulation tax is a transparent instrument clearly identifying the component parts relating to emission and consumption levels and is easily understandable and easy to use;

7. Recalls that in order to enhance the incentive effect of taxation, the total tax reform (registration tax, annual circulation tax, excise duties and infrastructure pricing) should be made clearly visible and should readily show the actual total cost of road traffic to consumers from the outset of the reform;

8. Is convinced that, without environment-oriented taxation, the objectives of the three-pillar Community strategy on CO_2 reduction and the shared goal of achieving a CO_2 level of 120 g/km for new cars by 2010 at the latest are in jeopardy and cannot be realised;

9. Calls on the Commission to submit an appropriate proposal promptly for restructuring registration taxes and for gearing annual circulation taxes to CO_2 emission reduction;

10. Proposes that, at the same time as motor vehicle taxation is restructured, a link should also be established between vehicle safety and taxation;
11. Calls on the Council to implement the third pillar of the Community CO_2 strategy speedily;

12. Requests the Commission to come forward as soon as possible, as requested in the Sixth Environmental Action Programme, with a communication on quantified environmental objectives for a sustainable transport system;

13. Asks the Commission to consider, as an alternative, presenting, no later than by 2006, a proposal for a directive introducing an EU-wide CO2 emissions trading scheme for new cars (including new imported cars) based on Article 175(1), with the aim of achieving a CO2 level of 120 g/km for new cars by 2010 in the European Union.

21 February 2003

OPINION OF THE COMMITTEE ON REGIONAL POLICY, TRANSPORT AND TOURISM

for the Committee on Economic and Monetary Affairs

on the communication from the Commission to the Council and
the European Parliament: "Taxation of passengers cars in the European Union - options for action at national and Community levels"

(COM(2002) 431 – C5-0573/2002 – 2002/2260 (INI))

Draftsman: Ari Vatanen

PROCEDURE

The Committee on Regional Policy, Transport and Tourism appointed Ari Vatanen draftsman at its meeting of 5 November 2002.

It considered the draft opinion at its meetings of 21 January 2003 and 18 February 2003.

At the last meeting it adopted the following conclusions by 47 votes to 3.

The following were present for the vote: Rijk van Dam, vice-chairman and acting chairman; and Gilles Savary, vice-chairman;, Emmanouil Bakopoulos, Rolf Berend, Philip Charles Bradbourn, Luigi Cocilovo, Gerard Collins, Christine de Veyrac, Jean-Maurice Dehousse (for Dana Rosemary Scallon), Jan Dhaene, Garrelt Duin, Alain Esclopé, Giovanni Claudio Fava, Jacqueline Foster, Mathieu J.H. Grosch, Catherine Guy-Quint (for Brian Simpson), Konstantinos Hatzidakis, Ewa Hedkvist Petersen, John Hume, Juan de Dios Izquierdo Collado, Georg Jarzembowski, Dieter-Lebrecht Koch, Giorgio Lisi, Nelly Maes, Sérgio Marques, Emmanouil Mastorakis, Erik Meijer, Rosa Miguélez Ramos, Francesco Musotto, James Nicholson, Camilo Nogueira Román, Josu Ortuondo Larrea, Wilhelm Ernst Piecyk, Samuli Pohjamo, Bernard Poignant, José Javier Pomés Ruiz, Alonso José Puerta, Reinhard Rack, Carlos Ripoll y Martínez de Bedoya, Ingo Schmitt, Renate Sommer, Per Stenmarck (for Felipe Camisón Asensio), Dirk Sterckx, Margie Sudre, Joaquim Vairinhos, Kathleen Van Brempt (for Ulrich Stockmann, pursuant to Rule 153(2)), Herman Vermeer, Kyösti Tapio Virrankoski (for Isidoro Sánchez García, pursuant to Rule 153(2)), Mark Francis Watts, Brigitte Wenzel-Perillo (for Karla M.H. Peijs).

CONCLUSIONS

The Committee on Regional Policy, Transport and Tourism calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following points in its motion for a resolution:

1. Notes that fiscal and administrative barriers between Member States in the passenger car sector continue to subsist and welcomes the Commission's proposals in its communication as important contributions to improve the internal market;

2. Requires the Commission to take all necessary measures to ensure that in accordance with Council Directive 83/183/EEC, cars are not taxed when a person moves from one Member State to another. It further asks the Commission to evaluate whether restrictions imposed by some Member States, on the resale of the vehicle within a period of three years after its importation are compatible with the single market;

3. Regrets that the Council has failed to agree on the 1998 Commission proposal concerning taxation of private cars and calls upon it to facilitate the adoption of new proposals in this field, which are conducive to the strengthening of the single market;

4. Strongly supports the establishment of a community wide registration tax refund system coupled with a tax calculation method as a way of avoiding double taxation;

5. Considers the idea of phasing out the registration tax on private cars in all EU Member States to be a positive step in the construction of the single market and conducive to the promotion of the renewal of the EU car fleet with safer and environmentally friendly vehicles;

6. Warns that a distinction must be drawn between the long-term and the short-term approach to taxation on purchase. The final abolition of tax on purchase, including preparations, is bound to take some considerable time. In the mean time, in the short term, a number of issues need to be resolved as effectively as possible, following the Commission communication, such as the fact that tax is partly collected as excise duty and partly as road tax;

7. Considers that the abolition of tax on purchase should take place gradually in the light of the depreciation of the existing stock of (second-hand) vehicles held on the one hand by vehicle owners and on the other by the car trade, car rental firms and the motorcycle trade. The abolition of tax on purchase will make new vehicles cheaper, which will have a knock-on effect on the value of the stock of existing vehicles.

8. Underlines its belief that the level of the annual circulation tax paid by users of private cars does not affect the functioning of the internal market and considers that these taxes are of the competence of the National Authorities concerned;

9. Believes an EU framework taxation rate must be set for fuel excise duties. The common framework taxation rates for fuel excise duties should be based on the external costs caused by emissions of CO^2 and other greenhouse gases, together with emissions of gases causing acid rain - whose effects are not dependent on the place of

emission – whereas other pollutants should, if economically feasible, exclusively be priced within locally adapted schemes;

10. Stresses its conviction that in order to avoid any reduction of economic activity, the excise duty on fuel should not be set much higher than the external cost of fuel use;

11. Recalls that 40,000 people are killed in road accidents every year and regrets that the Commission communication failed to establish any link between taxation and vehicle safety. Therefore calls upon it to explore the possibility of creating an EU framework along the lines of euroNCAP for granting fiscal incentives to improve safety levels;

12. Calls on the Commission and the Member States to ensure that tax benefits are accorded to low-pollution passenger vehicles and technical innovations to vehicles aimed at the further reduction of gas pollution.