

# EUROPEAN PARLIAMENT

2004



2009

---

*Session document*

FINAL  
**A6-0240/2006**

10.7.2006

**\***

## **REPORT**

on the proposal for a Council directive on passenger car related taxes  
(COM(2005)0261 – C6-0272/2005 – 2005/0130(CNS))

Committee on Economic and Monetary Affairs

Rapporteur: Karin Riis-Jørgensen

### ***Symbols for procedures***

- \* Consultation procedure  
*majority of the votes cast*
- \*\*I Cooperation procedure (first reading)  
*majority of the votes cast*
- \*\*II Cooperation procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\* Assent procedure  
*majority of Parliament's component Members except in cases  
covered by Articles 105, 107, 161 and 300 of the EC Treaty and  
Article 7 of the EU Treaty*
- \*\*\*I Codecision procedure (first reading)  
*majority of the votes cast*
- \*\*\*II Codecision procedure (second reading)  
*majority of the votes cast, to approve the common position  
majority of Parliament's component Members, to reject or amend  
the common position*
- \*\*\*III Codecision procedure (third reading)  
*majority of the votes cast, to approve the joint text*

(The type of procedure depends on the legal basis proposed by the Commission.)

### ***Amendments to a legislative text***

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

## CONTENTS

	<b>Page</b>
DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION .....	5
EXPLANATORY STATEMENT .....	19
OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND FOOD SAFETY .....	23
OPINION OF THE COMMITTEE ON TRANSPORT AND TOURISM.....	33
PROCEDURE.....	44



## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a Council directive on passenger car related taxes  
(COM(2005)0261 – C6-0272/2005 – 2005/0130(CNS))**

**(Consultation procedure)**

*The European Parliament,*

- having regard to the Commission proposal to the Council (COM(2005)0261)<sup>1</sup>,
  - having regard to Article 93 of the EC Treaty, pursuant to which the Council consulted Parliament (C6-0272/2005),
  - having regard to Rule 51 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 Food Safety and the Committee on Transport and Tourism (A6-0240/2006),
1. Approves the Commission proposal as amended;
  2. Calls on the Commission to alter its proposal accordingly, pursuant to Article 250(2) of the EC Treaty;
  3. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
  4. Calls for initiation of the conciliation procedure under the Joint Declaration of 4 March 1975 if the Council intends to depart from the text approved by Parliament;
  5. Asks the Council to consult Parliament again if it intends to amend the Commission proposal substantially;
  6. Instructs its President to forward its position to the Council and the Commission.

Text proposed by the Commission

Amendments by Parliament

### Amendment 1 Recital 1

(1) Passenger car taxation can be an important complementary tool to support environmental objectives, in particular in relation to the reduction of greenhouse gas emissions and it is appropriate, therefore, to

(1) Passenger car taxation can be an important complementary tool to support environmental objectives, in particular in relation to the reduction of greenhouse gas emissions, and it is appropriate, therefore, to

---

<sup>1</sup> Not yet published in OJ.

introduce a **carbon dioxide** based element in the tax bases of both registration taxes and annual circulation taxes. However, in order to contribute to meeting the commitments made by the Community and its Member States under the Kyoto Protocol, the proposed elements directly relating to **carbon dioxide** emissions should be inserted in the tax bases of *the* passenger related taxes applied during the commitment period from 2008 to 2012. As the Community's strategic objective to reduce **the carbon dioxide** emissions from passenger cars needs to be achieved by 2010 at the latest, it is appropriate to apply **fully the carbon dioxide** based element by 31 December 2010.

introduce a **pollutant and fuel efficiency** based element in the tax bases of both registration taxes and annual circulation taxes. However, in order to contribute to meeting the commitments made by the Community and its Member States under the Kyoto Protocol, the proposed elements directly relating to **pollutant** emissions should be inserted in the tax bases of passenger *car* related taxes applied during the commitment period from 2008 to 2012. As the Community's strategic objective to reduce **pollutant** emissions from passenger cars needs to be achieved by 2010 at the latest, it is appropriate to apply **differentiated taxation based on the pollutant** based element by 31 December 2010 **in such a way that it has a positive impact on reducing emissions.**

#### *Justification*

*In addition to carbon dioxide emissions, other air pollutants such as NO<sub>x</sub> and particle emissions have a crucial bearing on air quality and should be taken into account in the basis of assessment for the annual circulation tax.*

*Besides the aim of improving the functioning of the internal market, this proposal aims at providing instruments for the communitarian strategy to reduce carbon dioxide. This second aim must be secured.*

#### Amendment 2

##### Recital 2

(2) The third pillar of the Community's strategy to reduce **carbon dioxide** emissions from passenger cars and improve fuel economy, endorsed by the Council in 1996, consists of fiscal measures and is the only pillar which has yet to be implemented at Community level.

(2) The third pillar of the Community's strategy to reduce **pollutant** emissions from passenger cars and improve fuel economy, endorsed by the Council in 1996, consists of fiscal measures and is the only pillar which has yet to be implemented at Community level.

#### *Justification*

*In addition to carbon dioxide there are other atmospheric pollutants such as nitrogen oxides and airborne particles which are detrimental to air quality. We consider that other pollutants should also be taken into account in setting annual motor vehicle tax.*

Amendment 3  
Recital 3

(3) Member States should be encouraged to apply coordinated fiscal incentive for passenger cars that fulfil stricter emission limits than those which became mandatory under Directive 98/69/EC (Euro 4), relating to measures to be taken against air pollution by emissions from motor vehicles and amending Council Directive 70/220/EEC, to expedite the placing on the market of passenger cars which satisfy future requirements to be adopted at Community level (Euro 5).

(3) Member States should be encouraged to apply coordinated fiscal incentive for passenger cars that fulfil stricter emission limits than those which became mandatory under Directive 98/69/EC<sup>1</sup> (Euro 4), relating to measures to be taken against air pollution by emissions from motor vehicles and amending Council Directive 70/220/EEC, to expedite the placing on the market of passenger cars which satisfy future requirements to be adopted at Community level (Euro 5). ***In addition to the carbon dioxide-based element introduced by this Directive, the Member States may introduce differentiated taxation based on pollutant emissions and the Euro classification into their national motor vehicle taxation systems.***

Amendment 4  
Recital 3 a (new)

***(3a) Member States are strongly urged to refrain from imposing double taxation in the case of passenger car registration taxes; particular consideration should be given to the case of EU citizens returning to their country of origin after spending more than two years in another Member State.***

-Amendment 5  
Recital 3 b (new)

***(3b) Member States should also be encouraged to apply coordinated fiscal incentives for passenger cars in order to expedite the placing on the market of passenger cars and vehicle equipment that meet energy-saving and energy-efficiency requirements, whether the power source used is fossil fuel, such as petrol, diesel, or LPG, alternative fuel, such as bio fuel,***

---

<sup>1</sup> OJ L 350, 28.12.1998, p.1.

***natural gas, or hydrogen, or electrical energy, including hybrid engines.***

*Justification*

*Community measures should serve to link environmental objectives and energy savings, given that, as indicated in the strategy underlying the Commission Green Paper entitled 'Energy Efficiency or Doing More With Less', efficiency can be achieved in the first place by immediately reducing waste: reducing the consumption of petroleum-based fuels of the types used for cars and promoting the use of alternative fuels, ranging from natural gas to hydrogen, would also help to improve the environment along the lines called for by the Kyoto Protocol.*

Amendment 6  
Recital 3 c (new)

***(3c) Member States should have the opportunity, in addition to the carbon dioxide based element, of continuing to differentiate between categories of pollutants in accordance with Council Directive 70/220/EEC of 20 March 1970 on the approximation of the laws of the Member States relating to measures to be taken against air pollution by gases from positive-ignition engines of motor vehicles<sup>1</sup> (Euro norms) as a basis for calculating annual circulation tax and registration tax.***

<sup>1</sup> OJ L 76, 6.4.1970, p. 1. Directive as last amended by Commission Directive 2003/76/EC (OJ L 206, 15.8.2003, p. 29).

*Justification*

*PM, NOx, CO and HC have direct effects on the environment in the EU and should therefore be taken into account alongside CO2 in the calculation basis for motor vehicle taxation.*

Amendment 7  
Recital 4

(4) It should be possible for fiscal incentives to take the form of tax differentiation of passenger car related taxes, applied on the basis of ***the amount in grams of carbon***

(4) It should be possible for fiscal incentives to take the form of tax differentiation of passenger car related taxes, applied on the basis of ***emissions of pollutants in the form***



*dioxide emitted per kilometre* by each particular car.

*of nitrogen oxides and soot particles* by each particular car *as well as their carbon dioxide emissions, measured in grams per kilometre, and their fuel consumption, calculated in litres per 100 kilometres in accordance with the parameters laid down in Commission Directive 1999/100/EC of 15 December 1999 adapting to technical progress Council Directive 80/1268/EEC relating to the carbon dioxide emissions and the fuel consumption of motor vehicles<sup>1</sup>.*

---

<sup>1</sup> OJ L 334, 28.12.1999, p. 36.

Amendment 8  
Recital 5

(5) It is necessary, in order to avoid further internal market fragmentation, to provide that the *carbon dioxide based* element should account for at least 25% of the total revenue from registration and annual circulation taxes by 31 December 2008, and for at least 50% of the total revenue by 31 December 2010.

(5) It is necessary, in order to avoid further internal market fragmentation, to provide that the element *based on carbon dioxide emissions, fuel consumption and pollutant emissions* should account for at least 25% of the total revenue from registration and annual circulation taxes by 31 December 2008, and for at least 50% of the total revenue by 31 December 2010.

Amendment 9  
Recital 5 a (new)

*(5a) The tax differentiation established in implementing this Directive should be taken into account in the forthcoming review of Directive 1999/94/EC of the European Parliament and of the Council of 13 December 1999 relating to the availability of consumer information on fuel economy and carbon dioxide emissions in respect of the marketing of new passenger cars<sup>1</sup> in order to ensure the provision of consistent information to prospective car owners.*

Amendment 10  
Recital 6

(6) In the internal market, tax obstacles to the free movement of persons and of their personal property, including passenger cars, should be removed. The present Directive aims at removing such obstacles by means of restructuring passenger car related taxes applied by Member States, without obliging them to introducing any new taxes.

(6) In the internal market, tax obstacles to the free movement of persons and of their personal property, including passenger cars, should be removed. The present Directive aims at removing such obstacles by means of restructuring passenger car related taxes applied by Member States, without obliging them to introducing any new taxes ***and, in accordance with the principle of budget neutrality.***

***A linear and directly proportional relationship between the tax burden and carbon dioxide emissions as well as a single uniform and technology-neutral carbon dioxide-based element of circulation tax ensures that there are no obstacles to competition in the internal market. This guideline for Member States will precipitate the removal of those barriers in the internal market that arise from the structure of taxation. At the same time, Member States will not be restricted in their decision-making as regards adapting the level of taxation to their economic, fiscal and environmental situation.***

*Justification*

*The principle of budget neutrality remains of vital interest for several Member States applying high rate of Registration Tax in order to avoid excessive budgetary costs related to abolition of the Registration Tax and switch towards the Annual Circulation Tax. In fact, the proposal should be placed in perfectly neutral budgetary framework.*

*Every gram of CO<sub>2</sub> that is released into the environment has the same effect on climate and should therefore be subject to the same amount of tax. The pressure for further savings of fuel and CO<sub>2</sub> should be kept up on all categories of vehicle to the same degree. This will result in proportional taxation whereby vehicles with higher CO<sub>2</sub> emissions are taxed more heavily than vehicles with lower emissions. There is no justification for taxing a gram of CO<sub>2</sub> at different rates.*

Amendment 11  
Recital 8

(8) Registration taxes are an obstacle to the objectives of the Lisbon Strategy and to making the European automotive industry more competitive and, therefore, they should be gradually abolished over a period of *five to* ten years. This period would allow Member States applying registration taxes to adapt their passenger car tax system and take into account the particular conditions of their national car market. Revenue losses from the abolition of registration taxes could be covered by parallel increases of revenue from annual circulation taxes and, if necessary, from other fiscal measures in compliance with Council Directive 2003/96/EC, so that the overall tax burden remain unchanged.

(8) Registration taxes are an obstacle to the objectives of the Lisbon Strategy and to making the European automotive industry more competitive and, therefore, they should be gradually abolished over a period of ten years. This period would allow Member States applying registration taxes to adapt their passenger car tax system and take into account the particular conditions of their national car market. Revenue losses from the abolition of registration taxes could be covered by parallel increases of revenue from annual circulation taxes and, if necessary, from other fiscal measures in compliance with Council Directive 2003/96/EC, so that the overall tax burden remain unchanged.

*Justification*

*The time spell suggested originally by the Commission was established a transition period of 5 to 10 years. Nevertheless in the proposal, Chapter V, the Commission sticks to the 10-year period that is in turn supported by the Rapporteur as ensuring smooth and gradual change-over to new rules.*

Amendment 12  
Recital 8 a (new)

***(8a) The abolition of registration taxes has a beneficial effect on road safety and the environment since it leads to a more rapid renewal of the car fleet. The reduction in the cost of purchase is an incentive to replace old vehicles with safer, less polluting, more fuel efficient vehicles. The principle of taxing the use and environmental impact of a vehicle is in line with the fundamental principle of the***

***Community's environmental policy which requires the polluter to bear the costs of environmental damage.***

*Justification*

*Statistics show that the average age of passenger cars is substantially higher in countries with high registration taxes than in countries without such taxes. Renewal of the vehicle fleet is desirable from the angle of environment policy so as to encourage more energy-efficient and environmentally safe passenger cars.*

Amendment 13

Recital 10

(10) It is appropriate that, where applicable, the refund systems for both registration and annual circulation taxes be introduced without delay, in order to avoid distortions and different tax treatment of passenger cars.

(10) It is appropriate that, where applicable, the refund systems for both registration and annual circulation taxes be introduced without delay, in order to avoid distortions and different tax treatment of passenger cars. ***The transaction costs associated with the payment of registration taxes should be reduced by setting up one-stop online solutions for the calculation, refund and payment of car registration taxes when moving between Member States.***

Amendment 14

Recital 13 a (new)

***(13a) Taking into consideration the close co-operation between several Member States on the one hand and European Economic Area-European Free Trade Association countries (EEA-EFTA) countries on the other, and in order to ensure a higher level of co-operation, especially in the field of environmental protection, it is recommended that the respective provisions be extended to the EEA-EFTA countries in question.***

Amendment 15

Recital 14

(14) Since the objectives of improving the functioning of the internal market in the area of passenger cars, and of the successful use of fiscal measures in order to implement the Community's strategy to reduce **carbon dioxide** emissions from passenger cars cannot be sufficiently achieved by the individual Member States and can therefore, by reason of the scale or effects of the action, be better achieved at Community level, the Community may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty. In accordance with the principle of proportionality, as set out in that Article, this Directive does not go beyond what is necessary in order to achieve those objectives,

(14) Since the objectives of improving the functioning of the internal market in the area of passenger cars, and of the successful use of fiscal measures in order to implement the Community's strategy to reduce **polluting** emissions from passenger cars cannot be sufficiently achieved by the individual Member States and can therefore, by reason of the scale or effects of the action, be better achieved at Community level, the Community may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty. In accordance with the principle of proportionality, as set out in that Article, this Directive does not go beyond what is necessary in order to achieve those objectives,

#### *Justification*

*In addition to carbon dioxide there are other atmospheric pollutants such as nitrogen oxides and airborne particles which are detrimental to air quality. We consider that other pollutants should also be taken into account in setting annual motor vehicle tax.*

#### Amendment 16 Article 1, paragraph 1

This Directive lays down the rules for calculation of taxes on passenger cars, on the basis of their emissions **of** carbon dioxide.

This Directive lays down the rules for calculation of taxes on passenger cars, on the basis of their **polluting** emissions **such as** carbon dioxide .

#### Amendment 17 Article 4, title

Differentiation by reference to carbon dioxide emissions

Differentiation by reference to carbon dioxide emissions, **fuel consumption and pollutant emissions**

## Amendment 18

### Article 4

For the purposes of calculating annual circulation taxes, tax differentiation shall be applied, on the basis of ***the number of grams of carbon dioxide emitted*** per kilometre ***by each particular passenger car***.

For the purposes of calculating annual circulation taxes, ***graduated progressive*** tax differentiation shall be applied ***to each particular passenger car***, on the basis of ***their carbon dioxide and pollutant emissions, measured in grams per kilometre, and their fuel consumption, calculated in litres or cubic metres per 100 kilometres in accordance with the parameters laid down in Directive 1999/100/EC, so that the use of vehicles with lower carbon dioxide emissions is more strongly encouraged and the total emissions of vehicle fleets are reduced in accordance with the obligations in the Kyoto Protocol***.

## Amendment 19

### Article 4, paragraph 1 b (new)

***1b. Tax rates shall be set in direct proportion to the relevant carbon dioxide emissions, and the annual burden of carbon dioxide-based taxation shall rise accordingly, in line with increasing carbon dioxide output. Taxes shall be designed to be technology neutral and shall be applied uniformly to all categories of vehicle.***

#### *Justification*

*As a result of methodologically different and uncoordinated initiatives in the field of motor vehicle taxation in individual Member States, there is a risk of a permanent fragmentation of motor vehicle taxation systems in the European Union, thus actually bringing about the opposite of the harmonisation objective of the Directive. This amendment seeks to ensure that future motor vehicle taxation takes place in a fair and competition-neutral form.*

## Amendment 20

### Article 5, paragraph 1

1. By 31 December 2008 the total tax revenue from the ***carbon dioxide-based*** element of the annual circulation taxes shall account for at least 25% of the total revenue

1. By 31 December 2008 the total tax revenue from the element of the annual circulation taxes ***based on carbon dioxide emissions, fuel consumption and pollutant emissions*** shall account for at least 25% of

from these taxes.

the total revenue from these taxes.

***The Commission shall present, by 31 December 2006, a study on the weight that should be given to other possible factors in setting the tax base for passenger car tax.***

Amendment 21  
Article 5, paragraph 2

2. By 31 December 2010 the total tax revenue from the ***carbon dioxide-based*** element of the annual circulation taxes shall account for at least 50% of the total revenue from these taxes.

2. By 31 December 2010 the total tax revenue from the element of the annual circulation taxes ***based on carbon dioxide emissions, fuel consumption and pollutant emissions*** shall account for at least 50% of the total revenue from these taxes.

Amendment 22  
Article 9, paragraph 1 a (new)

***In order to reduce the transaction costs associated with the payment and refund of registration taxes, Member States shall, under the coordination of the Commission, set up a joint one-stop online solution for the calculation, refund and payment of car registration taxes available to EU residents moving to any Member State.***

Amendment 23  
Article 10, paragraph 2

2. In order to determine the residual value of a passenger car for the purposes of paragraph 1, Member States may apply different methods, such as assessments, expert examinations or the use of fixed scales.

2. In order to determine the residual value of a passenger car for the purposes of paragraph 1, Member States may apply different methods, such as assessments, expert examinations or the use of fixed scales. ***Stakeholders, including consumer organisations, shall be fully and regularly involved in what must be a fully***

***transparent process.***

*Justification*

*The system determining the residual value of the vehicle, and thus the tax refund to be granted, is central to the success of this proposal. Thus, all stakeholders, first and foremost representatives of consumers, should be involved in order to help secure a transparent process.*

Amendment 24

Article 10, paragraph 3, point (a)

(a) the scales are established on the basis of general and objective criteria, which shall be laid down;

(a) the scales are established on the basis of general and objective criteria, which shall be laid down, ***duly publicised and regularly updated;***

*Justification*

*The system determining the residual value of the vehicle, and thus the tax refund to be granted, is central to the success of this proposal. Thus, any scales used must be regularly updated and given due publicity.*

Amendment 25

Article 13

Until 31 December 2015, where registration taxes have been maintained, tax differentiation shall be applied on the basis of ***the number of grams of carbon dioxide emitted per kilometre by each particular passenger car.***

Until 31 December 2015, where registration taxes have been maintained, ***graduated progressive*** tax differentiation shall be applied ***to each individual passenger car*** on the basis of ***its carbon dioxide and pollutant emissions, measured in grams per kilometre, and its fuel consumption, calculated in litres per 100 kilometres in accordance with the parameters laid down in Directive 1999/100/EC.***

Amendment 26

Article 14, paragraph 1

1. By 31 December 2008 the total tax revenue from the ***carbon dioxide-based*** element of registration taxes shall account for at least 25% of the total revenue from

1. By 31 December 2008 the total tax revenue from the element of registration taxes ***based on carbon dioxide emissions, fuel consumption and pollutant emissions***



these taxes.

shall account for at least 25% of the total revenue from these taxes.

Amendment 27  
Article 14, paragraph 2

2. By 31 December 2010 the total tax revenue from the ***carbon dioxide-based*** element of registration taxes shall account for at least 50% of the total revenue from these taxes.

2. By 31 December 2010 the total tax revenue from the element of registration taxes ***based on carbon dioxide emissions, fuel consumption and pollutant emissions*** shall account for at least 50% of the total revenue from these taxes.

Amendment 28  
Article 15

Member States shall communicate to the Commission the tax bases and the tax levels of registration and annual circulation taxes as applied on 1 January each year, and following each change in national law.

Member States shall communicate to the Commission the tax bases and the tax levels of registration and annual circulation taxes as applied on 1 January each year, and following each change in national law. ***In addition, Member States shall communicate to the Commission any measures taken to differentiate company car taxation based on fuel efficiency. The Commission shall facilitate the exchange of best practice by publishing, on-line, a comparative report of the approaches taken by each Member State.***

*Justification*

*In some Member States company cars account for more than 50% of new car sales. In the UK, for tax purposes, a percentage of the car price is added to the employee's taxable income in proportion to the car's CO2 emissions. This has contributed to a drop in CO2 emissions from company cars of 14% between 1999 and 2004, and should be encouraged.*

Amendment 29  
Article 16

No later than 1 January 2011, and every five years thereafter, the Commission shall, after consulting the Member States, present to the Council and to the European Parliament a report on the application of this Directive.

No later than 1 January 2011, and every five years thereafter, the Commission shall, after consulting the Member States, present to the Council and to the European Parliament a report on the application of this Directive ***and shall evaluate in particular the***

*application of Articles 4 and 5.*

*Justification*

*Under Articles 4 and 5, the annual motor vehicle tax must vary in proportion to CO2 emission. In line with the amendments to those articles, which give the Member States the opportunity to take the total adverse environmental impact into account and not just CO2 emissions, it is important that the Commission evaluates how the Member States have applied this provision and what the impact is on the car's environmental performance.*

## EXPLANATORY STATEMENT

### *Legislative background*

The formalised idea of harmonising taxes on passenger cars throughout the EU dates back to 2002 to the Commission's long term strategy<sup>1</sup>, being the EU's first explicit commitment towards approximation and improvement of the car tax legislation.

The Community's legal contribution does not provide but for a general principle of non-discrimination and not raising of cross-border formalities as stipulated in the EC Treaty, if not counting the two Directives broadly encompassing the issue of car taxation<sup>2</sup>. In 1998 the Commission presented a proposal<sup>3</sup> to 'merge' the provisions of the two Directives and update legislation, but the agreement was never reached in the Council. It is therefore in the competence of each MS to establish national provisions, the inescapable result of such a policy being a jigsaw of legislations highly diversified in terms of structure and rates, distorting the free movement of cars within the Internal Market.

### *Stimuli for change*

Inefficiencies of the current scheme, supported by the fact that cars are of instrumental importance to the freedom of movement, the Commission's 2002 Strategy paper recommended removal of the registration taxes (RT) and binding taxation of the new cars to the CO<sub>2</sub> emission. The two recommendations are duly reiterated in the Commission's proposal tabled in Jul 2005<sup>4</sup>, re-identifying the main obstacles as listed below.

- *diversified car tax schemes* - 25 independent schemes with arbitrary application of a wide range of charges such as RT, registration fee, annual circulation tax (ACT), fuel tax, VAT, insurance tax, road tolls, vignettes, etc. Lack of upward legislation lead to serious pathologies. Enough to mention that 95% of those who responded to the Commission's consultation considered that current passenger cars market is far from functioning well<sup>5</sup>;
- *RT* - remains the crucial concern of the EU citizens, challenging the Treaty notions of freedom to move and inducing double taxation as the car users are often asked to pay the RT twice when they permanently move their cars from one MS to another, both of which apply the tax (levied in 16 MS<sup>6</sup>). These taxes are either related to the base price of a vehicle, engine capacity, engine power, emission standards, etc., or to a mix of all these indicators. Therefore, their rates can vary from 0 up to 180% of the pre-tax car price. Finally, unlike the ACT, RT is never reimbursed and the absence of RT refund system appears to be a major concern for the car users (73.4% pointed it out as a prevailing obstacle);

---

<sup>1</sup> COM(2002)431

<sup>2</sup> Council Directive 83/183/EEC of 28.03.1983 AND Council Directive 83/182/EEC of 28.03.1983

<sup>3</sup> COM(1998)30

<sup>4</sup> COM(2005)261

<sup>5</sup> [http://europa.eu.int/comm/taxation\\_custoMember State/resources/documents/Car Taxation results en.pdf](http://europa.eu.int/comm/taxation_custoMember State/resources/documents/Car Taxation results en.pdf)

<sup>6</sup> **RT**: BE, DA, ES, EL, IT, IR, NL, AU, PT, FI, HU, LV, MT, SL, C, PL/ **RT free**: LUX, DE, SE, UK, FR, SK, CR, ET, LT.

- *excessive residual value* - by arbitrary decision of a MS of destination, a car user is often confronted with excessive residual value for used cars in order to collect high and disproportionate taxes. Browsing the ECJ records one can find a great number of evidence that RT charged on 'imported' cars was very often higher than RT charged on similar cars of the domestic market despite the fact that the ECJ has already identified several objective criteria with regard to the determination of the residual value<sup>1</sup>;
- *tax avoidance* - as the RT is charged on newly purchased cars and every time a car changes its user, it induces illegal transfer of cars and evades the passenger tax scheme being abused by citizens under various practices such as keeping a secondary residence in a low RT MS or installing additional seats in a vehicle qualified and registered as a commercial (cannot have more than two seats). Even though the MS are obliged to fine such procedures, the effects are barely measurable and the costs of employing specialised services to carry out controls and then enforce legislation are believed to be disproportionately high. Such a problem was mainly reported in Greece. In the UK in turn, it is estimated that 2.3% of all vehicles run without registration;
- *burdensome administrative procedures* - although citizens are allowed to transfer their cars without notifying national institutions, the obligation to pay circulation taxes remains unchanged and it is therefore advised to follow the proper de-registration procedure. The procedures accompanying car transfer are perceived as burdensome, time consuming and costly. Moreover, information on procedures and documents required is very often available but in the language of the given MS, blurring therefore transparency of the whole process;

<b>De-registration</b>
- presentation of 2-11 documents (proof of identity, registration form, insurance document, proof of car's age and provenance, proof of tax payments, licence plates, etc.);
- visiting 1-5 institutions;
- cost: average of 63 EUR.
<b>Registration</b>
- presentation of 1-9 documents (as above);
- visiting 1-7 institutions;
- cost: 70 up to 437 EUR.
<b>Average cost of transferring car to another MS: 350 EUR</b>

Source<sup>2</sup>

- *distortion of competition* - results in considerable pre-tax price differentials across the MS stemming from deep market fragmentation as the industries are forced to 'tailor' their production to the specific MS, limiting therefore their abilities to reap the economies of scale and the distorted competition can hardly be perceived as falling under the goals of the Lisbon Strategy. This influences car demand as the eventual 'prey' will be the customer confronted with high retail prices and differences in pre-tax and consumer-tax prices;
- *emission of CO<sub>2</sub>* - 28% of total CO<sub>2</sub> emission is due to transport, 84% of that share goes to the road transport alone and 50% of that share is accounted for by passenger cars. This

<sup>1</sup> ECJ, 22 February 2001, C-393/98 Gomes Valente Rec. p I-1327, points 24, 26, and 28.

<sup>2</sup> Study on Vehicle taxation in the Member States of the EU, Jan 2002.

being observed and wishing to preserve consistency with the EU environmental objectives and the Kyoto protocol, the CO<sub>2</sub> emission should be reduced significantly and the Community's objective has been set at 120g CO<sub>2</sub>/km.

### ***Commission proposal***

The Commission's proposal is entirely founded on the recommendations of its 2002 paper which was backed by the Parliament<sup>1</sup> and approved by the public.

It has to be explicitly accentuated that by no means does the proposal aim at harmonisation or introduction of new taxes. Its general objective is to establish an EU wide foundation for passenger car tax schemes and promote sustainability. It is composed of three essential elements:

- *abolition of RT* - the national RTs are to be scrapped over a transitional period of 5 to 10 years. The Commission believes that any legislation based on their retention will bring no substantial improvement. Hence, it opts for gradual abolition allowing on one hand high RT MS (such as DK, EL or FI) to adjust their systems and preserve from excessive revenue losses and on the other, avoiding excessive tax burdens on the car users who already purchased their car and will now have to face the financial charge of a new, higher ACT. Moreover, transitional period would protect car holders from instantaneous drop in their cars' commercial value;
- *establishment of a RT refund system* - available for the passenger cars that had been bought and registered in one MS and then moved permanently to another, accompanied by transparent and objective criteria of evaluating the car's residual value;
- *restructuring of the RT and ACT to be based on the CO<sub>2</sub> emission* - the Council and the Parliament have adopted a target reduction of CO<sub>2</sub> emission down to 120g/km by 2010 at the latest. 94% of the Commission consultation respondents agree that these environmental concerns should be addressed at the EU level. The system is currently applied in the UK only. The first target date is set for 31 Dec 2008 when at least 25% of the total car tax revenue should be derived from the CO<sub>2</sub> emission calculation. By 31 Dec 2010 - at least 50%.

### ***Rapporteur's position***

- RT should be gradually reduced and its eventual abolition would be of a benefit for the European citizens, helping to eliminate discrepancies and anomalies of the EU car market and dismantle the obstacles of freedom of movement, while switch towards the ACT will provide the MS with more stable source of revenue dependant on a passenger car's use rather than its acquisition and therefore, produced throughout the car's entire lifetime;
- establishing of a coherent and transparent RT refund system should be applied and ensuring a pro-rata refund of the RT based on the residual value of a car calculated in accordance with objective criteria is required;
- level of budgetary dependence on car-related taxes being significant in some MS, the Rapporteur stresses that scrapping the RT is to be effected in accordance with the principle of budget neutrality, meaning, it can be placed in a revenue neutral framework as

---

<sup>1</sup> A5-0265/2003 of 10.07.2003 [2002/2260(INI)]

the loss of one source of revenue, i.e. RT can be off-set with another - gradually higher ACT;

- same concern should be reflected regarding protection of the used cars owners; the Rapporteur stresses therefore that the transition period for scrapping the RT should be set at the upper level of the time bond suggested by the Commission, i.e. 10 years;
- in the long term, it would be of a great benefit to approximate the ACT rates in order to allow the car manufacturers to apply unique production strategy to the entire European market, as well as strengthen and insure a fair competition ;
- introducing the pollution element and tightening the RT and ACT to the emission of CO<sub>2</sub>. is highly recommended, specially that it has been proved<sup>1</sup> that fiscal measures such as CO<sub>2</sub>- related car taxes, do show a potential in reducing the CO<sub>2</sub> emission irrespective of their rates. In connection with the environmental factor comes abolition of the RT and switch towards the ACT would cause a financial stimuli for car users to change their car fleet into more fuel-efficient vehicles (lower ACT);
- stresses the importance of principles of subsidiary and proportionality are maintained;
- the proposal's provisions should be extended to the EEA countries, i.e. citizens moving between the EU and the EEA, it being of vital interests for some MS;
- should the Council fail to reach an agreement on the issue, the countries favouring the Commission's proposal in question should proceed with the enhanced co-operation procedure, according to Art. 43-45 of the Treaty. Especially within the environmental objectives of the proposal that would provide for a way forward and comply with most of the Member States' desire to make progress in the area. Also, should the Member States not be able to agree on the taxation aspects of the proposal (i.e. abolition of RT), there should be an opportunity to proceed with co-operation on the provisions reducing double taxation and improving the legal framework for environmental protection.

---

<sup>1</sup> Study on fiscal measures to reduce CO<sub>2</sub> emissions from new passenger cars - COWI Consulting Engineers & Planners AS, Nov 2001

26.4.2006

## **OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND FOOD SAFETY**

for the Committee on Economic and Monetary Affairs

on the proposal for a Council directive on passenger car related taxes  
(COM(2005)0261 – C6-0272/2005 – 2005/0130(CNS))

Draftsman: Claude Turmes

### **SHORT JUSTIFICATION**

#### **Towards better car taxes**

The environmental dimension of car taxes was already recognised by the Council in 1996 as the "third pillar" of the Communities strategy to reduce carbon dioxide emissions from passenger cars in order to achieve a 120 g CO<sub>2</sub>/km target in 2010.

Speeding up the introduction of CO<sub>2</sub> based car taxes is urgent as the contribution of the transport sector to climate change is growing steadily and the EU's economic development is hurt by the extreme volatile oil prices. The transport sector is responsible for nearly 70% of EU oil consumption, the balance of commerce deficit for the fuel for sole cars in EU is as high as 85 billion EURO a year; reducing fuel use by enhancing fuel efficiency of cars could thus redirect investment flows into the European economy.

The draftsman of this opinion is against the Commissions proposal to abolish car registration taxes: First, the problems generated by different national tax regimes could be overcome with the introduction of a refund system based on a harmonised depreciation rate. Second, the Commission's main argument that these taxes would impede the functioning of the internal market and harm competitiveness is badly underpinned. The underlying impact assessments are based on the variant in which the lost registration tax revenue is compensated through higher car circulation or fuel taxes leading to reduced emissions and accidents. It does not consider the more realistic and economically unacceptable option that lost revenue will be compensated by increases of other taxes, like those on labour, or through higher budget deficits. Indeed, opposition from finance ministers against the abolition of the registration tax seems to put the entire proposal at risk. Third, the abolition is clearly counterproductive for environmental reasons. Recent studies in NL suggest that registration taxes based on the CO<sub>2</sub> performance of a vehicle are more effective in influencing consumer choice than

differentiation of circulation taxes.

A more coherent and effective approach combining fair competition and ecological goals is needed:

- The instrument should promote a much stronger than proportional CO<sub>2</sub> based scheme for registration taxes as well as for annual circulation taxes. Only this approach will be environmentally beneficial.
- Because of higher visibility for the customer those governments which are reluctant to introduce registration taxes should at least be encouraged to think about a system where the tax revenues from the annual circulation tax of year 1 to 3 or even 1 to 5 should be concentrated on the moment of the purchase of the car.
- In order to enhance the visibility for the CO<sub>2</sub> factor, this directive should also be linked with the existing directive on labelling of Co<sub>2</sub> performance of cars 1999/94.
- In certain countries company cars make up to 50 per cent of new cars sales and in many cases the employee does not even pay the fuel costs. Thus, ecological incentives for the consumers are absent. This directive should therefore guarantee that company car taxation is based on the Co<sub>2</sub> performance. The UK company car taxation model provides for an interesting “best practice” in this aspect.
- An early introduction - your draftsman proposes 1/1/2008 – of the directive is needed. This would allow the scheme to have some effect on the EU target of 120gr CO<sub>2</sub>/km for the EU average new car fleet by 2010 and on the achievement of the Kyoto first commitment period targets (2008-2012).

## AMENDMENTS

The Committee on the Environment, Public Health and Food Safety calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following amendments in its report:

Text proposed by the Commission<sup>1</sup>

Amendments by Parliament

### Amendment 1 Recital 1

(1) Passenger car taxation can be an important complementary tool to support environmental objectives, in particular in relation to the reduction of greenhouse gas emissions and it is appropriate, therefore, to introduce a carbon dioxide based element in

(1) Passenger car taxation can be an important complementary tool to support environmental objectives, in particular in relation to the reduction of greenhouse gas emissions and it is appropriate, therefore, to introduce a carbon dioxide based element in

<sup>1</sup> Not yet published in OJ.



the tax bases of both registration taxes and annual circulation taxes. However, in order to contribute to meeting the commitments made by the Community and its Member States under the Kyoto Protocol, the proposed elements directly relating to carbon dioxide emissions should be inserted in the tax bases of the passenger related taxes applied during the commitment period from 2008 to 2012. As the Community's strategic objective to reduce the carbon dioxide emissions from passenger cars needs to be achieved by 2010 at the latest, it is appropriate to apply **fully the** carbon dioxide based element by **31 December 2010**.

the tax bases of both registration taxes and annual circulation taxes. However, in order to contribute to meeting the commitments made by the Community and its Member States under the Kyoto Protocol, the proposed elements directly relating to carbon dioxide emissions should be inserted in the tax bases of the passenger related taxes applied during the commitment period from 2008 to 2012. As the Community's strategic objective to reduce the carbon dioxide emissions from passenger cars needs to be achieved by 2010 at the latest, it is appropriate to apply **the minimum** carbon dioxide based element by **1 January 2008**.

#### *Justification*

*An earlier introduction date is necessary for the proposal to contribute to the achievement of the 2010 target and the EU emissions reduction targets for the Kyoto Protocol first commitment period. A staged approach is not transparent to the consumer and the public in general, which is why your draftsman proposes to have the reform in one step*

#### Amendment 2 Recital 3

(3) Member States should be encouraged to apply **coordinated** fiscal *incentive* for passenger cars that fulfil stricter emission limits than those which became mandatory under Directive 98/69/EC (Euro 4), relating to measures to be taken against air pollution by emissions from motor vehicles and amending Council Directive 70/220/EEC, to expedite the placing on the market of passenger cars which satisfy future requirements to be adopted at Community level (Euro 5).

(3) Member States should be encouraged to apply fiscal *incentives* for passenger cars that fulfil stricter emission limits than those which became mandatory under Directive 98/69/EC (Euro 4), relating to measures to be taken against air pollution by emissions from motor vehicles and amending Council Directive 70/220/EEC, to expedite the placing on the market of passenger cars which satisfy future requirements to be adopted at Community level (Euro 5). ***In addition to the carbon dioxide based element introduced here, Member States are encouraged to introduce differentiated taxation based on emissions of pollutants into their circulation tax systems.***

#### *Justification*

*<OptDelPrev>In addition to carbon-dioxide emissions, there are other atmospheric pollutants such as NO<sub>x</sub> and particulates that have a significant impact on air quality and should be taken into account when determining road tax.*

*Fiscal incentives should be seen as encouraging the sale and manufacture of environmentally friendly cars. Individual Member States should have the option of supporting such initiatives.*

Amendment 3  
Recital 3 a (new)

***(3a) Member States should be encouraged to provide for parallel fiscal incentives for fuel-efficient company cars in their income tax regimes.***

*Justification*

*In some Member States, company cars represent up to 50% of the new car sales. The UK experience shows that differentiated income tax treatment for this market segment can be very effective in accelerating the introduction of more fuel efficient cars.*

Amendment 4  
Recital 3 b (new)

***(3b) Member States should have the possibility, in addition to the carbon dioxide based element, of continuing to differentiate between categories of pollutants in accordance with Directive 70/220/EEC on the approximation of the laws of the Member States relating to measures to be taken against air pollution by gases from positive-ignition engines of motor vehicles and amendments thereto (Euro-norms) as a basis for calculating annual circulation tax and registration tax.***

*Justification*

*PM, NO<sub>x</sub>, CO and HC have direct effects on the environment in the EU and should therefore be taken into account alongside CO<sub>2</sub> in the calculation basis for motor vehicle taxation.*

Amendment 5  
Recital 4 a (new)

***(4a) Light duty commercial vehicles, also known as N<sub>1</sub> vehicles or vans, emit approximately one sixth of the carbon***

*dioxide emissions from passenger cars. Directive 2004/3/EC of the European Parliament and of the Council of 11 February 2004 amending Council Directives 70/156/EEC and 80/1268/EEC as regards the measurement of carbon dioxide emissions and fuel consumption of N<sub>1</sub> vehicles<sup>1</sup> stipulates that carbon dioxide emissions from N<sub>1</sub> vehicles should be measured according to the same procedure as for passenger cars, and those vehicles should also be covered by the provisions of this Directive.*

<sup>1</sup> OJ L 49, 19.2.2004, p. 36.

Amendment 6  
Recital 5 a (new)

*(5a) The tax differentiation established in implementing this Directive should be taken into account in the forthcoming review of Directive 1999/94/EC of the European Parliament and of the Council of 13 December 1999 relating to the availability of consumer information on fuel economy and carbon dioxide emissions in respect of the marketing of new passenger cars<sup>1</sup> in order to ensure the provision of consistent information to prospective car owners.*

<sup>1</sup> OJ L 12, 18.1.2000, p. 16. Directive as last amended by Regulation (EC) No 1882/2003 (OJ L 284, 31.10.2003, p. 1).

Amendment 7  
Recital 6

(6) In the internal market, tax obstacles to the free movement of persons and of their personal property, including passenger cars, should be removed. The present Directive aims at removing such obstacles by means of restructuring passenger car related taxes applied by Member States, without obliging

(6) In the internal market, tax obstacles to the free movement of persons and of their personal property, including passenger cars, should be removed. The present Directive aims at removing such obstacles by means of restructuring passenger car related taxes applied by Member States, without obliging

them to introducing any new taxes.

them to introducing any new taxes. ***A linear and directly proportional relationship between the tax burden and carbon dioxide emissions as well as a single uniform and technology-neutral carbon dioxide based element of circulation tax ensures that there are no obstacles to competition in the single market. This guideline for Member States will push forward the removal of those barriers in the internal market that arise from the structure of taxation. At the same time, Member States will not be restricted in decisions adapting the level of taxation to their economic, fiscal and environmental situation.***

#### *Justification*

*Every gram of CO2 that is released into the environment has the same effect on climate and should therefore be subject to the same amount of tax. The pressure for further savings of fuel and CO2 should be kept up on all categories of vehicle to the same degree. This will result in proportional taxation whereby vehicles with higher CO2 emissions are taxed more heavily than vehicles with lower emissions. There is no justification for taxing a gram of CO2 at different rates.*

#### Amendment 8 Recital 8 a (new)

***(8a) The abolition of registration tax has positive effects on the environment as it leads to quicker renewal of the vehicle fleet. Reducing purchase costs gives consumers an incentive to replace their old vehicles with more fuel-efficient and less environmentally polluting vehicles.***

***The approach of taxing vehicle use and the actual impact on the environment is in line with the fundamental principle of Community environmental policy whereby the polluter should pay for the costs of environmental pollution.***

#### *Justification*

*Statistics show that the average age of cars is considerably higher in countries with high registration tax than in countries with no such tax. From the environmental point of view, it is desirable that the vehicle fleet should be renewed so as to promote more energy-efficient vehicles.*

Amendment 9  
Recital 10

(10) It is appropriate that, where applicable, the refund systems for both registration and annual circulation taxes be introduced without delay, in order to avoid distortions and different tax treatment of passenger cars.

(10) It is appropriate that, where applicable, the refund systems for both registration and annual circulation taxes be introduced without delay, in order to avoid distortions and different tax treatment of passenger cars.  
***The transaction costs associated with the payment of registration taxes should be reduced by setting up one-stop online solutions for the calculation, refund and payment of car registration taxes when moving between Member States.***

Amendment 10  
Article 2

For the purposes of this Directive, "Passenger car" shall mean a vehicle of **category** M1, as defined in point A of Annex II to Council Directive 70/156/EEC.

For the purposes of this Directive, "Passenger car" shall mean a vehicle of **categories** M1 **and** N1, as defined in point A of Annex II to Council Directive 70/156/EEC.

*Justification*

*Light duty commercial vehicles, also known as N1 vehicles or vans, emit approximately one sixth of the CO<sub>2</sub> emissions from passenger cars. Directive 2004/3 stipulates that CO<sub>2</sub> emissions from N1 vehicles should be measured according to the same procedure as that for passenger cars. For these reasons, the scope of this Directive should be extended so as to include N1 vehicles.*

Amendment 11  
Article 4, paragraph 1 a (new)

***Tax rates should be determined in direct proportion to the relevant carbon dioxide emissions and the annual carbon dioxide emission. based tax burden should rise steadily in line with increasing carbon dioxide emissions. The tax should be designed in a technology-neutral way and applied uniformly to all categories of vehicle.***

### *Justification*

*In view of the differences in approach and uncoordinated motor vehicle taxation initiatives in individual Member States, there is a danger of continuing fragmentation of vehicle taxation the European Union and hence the opposite effect of the harmonisation which is the objective of this Directive. This amendment is designed to ensure that future vehicle taxation is applied in a fair and competition-neutral way.*

### Amendment 12 Article 5

**1. By 31 December 2008** the total tax revenue from the carbon dioxide-based element of the annual circulation taxes shall account for at least **25%** of the total revenue from these taxes.

By **1 January 2008** the total tax revenue from the carbon dioxide-based element of the annual circulation taxes shall account for at least **50%** of the total revenue from these taxes, .

**2. By 31 December 2010** the total tax revenue from the carbon dioxide-based element of the annual circulation taxes shall account for at least **50%** of the total revenue from these taxes.

### *Justification*

*Transport sector is known to be the sole sector with continuously growing fossil energy use, and carbon dioxide emission, however, more efficient solutions has been present, namely public transport, the share of which is declining due to lack of financial resources for development.*

### Amendment 13 Article 9, paragraph 1 a (new)

***In order to reduce the transaction costs associated with the payment and refund of registration taxes, Member States shall, under the coordination of the Commission, set up a joint one-stop online solution for the calculation, refund and payment of car registration taxes available to EU residents moving to any EU Member State.***

### Amendment 14 Article 14

**1. By 31 December 2008** the total tax

By **1 January 2008** the total tax revenue

revenue from the carbon dioxide-based element of registration taxes shall account for at least **25%** of the total revenue from these taxes.

from the carbon dioxide-based element of registration taxes shall account for at least **50%** of the total revenue from these taxes, ***which amount shall be spent on the development and maintenance of public transport.***

***2. By 31 December 2010 the total tax revenue from the carbon dioxide-based element of registration taxes shall account for at least 50% of the total revenue from these taxes.***

*Justification*

*The same as for amendment 12.*

Amendment 15  
Article 15

Member States shall communicate to the Commission the tax bases and the tax levels of registration and annual circulation taxes as applied on 1 January each year, and following each change in national law.

Member States shall communicate to the Commission the tax bases and the tax levels of registration and annual circulation taxes as applied on 1 January each year, and following each change in national law. ***In addition, Member States shall communicate to the Commission any measures taken to differentiate company car taxation based on fuel efficiency. The Commission shall facilitate the exchange of best practice by publishing on-line a comparison report of the approaches taken by each Member State.***

*Justification*

*In some Member States company cars account for more than 50% of new car sales. In the UK, for tax purposes, a percentage of the car price is added to the employee's taxable income in proportion to the car's CO2 emissions. This has contributed to a drop in CO2 emissions from company cars of 14% between 1999 and 2004, and should be encouraged.*

## PROCEDURE

<b>Title</b>	Proposal for a Council directive on passenger car related taxes
<b>References</b>	COM(2005)0261 – C6-0272/2005 – 2005/0130(CNS)
<b>Committee responsible</b>	ECON
<b>Opinion by</b> Date announced in plenary	ENVI 8.9.2005
<b>Enhanced cooperation – date announced in plenary</b>	
<b>Drafts(wo)man</b> Date appointed	Claude Turmes 14.9.2005
<b>Previous drafts(wo)man</b>	
<b>Discussed in committee</b>	30.1.2006      25.4.2006
<b>Date adopted</b>	25.4.2006
<b>Result of final vote</b>	+:    36 –:    13 0:    1
<b>Members present for the final vote</b>	Liam Aylward, Johannes Blokland, John Bowis, Frederika Brepoels, Hiltrud Breyer, Martin Callanan, Chris Davies, Avril Doyle, Mojca Drčar Murko, Edite Estrela, Jillian Evans, Karl-Heinz Florenz, Matthias Groote, Françoise Grossetête, Cristina Gutiérrez-Cortines, Gyula Hegyi, Dan Jørgensen, Christa Kläß, Eija-Riitta Korhola, Urszula Krupa, Marie-Noëlle Lienemann, Riitta Myller, Péter Olajos, Dimitrios Papadimoulis, Vittorio Prodi, Frédérique Ries, Dagmar Roth-Behrendt, Guido Sacconi, Carl Schlyter, Horst Schnellhardt, Richard Seeber, Jonas Sjöstedt, Bogusław Sonik, María Sornosa Martínez, Antonios Trakatellis, Thomas Ulmer, Anja Weisgerber, Åsa Westlund and Anders Wijkman.
<b>Substitute(s) present for the final vote</b>	Margrete Auken, Bairbre de Brún, Christofer Fjellner, Dariusz Maciej Grabowski, Vasco Graça Moura, Jutta D. Haug, Henrik Lax, Miroslav Mikolášik, Pál Schmitt, Claude Turmes and Glenis Willmott.
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	
<b>Comments (available in one language only)</b>	...



28.4.2006

## **OPINION OF THE COMMITTEE ON TRANSPORT AND TOURISM**

for the Committee on Economic and Monetary Affairs

on the proposal for a Council Directive on passenger car related taxes  
(COM(2005)0261 – C6-0272/2005 – 2005/0130(CNS))

Draftsman: Jan Marinus Wiersma

### **SHORT JUSTIFICATION**

#### **Introduction**

The draft Directive has two stated objectives. The first is to improve the functioning of the internal market and the second is to implement the third or fiscal pillar of the Commission's strategy to reduce CO<sub>2</sub> emissions from passenger cars. The Directive lays down rules for the calculation of taxes on passenger cars on the basis of their carbon dioxide emissions, provides for the elimination of registration taxes and establishes a refund system for annual circulation taxes.

The Parliament adopted a resolution on the taxation of passenger cars in the European Union on 6 November 2003 on the basis of a Commission communication (COM(2002)0431). The Commission monitors the progress in this field and has recently published 'Implementing the Community Strategy to reduce CO<sub>2</sub> Emissions from Cars: Fifth annual Communication on the effectiveness of the strategy' (SEC(2005)0826). The Parliament also adopted a Resolution of 29 September 2005 on oil dependency and most recently the report on "Winning the Battle against Global Climate Change" (2005/2027(INI)), which emphasises the importance of technological innovation and the need for higher energy efficiency in transport. The European Parliament and the Council share the common goal of reducing new passenger cars' average CO<sub>2</sub> emissions to 120 g/km by 2010 at the latest and the European Union has committed itself to substantial reduction of CO<sub>2</sub> emissions in the framework of the Kyoto protocol.

#### **CO<sub>2</sub> emissions from road transport**

Transport is responsible for 28% of total CO<sub>2</sub> emissions, and road transport alone represents 84% of all transport-related CO<sub>2</sub> emissions, half of which is accounted for by passenger cars. The amount of CO<sub>2</sub> emitted by a car is closely related to its fuel efficiency. The transport sector alone accounts for over 70% of Europe's oil consumption. The European Parliament has recently called for urgent action to improve, among other measures, the fuel efficiency of

car engines. At the same time less fuel efficient cars, including so called SUVs, have become more and more popular.

### **The fiscal pillar**

The car manufacturers associations have committed themselves to the objective of reducing emissions. The latest assessment shows that they have fallen behind their commitments. It is therefore evident that the renewal of car manufacturers' commitment to the objectives of the Community strategy to reduce CO2 emissions from passenger cars is indispensable.

On the other hand the fiscal pillar of the Community's strategy to reduce CO2 emissions from passenger cars has so far not been used. Fiscal measures are an indispensable element of the Community's strategy to reduce CO2 emissions from passenger cars. Fiscal policy, however, is in the first instance the domain of Member States and proposals that touch upon Member States' sovereignty in tax issues are very sensitive. Your draftsman draws attention to the fact that the Commission proposal can only be adopted in the Council by unanimity.

The argument that this proposal can be implemented in a budget neutral manner, disregards the fact that registration taxes and circulation taxes are not necessarily charged for the same purposes. Whereas circulation taxes are generally imposed to cover the cost of road construction and maintenance, registration tax is a consumption tax, the revenue of which mostly flows into the general state budget.

Your draftsman is of the opinion that the Commission should attempt to prevent the proposal as a whole being rejected or its adoption delayed because certain elements are unacceptable to certain Member States, since this could negatively affect the strategy as a whole.

### **CO2 emissions and tax**

The proposal primarily addresses the objective of reducing the level of emissions from new cars, but it does not refer to other objectives of the White Paper on Transport, which include a modal shift to public transport. The proposal, insofar as the measures would lead to lower purchase prices which could have an increase of car sales as an effect, would even go against these objectives. Moreover, passenger car taxation cannot be seen in isolation from the taxation of fuels or from road user charges. Although the proposal refers to the possibility to introduce 'innovative road use charging provisions', the Commission only considers its relation with registration taxes, not circulation taxes.

When it comes to reducing CO2 emissions, it could even be counterproductive to take fiscal measures that indirectly enhance the attractiveness of purchasing less fuel efficient cars. Your draftsman considers that scrapping registration taxes where they exist might have such an effect. Nevertheless, there seems to be general agreement that it is better to tax car use than car ownership. Governments should be free to review their car taxation systems to that effect. They should be encouraged, however, to look into the introduction of road use charging rather than being obliged to scrap registration taxes.

Moreover, differentiated registration taxes can also be an instrument to promote the sale of more fuel efficient (as well as cleaner) cars. Scrapping registration taxes would deprive governments of this instrument. Any differentiation of registration taxes should be based on

objective criteria, such as actual CO2 or particle emissions.

The proposal to introduce a CO2-based element into the annual circulation taxes where they exist is welcome, and can be introduced independently of the other elements of the proposal. However, the CO2-based element should be gradually progressive to discourage the use of fuel inefficient cars. This would be an even stronger incentive to further technological improvements by car manufacturers. It is also a welcome measure in the strategy to reduce Europe's dependency on oil.

### **Market fragmentation and administrative barriers**

Varying levels of registration taxes in the European Union lead to a certain fragmentation of the European car passenger market. In addition citizens face considerable financial and administrative burdens when they want to transfer a car from one Member State to another. Urgent action should be taken at national level to remove barriers to the free movement of persons and cars. In this respect the proposal to establish a system under which, in certain circumstances, registration taxes paid are to be refunded is to be welcomed.

In the light of the above that your draftsman proposes that the draft Directive be amended.

## **AMENDMENTS**

The Committee on Transport and Tourism calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following amendments in its report:

Text proposed by the Commission<sup>1</sup>

---

Amendments by Parliament

---

### Amendment 1 Recital 1

(1) Passenger car taxation can be an important complementary tool to support environmental objectives, in particular in relation to the reduction of greenhouse gas emissions and it is appropriate, therefore, to introduce a **carbon dioxide** based element in the tax bases of both registration taxes and annual circulation taxes. However, in order to contribute to meeting the commitments made by the Community and its Member States under the Kyoto Protocol, the proposed elements directly relating to

(1) Passenger car taxation can be an important complementary tool to support environmental objectives, in particular in relation to the reduction of greenhouse gas emissions, and it is appropriate, therefore, to introduce a **pollutant and fuel efficiency** based element in the tax bases of both registration taxes and annual circulation taxes. However, in order to contribute to meeting the commitments made by the Community and its Member States under the Kyoto Protocol, the proposed elements

---

<sup>1</sup> Not yet published in OJ.

**carbon dioxide** emissions should be inserted in the tax bases of *the* passenger related taxes applied during the commitment period from 2008 to 2012. As the Community's strategic objective to reduce **the carbon dioxide** emissions from passenger cars needs to be achieved by 2010 at the latest, it is appropriate to apply **fully the carbon dioxide** based element by 31 December 2010.

directly relating to **pollutant** emissions should be inserted in the tax bases of passenger *car* related taxes applied during the commitment period from 2008 to 2012. As the Community's strategic objective to reduce **pollutant** emissions from passenger cars needs to be achieved by 2010 at the latest, it is appropriate to apply **differentiated taxation based on the pollutant** based element by 31 December 2010 **in such a way that it has a positive impact on reducing emissions**.

#### *Justification*

*In addition to carbon dioxide emissions, other air pollutants such as NO<sub>x</sub> and particle emissions have a crucial bearing on air quality and should be taken into account in the basis of assessment for the annual circulation tax.*

*Besides the aim of improving the functioning of the internal market, this proposal aims at providing instruments for the communitarian strategy to reduce carbon dioxide. This second aim must be secured.*

#### Amendment 2

##### Recital 2

(2) The third pillar of the Community's strategy to reduce **carbon dioxide** emissions from passenger cars and improve fuel economy, endorsed by the Council in 1996, consists of fiscal measures and is the only pillar which has yet to be implemented at Community level.

(2) The third pillar of the Community's strategy to reduce **pollutant** emissions from passenger cars and improve fuel economy, endorsed by the Council in 1996, consists of fiscal measures and is the only pillar which has yet to be implemented at Community level.

#### *Justification*

*In addition to carbon dioxide emissions, other air pollutants such as NO<sub>x</sub> and particle emissions have a crucial bearing on air quality and should be taken into account in the basis of assessment for the annual circulation tax.*

#### Amendment 3

##### Recital 3

(3) Member States should be encouraged to apply coordinated fiscal incentive for passenger cars that fulfil stricter emission limits than those which became mandatory under Directive 98/69/EC (Euro 4), relating

(3) Member States should be encouraged to apply coordinated fiscal incentives for passenger cars that fulfil stricter emission limits than those which became mandatory under Directive 98/69/EC (Euro 4), relating

to measures to be taken against air pollution by emissions from motor vehicles and amending Council Directive 70/220/EEC, to expedite the placing on the market of passenger cars which satisfy future requirements to be adopted at Community level (Euro 5).

to measures to be taken against air pollution by emissions from motor vehicles and amending Council Directive 70/220/EEC, to expedite the placing on the market of passenger cars which satisfy future requirements to be adopted at Community level (Euro 5). ***Member States should be encouraged to apply tax differentiation based on the emission of not only CO<sub>2</sub> but also other pollutants such as NO<sub>x</sub> and soot particles and on fuel efficiency in their annual circulation tax and registration tax systems.***

Or. de

#### *Justification*

*In addition to carbon dioxide emissions, other air pollutants such as NO<sub>x</sub> and particle emissions have a crucial bearing on air quality and should be taken into account in the basis of assessment for the annual circulation tax.*

#### Amendment 4 Recital 3 a (new)

***(3a) Member States should likewise be encouraged to apply coordinated fiscal incentives for passenger cars to expedite the placing on the market of passenger cars and vehicle equipment which, whether the power source used is fossil fuels such as petrol, diesel, or LPG, alternative fuels such as bio fuels, natural gas, or hydrogen, or electrical energy, including hybrid engines, meet energy-saving and energy efficiency requirements.***

#### *Justification*

*Community measures should serve to link environmental objectives and energy savings, given that, as indicated in the strategy underlying the Commission Green Paper entitled 'Energy Efficiency or Doing More With Less', efficiency can be achieved in the first place by immediately reducing waste: reducing the consumption of petroleum-based fuels of the types used for cars and promoting the use of alternative fuels, ranging from natural gas to hydrogen, would also help to improve the environment along the lines called for by the Kyoto Protocol.*

Amendment 5  
Recital 4

(4) It should be possible for fiscal incentives to take the form of tax differentiation of passenger car related taxes, applied on the basis of *the amount in grams of carbon dioxide emitted per kilometre* by each particular car.

(4) It should be possible for fiscal incentives to take the form of tax differentiation of passenger car related taxes, applied on the basis of *emissions of pollutants in the form of nitrogen oxides and soot particles* by each particular car *as well as their carbon dioxide emissions, measured in grams per kilometre, and of their fuel consumption, calculated in litres per 100 kilometres in accordance with the parameters laid down in Directive 1999/100/EC of 15 December 1999 adapting to technical progress Council Directive 80/1268/EEC relating to the carbon dioxide emissions and the fuel consumption of motor vehicles.*

Amendment 6  
Recital 4 a (new)

*(4a) Such fiscal incentives should also take account of other noxious substances such as particulates and nitrogen oxides.*

*Justification*

*When altering taxation systems, Member States must ensure that the reform is consistent with the aim of the Euro standards, which cover not only CO<sub>2</sub> emissions, but also particulates and nitrogen oxides.*

Amendment 7  
Recital 5

(5) It is necessary, in order to avoid further internal market fragmentation, to provide that the *carbon dioxide based* element should account for at least 25% of the total revenue from registration and annual circulation taxes by 31 December 2008, and for at least 50% of the total revenue by 31

(5) It is necessary, in order to avoid further internal market fragmentation, to provide that the element *based on carbon dioxide emissions, fuel consumption and pollutant emissions* should account for at least 25% of the total revenue from registration and annual circulation taxes by 31 December 2008, and for at least 50% of the total

Amendment 8  
Recital 8 a (new)

*(8a) The abolition of registration taxes will have a beneficial effect on road safety and the environment since it will lead to a more rapid renewal of the car fleet. The reduction in the purchase cost provides an incentive to replace old vehicles with safer and less polluting vehicles that are more fuel efficient. The approach based on taxing the use of a vehicle and its actual impact on the environment is consistent with the fundamental principle of the Community's environmental policy which requires the polluter to bear the costs of environmental damage.*

*Justification*

*Statistics show that the average age of passenger cars is substantially higher in countries with high registration taxes than in countries without such taxes. Renewal of the vehicle fleet is desirable from the angle of environment policy so as to encourage more energy-efficient and environmentally safe passenger cars.*

Amendment 9  
Recital 14

(14) Since the objectives of improving the functioning of the internal market in the area of passenger cars, and of the successful use of fiscal measures in order to implement the Community's strategy to reduce **carbon dioxide** emissions from passenger cars cannot be sufficiently achieved by the individual Member States and can therefore, by reason of the scale or effects of the action, be better achieved at Community level, the Community may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty. In accordance with the principle of proportionality, as set out in that Article, this Directive does not go beyond what is necessary in order to achieve those

(14) Since the objectives of improving the functioning of the internal market in the area of passenger cars, and of the successful use of fiscal measures in order to implement the Community's strategy to reduce **pollutant** emissions from passenger cars cannot be sufficiently achieved by the individual Member States and can therefore, by reason of the scale or effects of the action, be better achieved at Community level, the Community may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty. In accordance with the principle of proportionality, as set out in that Article, this Directive does not go beyond what is necessary in order to achieve those

objectives.

objectives.

*Justification*

*In addition to carbon dioxide emissions, other air pollutants such as NO<sub>x</sub> and particle emissions have a crucial bearing on air quality and should be taken into account in the basis of assessment for the annual circulation tax.*

Amendment 10  
Article 1, paragraph 1

This Directive lays down rules for the calculation of taxes on passenger cars, on the basis of their emissions of carbon dioxide.

This Directive lays down rules for the calculation of taxes on passenger cars, on the basis of their emissions of carbon dioxide, ***their fuel consumption and their emissions of pollutants.***

Amendment 11  
Article 4, title

Differentiation by reference to carbon dioxide emissions

Differentiation by reference to carbon dioxide emissions, ***fuel consumption and pollutant emissions***

Amendment 12  
Article 4

For the purposes of calculating annual circulation taxes, tax differentiation shall be applied, on the basis of ***the number of grams of carbon dioxide emitted*** per kilometre ***by each particular passenger car.***

For the purposes of calculating annual circulation taxes, ***graduated progressive*** tax differentiation shall be applied ***to each particular passenger car***, on the basis of ***their carbon dioxide emissions and pollutant emissions, measured in grams per kilometre, and of their fuel consumption, calculated in litres or cubic metres per 100 kilometres in accordance with the parameters laid down in Directive 1999/100/EC, so that the use of vehicles with lower carbon dioxide emissions is more strongly encouraged and the total emissions of vehicle fleets are reduced in accordance with the obligations in the Kyoto Protocol.***



Amendment 13  
Article 5, paragraph 1

1. By 31 December 2008 the total tax revenue from the *carbon dioxide-based* element of the annual circulation taxes shall account for at least 25% of the total revenue from these taxes.

1. By 31 December 2008 the total tax revenue from the element of the annual circulation taxes *based on carbon dioxide emissions, fuel consumption and pollutant emissions* shall account for at least 25% of the total revenue from these taxes.

Amendment 14  
Article 5, paragraph 2

2. By 31 December 2010 the total tax revenue from the *carbon dioxide-based* element of the annual circulation taxes shall account for at least 50% of the total revenue from these taxes.

2. By 31 December 2010 the total tax revenue from the element of the annual circulation taxes *based on carbon dioxide emissions, fuel consumption and pollutant emissions* shall account for at least 50% of the total revenue from these taxes.

Amendment 15  
Article 13

Until 31 December 2015, where registration taxes have been maintained, tax differentiation shall be applied on the basis of *the number of grams of carbon dioxide emitted per kilometre by each particular passenger car*.

Until 31 December 2015, where registration taxes have been maintained, *graduated progressive* tax differentiation shall be applied *to each particular passenger car* on the basis of *their carbon dioxide emissions and their pollutant emissions, measured in grams per kilometre, and of their fuel consumption, calculated in litres per 100 kilometres in accordance with the parameters laid down in Directive 1999/100/EC*.

Amendment 16  
Article 14, paragraph 1

1. By 31 December 2008 the total tax

1. By 31 December 2008 the total tax

revenue from the *carbon dioxide-based* element of registration taxes shall account for at least 25% of the total revenue from these taxes.

revenue from the element of registration taxes *based on carbon dioxide emissions, fuel consumption and pollutant emissions* shall account for at least 25% of the total revenue from these taxes.

Amendment 17  
Article 14, paragraph 2

2. By 31 December 2010 the total tax revenue from the *carbon dioxide-based* element of registration taxes shall account for at least 50% of the total revenue from these taxes.

2. By 31 December 2010 the total tax revenue from the element of registration taxes *based on carbon dioxide emissions, fuel consumption and pollutant emissions* shall account for at least 50% of the total revenue from these taxes.

Amendment 18  
Article 16

No later than 1 January 2011, and every five years thereafter, the Commission shall, after consulting the Member States, present to the Council and to the European Parliament a report on the application of this Directive.

No later than 1 January 2011, and every five years thereafter, the Commission shall, after consulting the Member States, present to the Council and to the European Parliament a report on the application of this Directive *and shall evaluate it with particular reference to the application of Articles 4 and 5.*

*Justification*

*Under Articles 4 and 5, the annual motor vehicle tax must vary in proportion to CO2 emission. In line with the amendments to those articles, which give the Member States the opportunity to take the total adverse environmental impact into account and not just CO2 emissions, it is important that the Commission evaluates how the Member States have applied this provision and what the impact is on the car's environmental performance.*

## PROCEDURE

<b>Title</b>	Proposal for a Council Directive on passenger car related taxes
<b>References</b>	COM(2005)0261 – C6-0272/2005 – 2005/0130(CNS)
<b>Committee responsible</b>	ECON
<b>Opinion by</b> Date announced in plenary	TRAN 8.9.2005
<b>Enhanced cooperation – date announced in plenary</b>	
<b>Draftsman</b> Date appointed	Jan Marinus Wiersma 14.9.2005
<b>Previous drafts(wo)man</b>	
<b>Discussed in committee</b>	25.1.2006      18.4.2006
<b>Date adopted</b>	19.4.2006
<b>Result of final vote</b>	+: 25 -: 17 0: 0
<b>Members present for the final vote</b>	Margrete Auken, Inés Ayala Sender, Etelka Barsi-Pataky, Paolo Costa, Michael Cramer, Arūnas Degutis, Christine De Veyrac, Armando Dionisi, Saïd El Khadraoui, Emanuel Jardim Fernandes, Roland Gewalt, Luis de Grandes Pascual, Mathieu Grosch, Ewa Hedkvist Petersen, Jeanine Hennis-Plasschaert, Stanisław Jałowiecki, Georg Jarzembowski, Dieter-Lebrecht Koch, Rodi Kratsa-Tsagaropoulou, Jörg Leichtfried, Bogusław Liberadzki, Eva Lichtenberger, Erik Meijer, Robert Navarro, Janusz Onyszkiewicz, Willi Piecyk, Luís Queiró, Reinhard Rack, Luca Romagnoli, Gilles Savary, Ulrich Stockmann, Gary Titley, Marta Vincenzi, Corien Wortmann-Kool, Roberts Zīle
<b>Substitute(s) present for the final vote</b>	Den Dover, Markus Ferber, Nathalie Griesbeck, Elisabeth Jeggle, Anne E. Jensen, Ioannis Kasoulides, Kathy Sinnott, Dominique Vlasto, Jan Marinus Wiersma
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	
<b>Comments (available in one language only)</b>	

## PROCEDURE

<b>Title</b>	Proposal for a Council directive on passenger car related taxes	
<b>References</b>	COM(2005)0261 – C6-0272/2005 – 2005/0130(CNS)	
<b>Date of consulting Parliament</b>	6.9.2005	
<b>Committee responsible</b> Date announced in plenary	ECON 8.9.2005	
<b>Committee(s) asked for opinion(s)</b> Date announced in plenary	TRAN 8.9.2005	ENVI 8.9.2005
<b>Not delivering opinion(s)</b> Date of decision		
<b>Enhanced cooperation</b> Date announced in plenary		
<b>Rapporteur(s)</b> Date appointed	Karin Riis-Jørgensen 5.9.2005	
<b>Previous rapporteur(s)</b>		
<b>Simplified procedure – date of decision</b> Date of decision		
<b>Legal basis disputed</b> Date of JURI opinion		
<b>Financial endowment amended</b> Date of BUDG opinion		
<b>Parliament to consult European Economic and Social Committee – date decided in plenary</b>		
<b>Parliament to consult Committee of the Regions – date decided in plenary</b>		
<b>Discussed in committee</b>	20.3.2006	30.5.2006
<b>Date adopted</b>	21.6.2006	
<b>Result of final vote</b>	+ : 27 - : 1 0 : 3	
<b>Members present for the final vote</b>	Zsolt László Becsey, Pervenche Berès, Sharon Bowles, Udo Bullmann, Ieke van den Burg, Elisa Ferreira, José Manuel García-Margallo y Marfil, Donata Maria Assunta Gottardi, Gunnar Hökmark, Karsten Friedrich Hoppenstedt, Sophia in 't Veld, Othmar Karas, Piia-Noora Kauppi, Kurt Joachim Lauk, Cristobal Montoro Romero, Joseph Muscat, John Purvis, Alexander Radwan, Bernhard Rapkay, Eoin Ryan, Antolín Sánchez Presedo, Manuel António dos Santos, Peter Skinner, Margarita Starkevičiūtė	
<b>Substitute(s) present for the final vote</b>	Mia De Vits, Werner Langen, Alain Lipietz, Giovanni Pittella	
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	Alfonso Andria, Toine Manders, Gianluca Susta	
<b>Date tabled</b>	10.7.2006	
<b>Comments (available in one language only)</b>	...	