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DRAFT 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))

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PA_Leg

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 CO₂/km target in 2010.

Speeding up the introduction of CO₂ 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 CO₂ 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 CO₂ 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 CO₂ factor, this directive should also be linked with the existing directive on labelling of CO₂ 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 CO₂ 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 CO₂/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 ¹	Amendments by Parliament
Amendment 1 Recital 1	
<p>(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 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.</p>	<p>(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 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.</p>

Justification

An earlier introduction date is necessary for the proposal to contribute to the achievement of

¹ Not yet published in OJ.

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 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 3
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) Fiscal incentives ***should*** 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 ***in a steeper than proportional scale in order to ensure that incentives for low-carbon dioxide emitting vehicles are strengthened compared to existing practice.***

Justification

In changing the tax system Member States must make sure that the reform fulfils the objective of the Directive, i.e. reduces CO2 emissions from transport.

Amendment 4
Recital 4 a (new)

(4a) Light duty commercial vehicles, also known as N1 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
N1 vehicles¹ stipulates that carbon dioxide
emissions from N1 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.*

¹ *OJ L 49, 19.2.2004, p. 36.*

Amendment 5
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 carbon dioxide based element should account for at least **75%** of the total revenue from registration and annual circulation taxes by **1 January 2008.**

Justification

See justification to amendment to recital 1. In order to be effective, the CO2 element should correspond to at least 75% of the revenue from registration and annual circulation taxes.

Amendment 6
Recital 5 a (new)

(5a) The fiscal 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 cars¹ in order to ensure the provision of consistent information to prospective car owners.

¹ *OJ L 12, 18.1.2000, p. 16.*

Amendment 7
Recital 7

(7) For the exercise of their right of free movement, many European citizens use their cars to move, temporarily or permanently, from one Member State to another. ***The great variety of passenger car taxation systems has a significant negative impact on the ability of the European citizen¹ and of the car industry to reap the benefits of the internal market.*** Registration taxes ***in particular*** give rise to ***increased transactional costs*** for the consumer, ***to important differences in pre-tax car prices and to car market fragmentation, and negatively affect the cross-border trade.***

(7) For the exercise of their right of free movement, many European citizens use their cars to move, temporarily or permanently, from one Member State to another. ***Differences in*** registration taxes ***may*** give rise to ***double taxation*** for the consumer ***who chooses to move between Member States.***

Justification

Any negative impacts of different levels of registration taxes in Member States that may occur can be addressed through a refund system. To prohibit such taxes at EU level would be completely out of proportion.

Amendment 8
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***

(8) Registration taxes ***which apply at the point of purchase are the most effective instrument for promoting the purchase of more efficient, cleaner and safer cars. Member States have obtained positive results by applying differentiated***

¹ The European Court of Justice has recently ruled in its judgment of 16 June 2005, in case C-138/2004, that registration taxes can amount to an obstacle to free movement, in particular because of their rates and technicalities.

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.

registration taxes to favour the early introduction of more environmentally friendly technologies in vehicles, and this practice should be further encouraged and considered also at the EU level.

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, reimbursement and payment of car registration taxes when moving between Member States.

Amendment 10
Article 1, paragraph 2

It also provides *for the elimination of registration taxes and* for a system under which, in certain circumstances, registration taxes paid are to be refunded.

It also provides for a system under which, in certain circumstances, registration taxes paid are to be refunded.

Justification

Any negative impacts of different levels of registration taxes in Member States that may occur can be addressed through a refund system. To prohibit such taxes at EU level would be completely out of proportion.

Amendment 11
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
category 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 CO₂ emissions from passenger cars. Directive 2004/3 stipulates that CO₂ 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 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, tax differentiation shall be
applied, on the basis of the number of grams
of carbon dioxide emitted per kilometre by
each particular passenger car, ***in a steeper
than proportional scale. Member States
shall ensure that in implementing this
Directive any changes made to annual
circulation taxes effectively favour more
fuel-efficient vehicles.***

Justification

In changing the tax system Member States must make sure that the reform fulfils the objective of the Directive, i.e. reduces CO₂ emissions from transport.

Amendment 13
Article 5

1. By 31 December 2008 the total tax
revenue from the carbon dioxide-based

By ***1 January*** 2008 the total tax revenue
from the carbon dioxide-based element of

element of the annual circulation taxes shall account for at least **25%** of the total revenue from these taxes.

the annual circulation taxes shall account for at least **75%** 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

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 14
Article 7

**Chapter III
ELIMINATION OF REGISTRATION
TAXES**

deleted

**Prohibition on introduction
Article 7**

From [...] Member States may not introduce any tax which relates to the registration of passenger cars, thereby allowing their use on public roads, and the characteristics of which are identical or similar to the taxes listed in Annex II, hereinafter “registration taxes”.

Justification

Any negative impacts of different levels of registration taxes in Member States that may occur can be addressed through a refund system. To prohibit such taxes at EU level would be completely out of proportion and environmentally counter productive.

Amendment 15
Article 8

Article 8

deleted

Prohibition on maintenance

From 1 January 2016, Member States may not maintain in force any registration taxes.

Justification

See justification to Draftsman's amendment to Article 7.

Amendment 16
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 States.

Amendment 17
CHAPTER V, Heading

TEMPORARY PROVISIONS

REGISTRATION TAXES

Amendment 18
Article 12, paragraph 1

1. ***Until 31 December 2015***, the calculation of the amount of registration taxes to be charged shall be based on the current value of a similar new passenger car, and shall take into account the actual depreciation of the passenger car concerned.

1. The calculation of the amount of registration taxes to be charged shall be based on the current value of a similar new passenger car, and shall take into account the actual depreciation of the passenger car concerned.

Amendment 19
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.

Tax differentiation shall be applied on the basis of the number of grams of carbon dioxide emitted per kilometre by each particular passenger car ***in a steeper than proportional scale. Member States shall ensure that in implementing this Directive any changes made to the registration taxes effectively favour more fuel-efficient vehicles.***

Amendment 20
Article 14

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.

By ***1 January*** 2008 the total tax revenue from the carbon dioxide-based element of registration taxes shall account for at least **75%** of the total revenue from these taxes.

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.

Amendment 21
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.***

Amendment 22
Article 16, paragraph -1 (new)

The Commission shall examine the feasibility of introducing Community wide minimum registration taxes for passenger cars and vans by 2009 and make such proposals, if appropriate, to the Council and to the European Parliament by 31 December 2007.

Justification

Environmental registration tax is the most efficient and effective instrument as an incentive to the purchase of more efficient, cleaner and safer cars. A more general and consistent introduction of registration taxes across the EU should be welcomed. The European Parliament called for EU eco-taxes by 2009 in its resolution on Winning the battle against global climate change (16 November 2005).