



REMOVING ENVIRONMENTALLY HARMFUL SUBSIDIES: ROUNDTABLE INTERNAL AND EXTERNAL CONTRIBUTIONS - **TRANSPORT**

Workshop on Environmentally Harmful Subsidies
Ministry of Foreign Affairs and International Cooperation

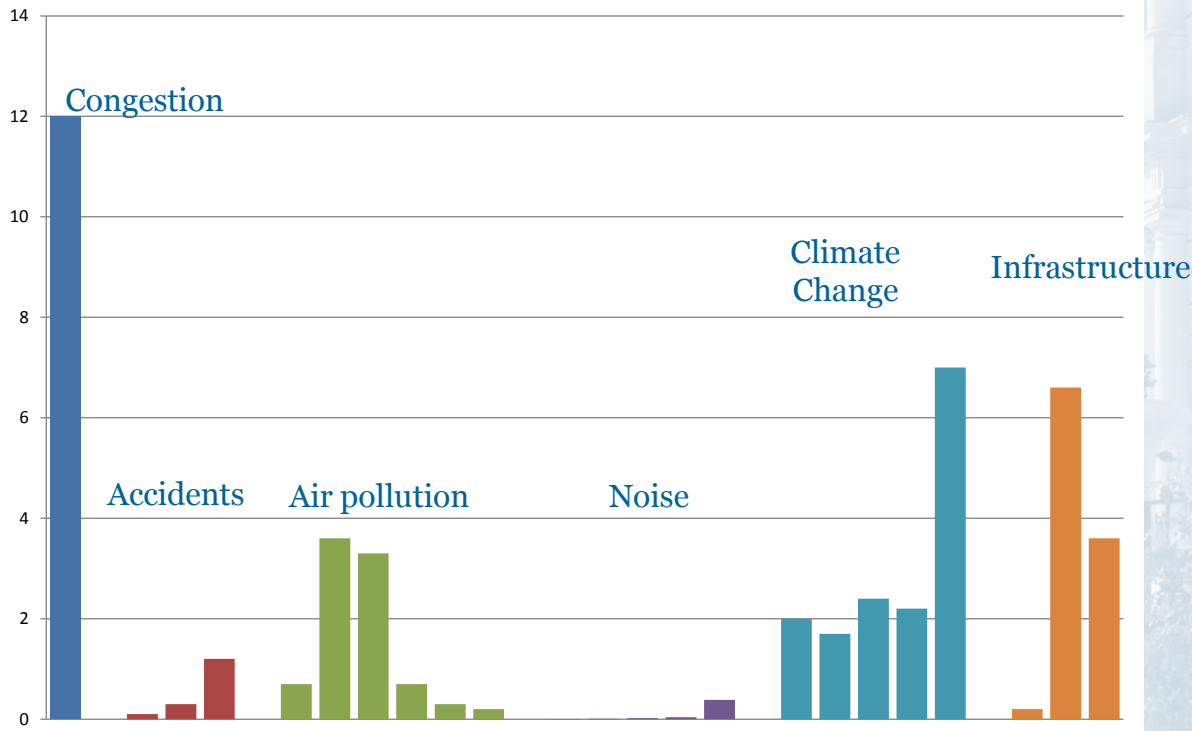
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Environmentally harmful subsidies?

Main external costs of road use –
(average congestion cost; Euro-cent/vehicle-km, 2010)





Environmentally harmful subsidies?

Environmental fiscal reform: align taxes with external costs

Environmentally harmful subsidies?

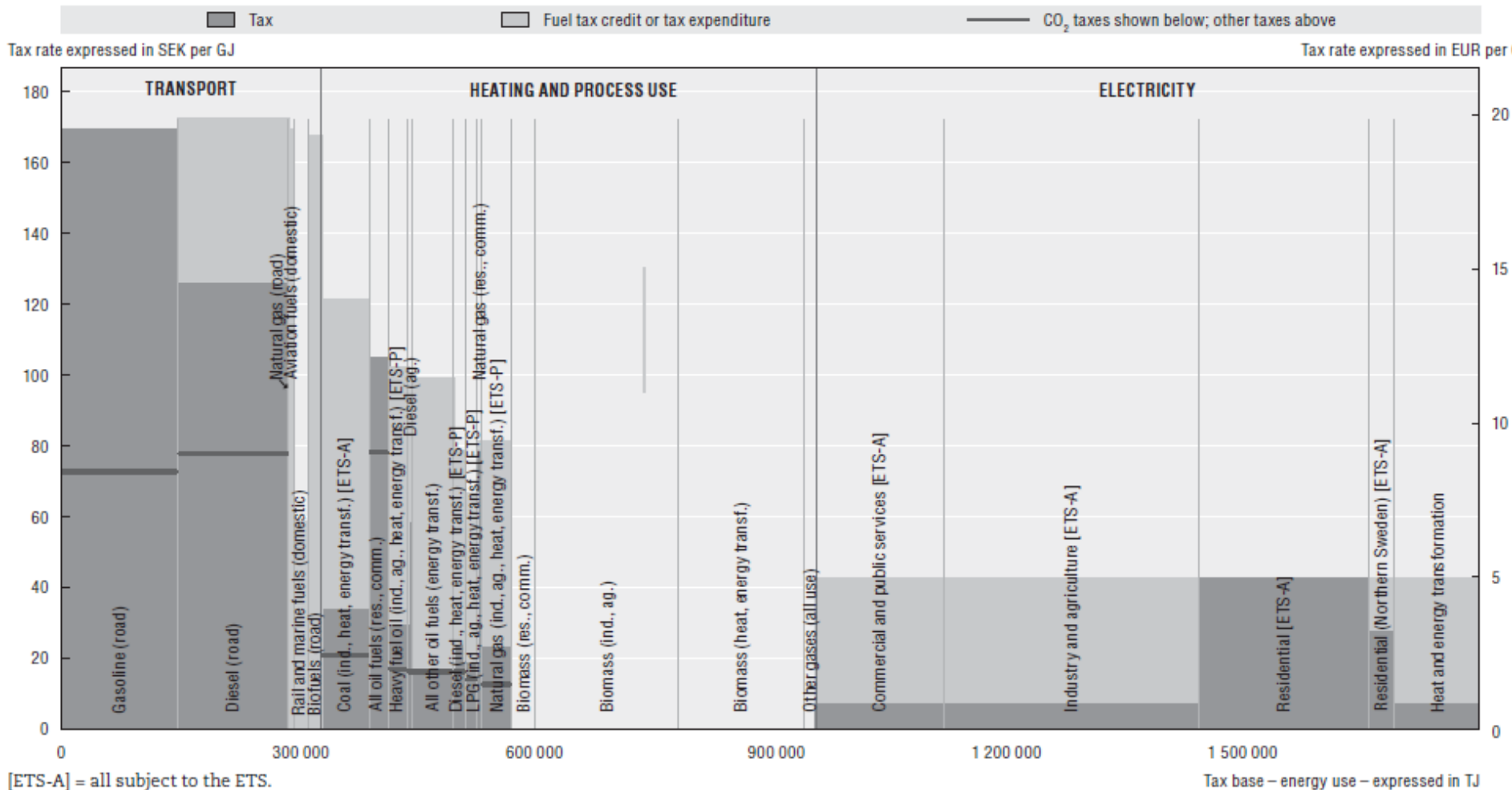
Preferential tax treatment (compared to what?)

- Some types of energy use, e.g. off road transport fuels sometimes exempt from excise; concessionary VAT rates for some types of vehicles; generous tax deductibility...
- Some road transport fuels, e.g. gasoline vs. diesel
- Some road transport uses, e.g. preferential personal income tax treatment of company cars
- (International aviation and shipping)



Environmentally harmful subsidies?

Figure 30.2. Taxation of energy in Sweden on an energy content basis



[ETS-A] = all subject to the ETS.

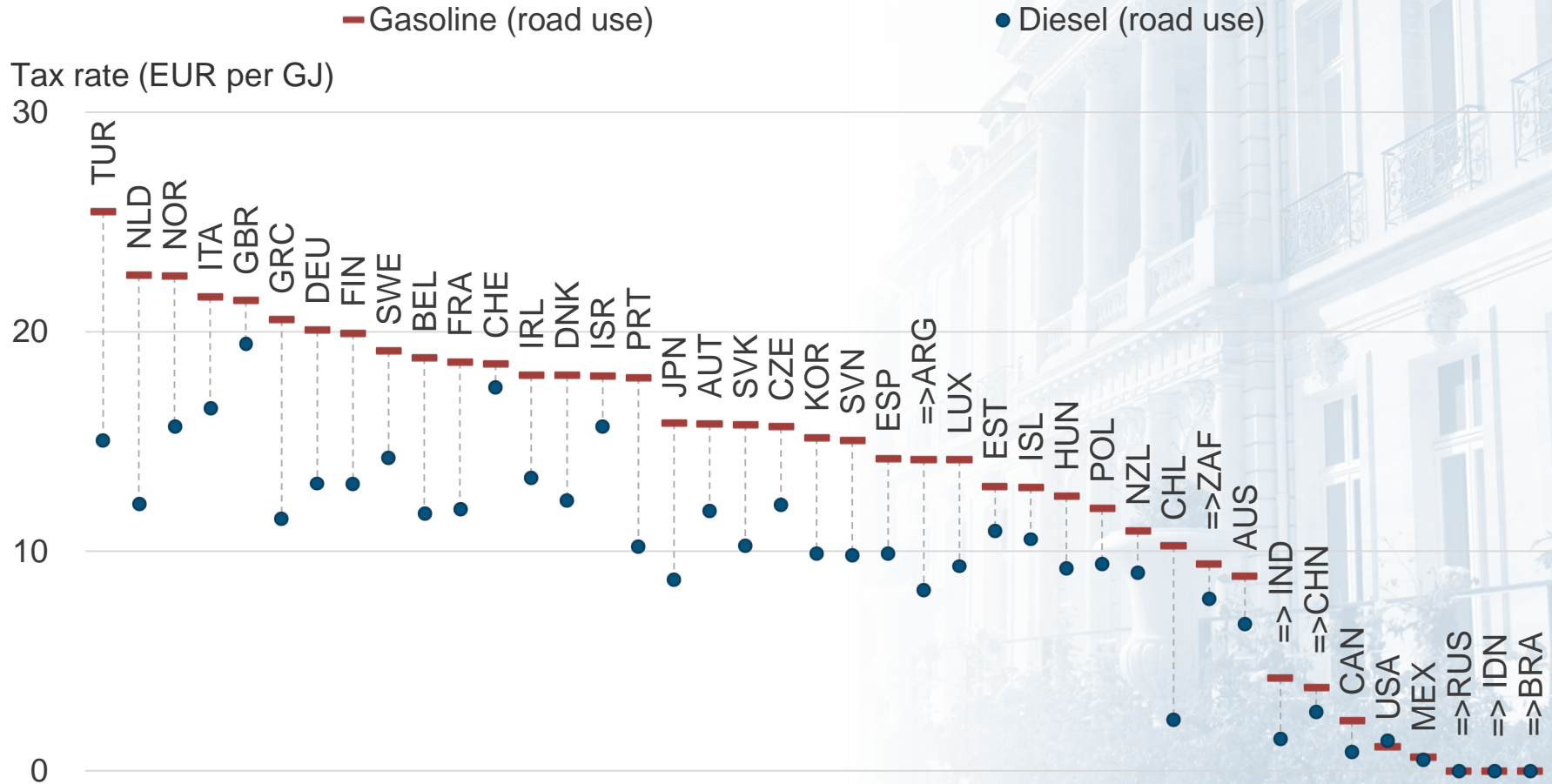
[ETS-P] = partially subject to the ETS.

Abbreviations: Res. = residential; comm. = commercial; ind. = industrial; ag. = agricultural; fish. = fishery; energy transf. = energy transformation; heat = merchant heat.

Source: OECD calculations based on IEA data and country-specific tax information (detailed in Annex A). Tax rates are as of 1 April 2012; energy use is based on IEA data for 2009.



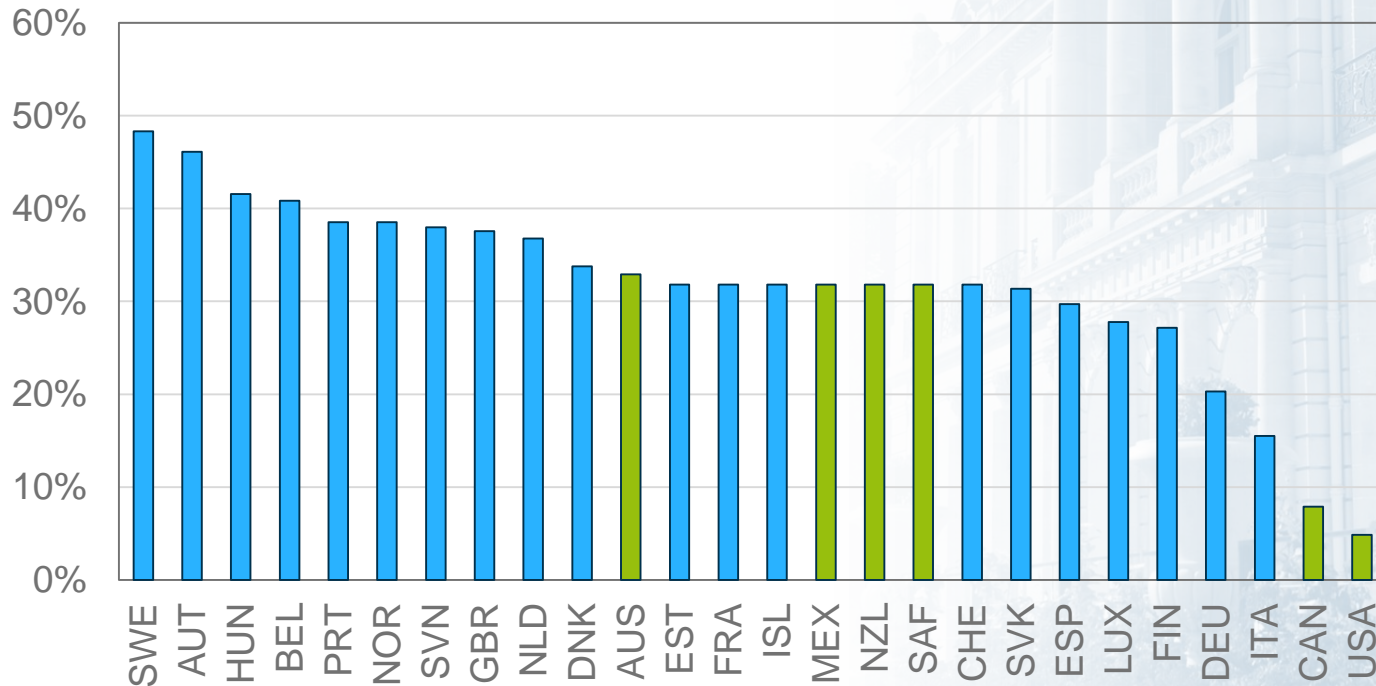
The "diesel differential"





Company cars - usage

Company Cars as % of Car Registrations (2009-2011)





Company cars - usage

Company car registrations are typically more expensive than private cars & emit more CO₂ per km

- » On average, 12% more expensive & 4% more emissions per km
- » More than 25% more expensive in Germany, Italy, the Netherlands and the Slovak Republic
- » Company cars emit between 2% (the United Kingdom) & 16% (Italy) more CO₂ than private cars per km

Company cars are used predominantly for personal purposes & are driven further than private cars

- » Company cars are driven between 1.5 to 3 times further than private cars (12 studies across 5 countries)
- » Estimates of business use range from 32-39% of total use



Company cars – source of the subsidy

For equity, fiscal & coherency reasons, personal income tax systems generally aim to tax income regardless of its form

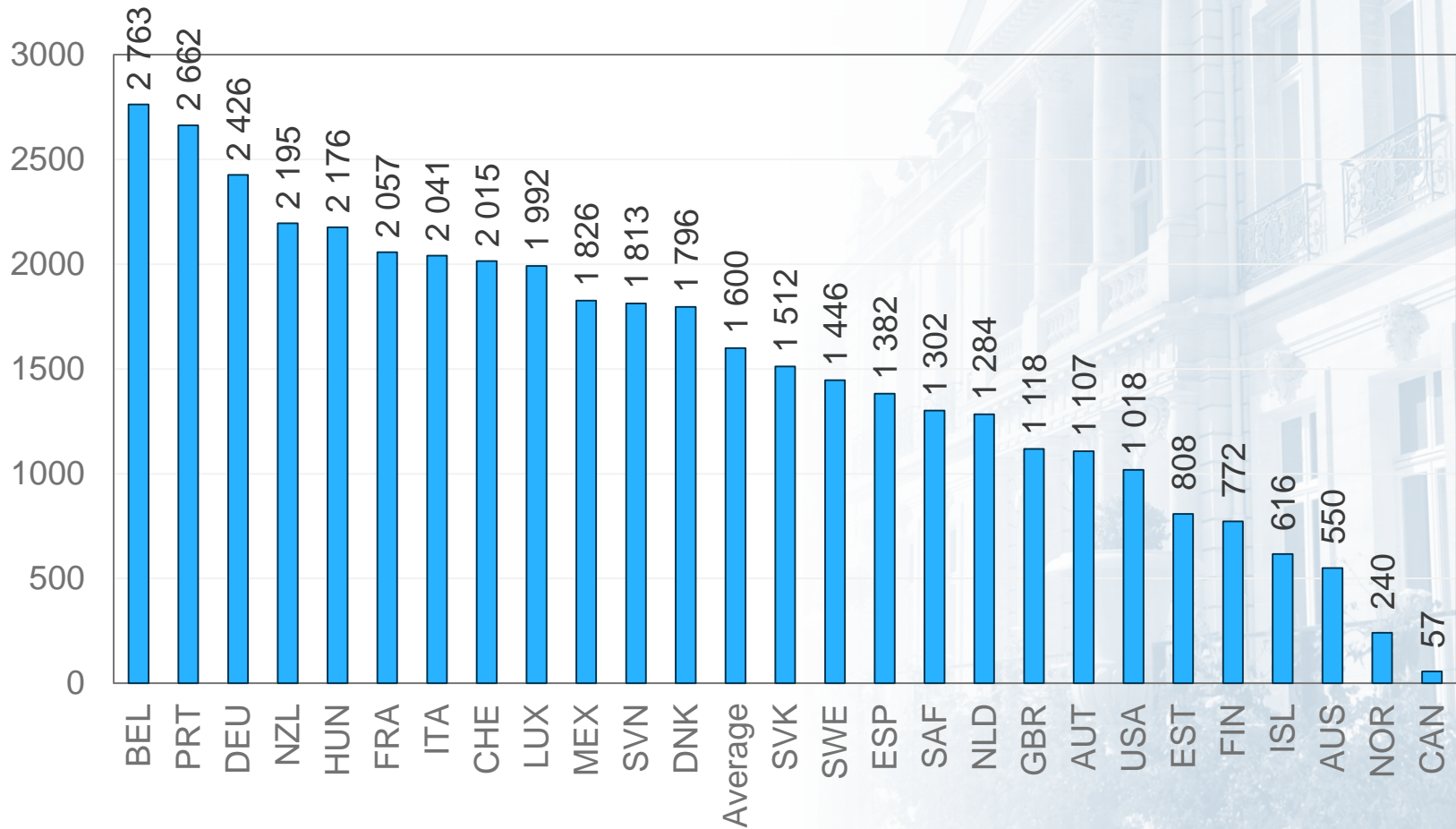
Employees who can use a company car for personal purposes receive a benefit from doing so (a form of income)

- » Tax systems estimate this benefit so it can be taxed under the personal income tax regime
- » **Under-measurement of this benefit leads to under-taxation:** a tax expenditure

To estimate the tax expenditure, we compare the benefit measured in 26 OECD countries with a neutral “benchmark”



Tax expenditure per company car, 2012, EUR





Company cars – total tax expenditure

Total Tax Expenditure (2012)

