Press Release

European
Automobile
Manufacturers
Association

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CO2 tax on cars widespread in West-European Member States

Almost all West-European countries now levy some form of CO2 tax on passenger cars. A survey done by ACEA, the European Automobile Manufacturers' Association, shows that over the past 15 months, France, Spain, Finland and Ireland introduced CO2-related car taxation. This brings the total of EU Member States with such a system up to fourteen, with Cyprus being the only New Member State. In addition, countries such as the Netherlands, Denmark and Portugal implemented significant changes to their existing schemes.

The European car industry welcomes the clear trend towards CO2-related car taxation but warns that the environmental results may be negatively influenced by the widely varying systems in each country. "CO2 related taxation of cars and of alternative fuels are an important tool in shaping consumer demand towards fuel-efficient cars. Only a harmonised tax scheme, however, will give the necessary clear market signal which will be decisive in achieving the desired cuts in CO2 emissions," said Ivan Hodac, Secretary General of the European Automobile Manufacturers' Association (ACEA). "The fragmentation of systems, furthermore, has a distorting effect on the internal market."

The European car industry urges EU governments to show more resolve in harmonising car taxation schemes. EU Finance Ministers recently rejected the Commission's proposal for a Directive on car taxation. "This is a missed opportunity on an essential issue and that, at a time when expectations about massively reducing CO2 emissions are high at the national level", said Hodac.

Current CO2-related car tax schemes differ widely across the EU. Italy, for example, offers a one-off incentive when purchasing a new car. France and the UK use CO2 emissions systematically for taxing privately owned and company cars. Similarly, France, the UK and Luxembourg use CO2 emissions as the only factor for car taxation, whereas others apply a combination of criteria including car price, engine capacity and CO2 emissions. Some countries impose rather arbitrary cut-off points to increase tax rates stepwise.

The car industry advocates a linear system, in which tax levels are directly proportionate to the car's CO2 emissions and every gramme of CO2 is taxed the same. Car tax schemes should neither include nor exclude specific technologies and be budget neutral in end-effect.

Details of the car tax survey and the ACEA Tax Guide 2008 are available at
http://www.acea.be/index.php/collection/taxation_background/

The European automobile industry is key to the EU economy. The sector employs 2.3 million people directly and indirectly supports the jobs of another 10 million families. The industry is the largest private investor in research & development in the EU, with R&D expenditure of 20 billion EURO annually. The ACEA members are BMW Group, DAF Trucks, Daimler, FIAT, Ford of Europe, General Motors Europe, MAN Nutzfahrzeuge, Porsche, PSA Peugeot Citroën, Renault, Scania, Toyota Motor Europe, Volkswagen and Volvo.

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