

Learning from International Experiences

Vehicle Fiscal Incentive Policies around the World

International Seminar on Fuel Efficiency Standards and Labeling of Vehicles in India

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Outline

- Taxes/fees
 - Review of tax/fee forms
 - International comparison on vehicle taxes burdens
- Country reviews
 - US, UK, Japan, China, Canada
- Conclusions



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Review of Common Tax/Fee Forms

- Lump-sum Taxes/Fees
 - One time taxes/fees assessed on new vehicle purchase
 - Usually include: sales tax, registration tax/fee, acquisition tax, vehicle license fee on consumers, or excise fee on manufactures
- Annual Taxes/Fees
 - Levied or charged on annual base
 - Usually take forms of annual circulation /ownership tax, vehicle annual test fees, etc.

Overview of Tax/Fee Designs

Tax/Fee Forms		Types			
		Fixed Tax	Indexed Tax		
		Fixed Amount/Percentage	Category Based	Vehicle Attribute Based	Efficiency / Emission Based
Lump-sum	Registration Tax Excise Tax License Plate Fee	Registration Fee (China)	Fuel type (Finland), Retail Price (Denmark)	Cylinder Capacity (China)	Efficiency (US, Canada)
Annual	Annual Circulation Tax/Vehicle Fee	Annual Inspection (US, China)	N/A	Weight, (China)	Efficiency, CO ₂ (UK)

Country Review - Japan

Lump-sum Tax/Fee	Annual Tax/Fee
<ol style="list-style-type: none"> Acquisition Tax Incentives (Green Tax): allow one-time acquisition tax deductions for high fuel efficiency, low emission and clean fuel (electric, CNG, hybrid) vehicles 	<ol style="list-style-type: none"> Weight Tax: annual tax based on vehicle weight: 6,300 JPY/0.5 ton on passenger cars Annual Vehicle Tax: engine size based, ranges from 29,500 JPY/yr for PV<1,000 cc to 111,000 JPY for PVs over 6,000 cc Annual Vehicle Tax Incentives (Green Tax): reduced annual vehicle tax rates on high fuel efficiency, low emission and clean fuel (electric, CNG, hybrid) vehicles



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Country Review - U.S.

Lump-sum Taxes/Fees	Annual Taxes/Fees
<ol style="list-style-type: none"> Guzzler Tax: fuel economy based tax levied on automakers with new sales of cars, ranges from \$1,000 for vehicles with FE less than 22.5 mpg to \$7,700 for vehicles with FE less than 12.5 mpg. Income Tax Credits on selected cleaner vehicle models (hybrids, electronic, alternative fuels), ranges from \$250 to \$3,400 depending on fuel economy of the model and with specific sales constraints. SUV Tax Breaks: Small businesses can obtain a tax savings through depreciation write-offs for the purchase of an SUV over 6,000 pounds, maximum tax break is \$25,000. 	N/A



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Country Review - UK

- No Registration Tax
- CO₂ emission based Annual Vehicle Excise Tax (for cars registered on or after March 1st, 2001)

Bands	CO ₂ Emissions (g/km)	Diesel Car UK£ (US\$)	Petrol Car UK£ (US\$)	Alternative Fuel Car UK£ (US\$)
Band A	< 100	0 (0)	0 (0)	0 (0)
Band B	101 – 120	50 (101)	40 (81)	30 (61)
Band C	121 – 150	110 (222)	100 (202)	90 (182)
Band D	151 – 165	135 (273)	125 (253)	115 (232)
Band E	166 – 185	160 (323)	150 (303)	140 (283)
Band F	186 - 225	195 (394)	190 (384)	180 (364)
Band G*	> 225	215 (434)	210 (424)	200 (404)

Source: ACEA Tax Guide 2007



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Country Review - Canada

Lump-sum Tax/Fees/Rebate Programs

National Fee-bate program by fuel consumption (L/100-km) applied on cars, minivans, SUVs and light trucks:

- Vehicles with fuel consumption below 13.0 L/100-km receive rebate ranging from CAN\$1,000 - \$2,000 and further differentiated by vehicle category (cars v.s. the rest)
- Vehicles with fuel consumption above 13.0 L/100-km subject to green levy ranging from CAN\$1,000 - \$4,000.

Local fee-bate programs: Ontario - similar in structure, fee schedules are different than the national level

Annual Tax

N/A



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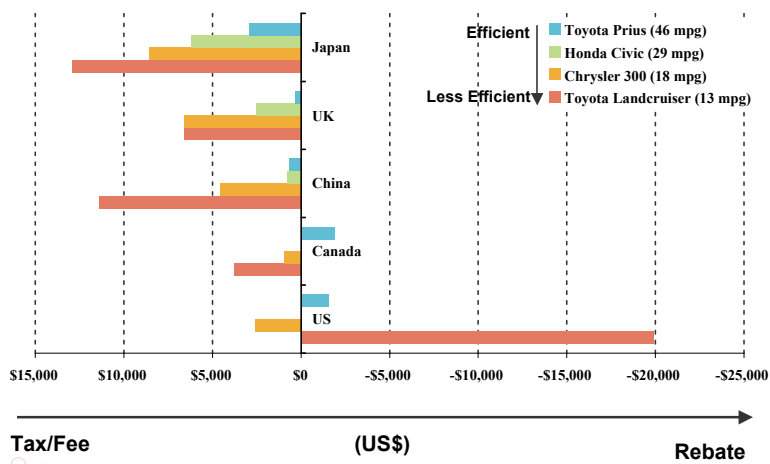
Country Review - China

Lump-sum Taxes/Fees	Annual Taxes/Fees
<p>Excise Tax by engine displacement</p> <p>1.0-1.5L: 3% (reduced from 5%)</p> <p>1.5L-2.0L: 5%</p> <p>2.0L-2.5L: 9%</p> <p>2.5L-3.0L: 12%</p> <p>3.0L-4.0L: 15%</p> <p>>4.0L: 20% (raised from 8%)</p> <p>Note: SUVs must now comply with the above schedule; recently removed the 5% favorable rate.</p>	<p>Annual Vehicle Usage Tax: fixed amount based on vehicle category: cars, freight trucks, two and three wheelers</p>



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International Comparison on Fiscal Policies



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Lessons Learned

- Fiscal policies can provide an important compliment to regulatory standards, particularly as nations move to attribute-based standards.
- To maximize effect, all fiscal incentives should be directed towards promoting greater efficiency; mixed signals are counter productive.
- The level of fiscal incentives -- and consumer awareness -- directly influence their impact.
- Fiscal policies can help redirect the trend to increase vehicle size, weight and horsepower towards energy conservation and lower GHG emissions.