

ANNEX E

Motor Tax

Public Consultation inviting proposals for the rebalancing of annual motor tax charges to take account of CO₂ emissions.

Mr. Dick Roche, T.D., Minister for the Environment, Heritage and Local Government invites interested parties to make submissions in relation to the rebalancing of annual motor tax to provide an incentive through the motor tax system for the motoring public to drive cleaner cars and to impose penalties in respect of cars with higher CO₂ emission levels. This invitation will be published on the Department's website, www.environ.ie

Submissions received will also be published on the website. Submissions may be emailed to motortax@environ.ie or posted to:

'Motor Tax Consultation',
Motor Tax Policy Section,
Department of the Environment, Heritage and Local Government,
Custom House,
Dublin 1.

All Submissions should be received, at the latest, by 1 March 2007.

Background

There are a total of 2.3 million taxed vehicles on the national vehicle database which is growing at the rate of about 5% annually. Vehicles in respect of which motor tax in the 'private car' category is paid make up the largest portion, with 1.8 million or 78% of the fleet. It is projected that the overall motor tax income for 2006 will be €870 million compared with €802 million in 2005.

Motor tax revenue is a critical source of current funding for local authorities. Together with an Exchequer contribution, it is ring-fenced within the Local Government Fund which is used to support investment in non-national roads and provide general purpose current funding for local authorities. Overall, the Local Government Fund meets some 30% of local government current spending annually, and motor tax accounts for some 60% of the Fund.

Motor tax banding system

Motor tax on private cars is currently determined on the basis of engine size (cubic centimetres - 'cc'). Excluding the band for electric cars which already attract a favourable motor tax rate, there are 22 private car bands ranging from under 1,000cc (€151) to over 3,000cc (€1,343), in 100 cc increments. 10.5% of the private car fleet pay the minimum rate of €151 annually while 73% are 1,600cc or less and pay a maximum of €391. Cars between 1,601cc and 3,000 cc represent 26% of the fleet. Cars over 3,000cc pay the maximum tax rate of €1,343 and account for 0.6% of the car fleet.

While engine size influences both fuel consumption and CO₂ emissions, it is not in itself an accurate determinant for emission levels since certain technologies may provide greater CO₂ efficiency for a given engine size.

Moving towards a more CO₂ emissions related motor tax system

The Minister for the Environment, Heritage and Local Government, in line with a commitment in the Programme for Government, wishes to provide an incentive through the motor tax system for the motoring public to drive cleaner cars. It is proposed to introduce a system under which CO₂ emission ratings for individual vehicles will, in addition to the normal engine cc value, be used for the calculation of motor tax in respect of any new or pre-owned imported vehicle, registered in this country on or after 1 January, 2008, taxed within the 'Private Car' motor tax class and at each subsequent taxing.

In the interests of protecting this important contribution to the funding base of local government, the new arrangements will apply on a fiscally neutral basis. Consequently the overall impact of the revised system will be to 'rebalance' motor tax payments in favour of cars with lower CO₂ emission levels, at the expense of vehicles with high emission levels, without any overall loss of motor tax revenue.

The mechanism for the new arrangement will have regard to the individual CO₂ emission rating for each car as determined by the manufacturer as well as the existing engine cc based motor tax band appropriate to each vehicle. It is proposed that within each of the existing cc bands there will be three possible motor tax charges influenced by CO₂ ratings as follows:

- low CO₂ ratings which will attract a discounted motor tax rate;
- medium range CO₂ ratings which will attract the standard rate of motor tax;
- high CO₂ ratings which will attract premium motor tax charges (higher than the standard rate).

The discounts should apply at consistent levels across all motor tax bands i.e. the same percentage discount would be applied in all instances. While consistency is also envisaged for the premium charges, these may not be the same in percentage terms as the discounts. The values at which the low, medium and high CO₂ ratings are set will be determined following this consultation; where possible, regard will be had to the arrangements which the Revenue Commissioners may put in place for the VRT system and to the Department of the Environment, Heritage and Local Government's CO₂ Emissions Labelling system.

Cars which are registered prior to 1 January, 2008 will continue to be taxed in accordance with current arrangements and CO₂ ratings will not apply to these vehicles.

These proposals are without prejudice to the powers of the Minister for the Environment, Heritage and Local Government to increase motor tax rates generally. Such general increases were last applied in 2004.

An extensive publicity campaign to inform the motoring public of the benefits from a motor tax perspective of purchasing low emission new cars will be undertaken prior to revised tax rates coming into operation.

**Department of the Environment, Heritage and Local Government
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