

Vehicle Registration Tax (VRT) and Motor Tax

Public Consultation on adjusting the current CO₂ bands and rates in line with technological advances in motor vehicles

The Minister for Finance, Mr. Michael Noonan, T.D., and his colleague the Minister for the Environment, Community and Local Government, Mr. Phil Hogan T.D. invite interested parties to make submissions regarding the proposed revision of the current system of VRT and Motor Tax to adjust CO₂ bands and rates in line with technological advances in motor vehicles while maintaining a positive environmental incentive to reduce transport emissions. This document is available on the Department of Finance's website, www.finance.gov.ie.

Submissions received will be published on the Department's website. Submissions may be e-mailed to: VRT@finance.gov.ie, or posted to 'VRT and Motor Tax Consultation', Excise Policy Unit, Budget, Taxation and Economic Division, Department of Finance, Government Buildings, Upper Merrion Street, Dublin 2.

All submissions should be received, at the latest, by 1 March 2012.

Table 1 below sets out the trend in sales and VRT receipts since 2007, the move to the purchase of cleaner cars, and the decline in the average price of new cars.

Table 1

	New car sales	Total VRT receipts €m	% of new cars purchased in top 3 emission bands	Average OMSP of a new car €
2007	181,571	1,406	41.2%	27,098
2008	146,637	1,121	49.9%	26,752
2009	54,055	375	77.4%	23,715
2010	85,264	384	90.8%	21,319
2011 (Oct)	86,004	365	95.7%	22,391 (to end Oct.)

The decline in new car sales, combined with increased competition on car prices and consumer moves towards buying cheaper and cleaner cars (almost 96% of new cars purchased were in the first 3 CO₂ emission bands, where the VRT rates are lower), has resulted in a fall in VRT yields from €1.4bn in 2007 to less than €400m in 2009 and 2010. Receipts at the end of October 2011 stood at €365m, with 86,004 new cars purchased.

Table 2 below sets out the trend in Motor Tax receipts from private vehicles since 2007

Table 2

	No of cc vehicles	Income (€m)	No. of CO ₂ vehicles	Income (€m)	Total income(€m)
2007 (at end Dec)	1,882,901	774	--	--	774
2008 (at end Dec)	1,867,366	853	56,915	10	863
2009 (at end Dec)	1,759,881	835	142,548	37	872
2010 (at end Dec)	1,635,448	784	237,267	58	842
2011 (to end Oct)	1,551,953	641	333,634	67	708

Annual motor tax income from private vehicles has declined from €63m in 2008 to €42m at the end of 2010 (€708m to the end of October 2011). While this is attributable in part to the decline in new cars sales, as set out above, the loss of revenue due to the switch to CO₂ vehicles, with the attendant lower rates of taxation, has played a large part. The number of vehicles taxed on the basis of CO₂ emissions has increased by about 5% year on year. The average payment for vehicles in the CO₂ system is €218 – for those taxed on engine capacity, the average payment is €444. Once the older cars are all replaced by cars taxed on CO₂ over the next 15 years or so, it is estimated that total motor tax from cars will halve. At the end of October 2011, the CO₂ fleet of almost 335,000 cars comprised 17.6% of all cars on the road. Of these, almost 300,000 are taxed at the three lowest bands.

Table 3 appended at **Annex 1** shows the breakdown of the VRT take since 2007, and shows the shift in band allocation during that period. Table 4 appended at **Annex 2** shows the breakdown of private cars between the different CO₂ bands at end October 2011. In view of both the decline in VRT and Motor Tax receipts, consideration must be given to options which will generate the conditions necessary for the protection and improvement in VRT and Motor Tax revenues for the Exchequer. Accordingly, after a number of years of operation it is now worth examining the current CO₂ bands and rates structures for both taxes in the light of the overall reductions in CO₂ emission levels being made by car manufacturers and the standards set internationally, with a view to adjusting the bands and rates in line with technological advances, while simultaneously maintaining an environmental incentive for the shift to lower CO₂ emissions from transport through to the future.

Department of Finance

6th December 2011

New Cars Purchased - broken down by CO₂ Emission Bands**Table 3**

	CO ₂ Emissions (CO ₂ g/km)	VRT Rates	2007	2008 (a)	2009	2010	To end Oct 2011 (prov)
A	0 – 120g	14% of OMSP	1.5%	3.8%	13.0%	34.7%	42.8%
B	More than 120g/km up to and including 140g/km	16% of OMSP	16.3%	26.8%	44.7%	45.5%	48.1%
C	More than 140g/km up to and including 155g/km	20% of OMSP	23.4%	19.3%	19.7%	10.4%	4.8%
D	More than 155g/km up to and including 170g/km	24% of OMSP	24.7%	25.0%	13.4%	6.4%	2.6%
E	More than 170g/km up to and including 190g/km	28% of OMSP	21.6%	15.9%	6.7%	2.1%	1.0%
F	More than 190g/km up to and including 225g/km	32% of OMSP	8.4%	6.4%	2.0%	0.6%	0.5%
G	More than 225g/km	36% of OMSP	4.2%	2.8%	0.4%	0.3%	0.2%

Source: 2007 and 2008 figures – Sustainable Energy Ireland’s Energy in Transport 2009 Report.
2009, 2010 and 2011 figures – D/Finance and Revenue data.

(a) The new CO₂ related VRT system was introduced on 1 July 2008; consequently the 2008 figures are a combination of the old engine based and the new CO₂ related VRT systems.

OMSP = Open Market Selling Price

Breakdown of private cars between the different CO₂ bands at end October 2011

Table 4

CO₂ emission band	No of vehicles (at end Oct 2011)
A	83,034
B	153,825
C	58,128
D	24,332
E	9,744
F	3,923
G	648
Total	333,634