

# OVERVIEW ON FISCAL POLICY OPTIONS TO PROMOTE SUSTAINABLE TRANSPORT

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# Role of the Law

- Regulation (standards; planning and development laws)
- Financial instruments and incentives
- Combination of regulation and stimulation
- Education (e.g. labeling; advertising)
- Law forces technological change (e.g. CAFE standards in USA)

# The Environmental Challenge

- Climate change
- Energy security
- Local air pollution in major cities

# Skewed Sales Tax/VAT/GST

- Higher charges on vehicles with low levels of fuel efficiency
- Consists of either a lump sum payment or higher tax rate on value of vehicle
- Emergency vehicles exempted (ambulances, police cars)
- Expand system so as to give a lump sum reduction to vehicles that exceed specified fuel efficiency standards

# Feebate system

- Combine the imposition of higher sales tax for inefficient vehicles with tax rebates for efficient vehicles. A sliding scale of charges for gas guzzlers, and a sliding scale of rebates for gas sippers.
- Ontario (Canada): Tax for Fuel Conservation

# Skewing Motor Vehicle Registration Charges

- Owners of cars with high fuel consumption to pay increased annual motor vehicle registration charges. Move away from factors such as weight of vehicle, number of cylinders and intended use of vehicle (private or commercial)

## “User pays” principle

- Replace (or reduce) motor vehicle registration charges with additional petroleum excise tax, payable at the pump

# Time of day toll charges

- Tolls on roads and bridges to vary so as to encourage off-peak travel (reducing congestion leads to improve fuel efficiency)
- Tolls to vary according to size or type of vehicle (not just on number of axles)

# Income tax incentives

- Offer income tax rebates or credits on purchase of vehicles that meet specified fuel efficiency standards.
- Offer income tax credits to individuals and businesses that purchase alternative fuel vehicles or retrofit vehicles using an alternative-fuel conversion kit

# Removal of old, inefficient vehicles

- Maximum age for vehicles (regulation)
- ◆ OR
- “Cash for clunkers” programme (incentive)

# Fringe Benefit Tax Incentives

- FBT is a separate tax paid by employers on fringe benefits offered to employees, regardless of employees' liability for income tax
- FBT applies to car fringe benefits
- Give FBT incentives to businesses that provide more fuel-efficient vehicles to employees. Could adopt of skewed system as for sales tax/VAT/GST

# Company tax

- Limit tax deductability for employees' cars to those attaining a specified level of fuel efficiency

# Grants, Low Interest Loans or Loan Guarantees

- Grants or loans to businesses for lease or purchase of fuel-efficient vehicles
- Could extend the system to State or local government agencies (influence government procurement rules)