



Consumption Tax Trends

**VAT/GST, EXCISE AND
ENVIRONMENTAL TAXES**



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2001



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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FOREWORD

This publication is the fourth in the series “Consumption Tax Trends”. It presents information relative to indirect taxes in OECD Member countries as at 1 January 2000.

The earlier editions of *Consumption Tax Trends* showed the increasing importance of general consumption taxes as revenue instruments in OECD Member countries. They also highlighted the features underlying this development. In addition, they identified the large number of differences, which exist in respect to the consumption tax base, rates and implementation rules between tax administrations.

This edition's special features highlight specific aspects of developments in electronic commerce and the new Australian GST system.

This report is published under the responsibility of the Secretary-General of the OECD.

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INTRODUCTION

Consumption Taxes continue to maintain a high profile as revenue collecting instruments by tax administrations throughout the world. This applies not only to the rise in general consumption taxes such as Value Added Tax (VAT) and Goods and Services Tax (GST) but to the dual role of specific consumption taxes of the excise variety both as a means of collecting revenue and as an instrument to influence consumer behaviour.

Since the publication of the third edition of *Consumption Tax Trends* in 1999 there have been a number of important developments concerning consumption taxes generally. Foremost is the introduction of a GST in Australia with effect from 1 July 2000. It is a value added type tax based on the invoice credit method. This leaves the USA as the only OECD member country without a federal value added type tax on consumer expenditure.

In other respects, the continuing globalisation of trade, as illustrated by the development of electronic commerce, challenges the effectiveness of consumption tax systems. In this new environment, tax authorities will need to reconcile national fiscal boundaries with the borderless world of global commerce. These challenges come in a variety of forms and they are not confined to electronic commerce:

- The search to enhance neutrality by reducing the undesirable consequences of exemption from VAT.
- To understand better the new global environment in which businesses are developing.
- To improve efficiency of tax administrations and reduce compliance costs for business, minimising the potential for tax evasion and avoidance.
- To strengthen international administrative co-operation.

These developments, which are discussed in more detail hereafter, show that Revenue Authorities must balance the need to maintain fiscal sovereignty and tax revenues against the need to avoid impediment to the development of world trade.

CONSUMPTION TAX TOPICS

Value Added Tax

The introduction of value added tax as a tax collection mechanism in countries around the world continues apace but the rapid globalisation and changes to the structure of commerce raises questions about the need to adjust the VAT system to meet changing economic conditions and provide a level playing field for business. The problems arising from the application of exemption to most financial services and the implications from the growth of electronic commerce are but two examples.

Tax reform and consumption tax in Australia

Australia has embarked on a substantial program of tax reform known as The New Tax System. As part of The New Tax System, Australia introduced a goods and services tax (GST) to replace a wholesale sales tax, which was applied at varying rates to a range of goods. GST is charged on taxable supplies at a single rate of 10%.

The introduction of the GST on 1 July 2000 was also accompanied by a cut in personal income tax, increases in government benefits, and removal of a number of taxes levied by the Australian States and Territories.

Other measures under The New Tax System include replacing 11 different tax systems for reporting and paying income tax instalments and withholding tax with one consolidated system and allowing monthly or quarterly reporting to replace up to 32 business reporting and payment requirements every year.

An overview of the Australian GST system is given in Chapter 8.

Reinforcing neutrality

There is growing recognition of the increasingly global nature of trade and revenue authorities are concerned about minimising any potential that might exist for distortion of competition as a consequence of VAT exempt treatment of several products. Applying a positive rate of VAT to replace exemptions would help to improve the neutrality of VAT as a tax on consumer expenditure. It might also reduce any incentive for business to develop harmful tax avoidance mechanisms which could be used to reduce the element “sticking tax” on business costs which results from tax exemption. The globalisation of trade has intensified efforts to identify feasible methods of taxation.

The efforts to find a way to apply a positive rate of VAT to replace the exemption for financial services reflect this concern. The OECD report on the study of the treatment of financial services (available on www.oecd.org/daf/fa) showed that many financial services are treated as exempt from VAT in most of the OECD countries. Taxation of the presently VAT exempt services may provide a number of benefits. However, there is no firm information available at this time to help determine whether any potential advantages from a change to the tax treatment would outweigh the costs of making such a change.

What is clear is that a decision to apply VAT to currently exempt financial services cannot be taken simply on the basis of the feasibility of taxation or on the desire to reduce exemption to improve the neutrality of VAT. Issues such as the tax revenue implications of taxation, the cost of compliance with tax requirements for business and the true potential for competitive distortion must also be examined.

Given the complexity of the topic it may be some time before sufficient and reliable information becomes available on which decisions can be taken about a change to apply taxation more widely to financial services.

Electronic commerce: progress in implementing Ottawa Taxation Framework Conditions

The Electronic Commerce Taxation Framework Conditions welcomed by Ministers in Ottawa in October 1998 set out a number of proposals in the field of indirect taxes and prescribed a work programme on the work needed.

The main features of the Tax Framework concerning consumption taxes are:

- Taxation of cross-border trade should result in taxation in the jurisdiction where consumption takes place and international consensus should be sought on the circumstances under which supplies are held to be consumed in a jurisdiction.
- The supply of services and intangible property will not be treated as a supply of goods for consumption taxes purposes.
- Countries should examine the use of the so called VAT “reverse charge” or tax shift mechanism to apply VAT to services or intangible property imported by business where this would give immediate protection of their revenue base and protects the competitiveness of local suppliers.

After two years work in co-operation with business and several non-member countries, the Committee on Fiscal Affairs endorsed in January 2001 the first conclusions in a report from its working Party on Consumption Taxes (available on www.oecd.org/daf/fa) for a period of public comment.

The report proposes Guidelines to define the place of taxation for cross-border services and intangible property by reference to the business establishment of the recipient business in the case of B2B (business-to-business) transactions, and by reference to the recipient’s usual jurisdiction of residence for B2C (business-to-consumer) transactions. On collection mechanisms, the report identifies a self-assessment (reverse charge) mechanism for B2B transactions as the most viable option. For B2C transactions, the report points toward the potential in the medium term for technology-facilitated options, while accepting that, in the interim, simplified registration-based mechanisms may be required. The report recognises that further work is necessary in several areas, and recommends that this continue to be pursued in partnership with business. These Guidelines are explained in more detail in Chapter 7.

Tax administration

In the field of tax administration, the Ottawa Framework Conditions included the following elements:

- Revenue authorities should make use of the available technology and harness commercial developments in administering their tax system to continuously improve taxpayer service.
- Revenue authorities should maintain their ability to secure access to reliable and verifiable information in order to identify taxpayers and obtain the information necessary to administer their tax system.
- Countries should ensure that appropriate systems are in place to control and collect taxes.
- International mechanisms for assistance in the collection of tax should be developed, including proposals for an insert of language in the OECD Model Tax Convention.

The Committee on Fiscal Affairs likewise endorsed the emerging conclusions and future work topics identified in a report on the tax administration aspects of e-commerce, and approved its publication for comment (available on www.oecd.org/daf/fa). This report addresses such issues as how tax administrations can ensure effective tax collection in an electronic environment, and the steps that they may need to take to strengthen their co-operation internationally. It also identifies a range of initiatives that tax administrations across the world are already taking to improve the quality of service that they provide to taxpayers.

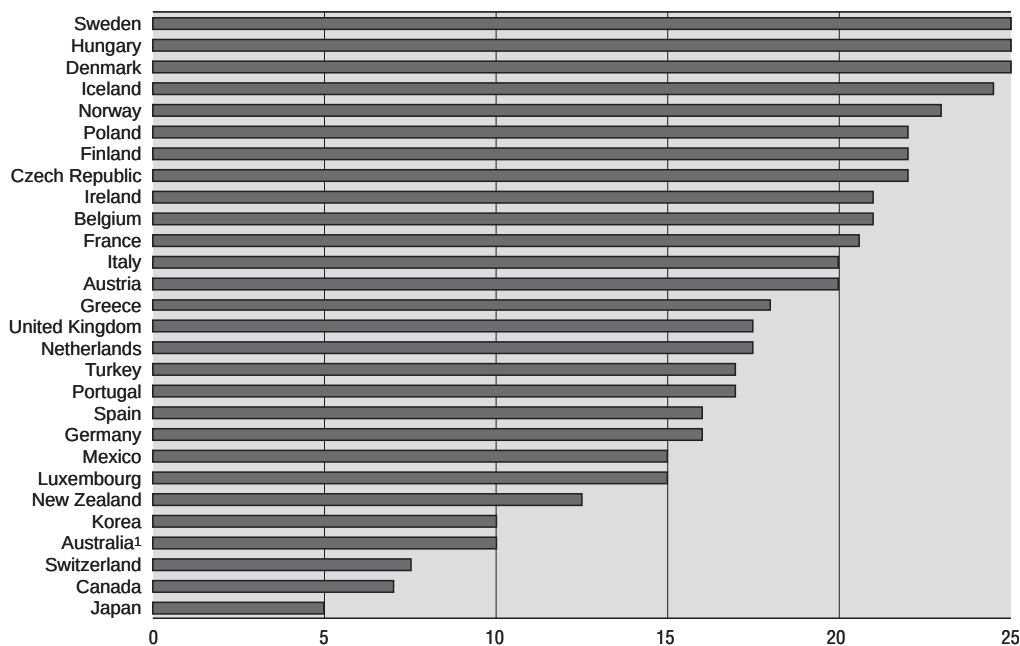
VALUE ADDED TAX (YIELD, RATES AND STRUCTURE)

There are still many differences in the OECD national VAT systems with the continuing application of reduced rates, exemptions and numerous special arrangements to meet particular policy demands. Many of these were highlighted in the earlier editions. Much of this was in contradiction of the ethos of VAT as a simple tax to administer and collect. Differences remain even among the member states of the European Union whose VAT laws share the same legislative roots in the form of the EU Sixth VAT Directive. However, there is increasing consideration given by most OECD countries in respect of minimising the tax compliance cost and promoting administrative simplification.

As Tables 3.1 and 3.2 illustrate, after a period of gradual increase, the level of tax receipts from goods and services taxes, mainly in the form of VAT receipts, was stabilising in 1998 as a percentage of GDP and of total taxation.

Tables 3.3 and 3.4 illustrate in contrast that there has been a reduction in tax revenues from excise taxes, expressed both as a proportion of GDP and of total tax revenue, confirming a long period trend.

Figure 3.1. Standard rates of VAT at 1 January 2000



1. As at 1 July 2000.

Source: National Delegates; position at 1 January 2000.

Table 3.1. Taxes on general consumption (5110) as percentage of GDP

	1965	1970	1975	1980	1985	1990	1995	1996	1997	1998
Canada	4.6	4.5	4.1	3.7	4.4	5.1	5.0	5.0	5.1	5.3
Mexico				2.5	2.7	3.6	2.8	2.9	3.1	3.1
United States	1.2	1.6	1.9	1.9	2.1	2.1	2.2	2.2	2.2	2.2
Australia	1.6	1.7	1.8	1.4	2.3	2.4	2.6	2.5	2.5	2.5
Japan	—	—	—	—	—	1.3	1.5	1.5	2.0	2.5
Korea			1.9	3.9	3.6	3.9	3.9	4.0	4.3	3.5
New Zealand	1.9	2.2	2.8	3.4	3.5	8.5	8.6	8.4	8.8	9.2
Austria	6.3	6.5	7.5	7.9	8.7	8.4	7.6	8.3	8.2	8.3
Belgium	6.6	7.5	6.6	7.3	7.2	7.1	6.9	7.0	7.0	7.0
Czech Republic							6.9	7.0	7.0	6.6
Denmark	2.7	7.6	7.0	9.8	9.5	9.8	9.5	9.7	9.8	9.8
Finland	5.6	6.3	6.3	6.8	7.8	9.2	7.8	8.4	8.5	8.5
France	8.0	8.9	8.6	8.6	8.7	8.1	7.6	8.0	8.0	7.9
Germany	5.2	5.6	5.3	5.5	5.2	5.4	6.7	6.6	6.6	6.6
Greece	1.9	3.5	3.9	3.2	4.9	7.8	7.3	7.4	7.7	
Hungary							8.2	8.4	9.0	9.1
Iceland	4.4	5.9	8.5	8.5	9.4	10.2	9.9	9.9	9.9	9.7
Ireland	1.4	3.9	4.4	4.6	7.2	6.9	7.0	7.1	7.2	7.2
Italy	3.3	3.4	3.8	4.7	5.0	5.7	5.7	5.5	5.6	6.1
Luxembourg	3.4	1.9	4.6	4.3	5.6	5.5	5.9	6.5	5.7	5.7
Netherlands	4.1	5.4	6.2	6.9	6.9	7.1	6.5	6.7	6.7	6.9
Norway	6.4	8.3	8.2	7.8	7.9	7.8	8.8	8.7	8.8	9.3
Poland							6.8	7.3	7.9	7.9
Portugal	—	1.7	2.4	4.0	3.4	5.8	7.7	7.5	7.8	8.0
Spain	3.3	3.4	3.0	2.3	4.0	5.3	5.2	5.3	5.5	5.7
Sweden	3.6	4.1	5.2	6.3	6.7	8.0	7.1	6.6	7.0	7.1
Switzerland	1.9	1.8	2.2	2.6	2.9	3.1	3.4	3.3	3.4	3.5
Turkey	—	—	—	—	3.6	4.0	7.0	8.4	8.7	8.6
United Kingdom	1.8	2.5	3.1	5.2	5.8	6.1	6.8	6.8	6.9	6.7
<i>Unweighted average:</i>										
OECD Total	3.3	4.1	4.4	4.7	5.3	6.1	6.3	6.5	6.6	6.6
OECD America	2.9	3.1	3.0	2.7	3.0	3.6	3.3	3.4	3.5	3.5
OECD Pacific	1.2	1.3	1.6	2.2	2.3	4.0	4.1	4.1	4.4	4.4
OECD Europe	3.7	4.6	5.1	5.6	6.3	6.9	7.1	7.3	7.4	7.4
EU 15	3.8	4.8	5.2	5.8	6.5	7.1	7.0	7.2	7.2	7.3

Source: Revenue statistics of OECD Member countries, 1999.

For the OECD area as a whole the long-term picture is of increase in revenue yield from consumption taxes compared with total taxation and GDP and a fall in yield from specific taxes against the same comparators. The main reason for this evolution was the substitution of VAT/GST for retail and wholesale taxes. Currently, the United States is the only OECD country without a VAT-type tax, with Australia having recently introduced a GST. Greece, Spain and Portugal introduced VAT in the 1980s when they joined the European Union; Iceland, Japan and New Zealand introduced the tax in the same period whereas Switzerland has introduced VAT within the last five years. Economies of the former Soviet bloc also introduced VAT as a significant source of tax revenue. A second reason for the growing share of general consumption taxes in national tax mixes has been the tendency for rates of VAT to rise over the long term.

Table 3.5 shows the rates of VAT as at 1 January 2000. Since the publication of the third edition two countries (Switzerland and Turkey) have increased their standard rates respectively by 1% and 2% though in the case of Switzerland the 3/5% reduced rates have been increased by 0.3% and 0.5%. Figure 3.1 illustrates the broad spread of current standard rates of VAT from 5% in Japan to 25% in Denmark, Hungary and Sweden. The evolution of the average standard rate for OECD shows a global stabilisation since 1998.

Table 3.6 gives an update on the relief from VAT registration or tax return filing with the introduction of a threshold in Australia, at the same time as the new GST regime (see Chapter 8). All OECD countries with the exception of Sweden and Korea provide scope for exemption from VAT/GST for small enterprises. Japan stands alone with a threshold of more than \$295 000, with Mexico at less than half that level and the

Table 3.2. Taxes on general consumption (5110) as percentage of total taxation

	1965	1970	1975	1980	1985	1990	1995	1996	1997	1998
Canada	17.8	14.4	12.5	11.5	13.2	14.1	14.0	14.0	13.8	14.0
Mexico				15.7	15.9	20.8	17.0	17.2	17.6	19.4
United States	4.8	5.8	7.0	7.0	7.9	8.0	8.0	7.9	7.8	7.6
Australia	7.4	7.4	6.7	5.3	7.9	8.0	8.7	8.3	8.4	8.5
Japan	—	—	—	—	—	4.3	5.2	5.3	7.0	8.9
Korea			12.7	22.0	21.1	20.4	18.9	18.7	20.1	16.5
New Zealand	7.7	8.0	9.0	10.2	10.4	22.4	22.7	23.6	24.1	26.0
Austria	18.7	18.5	19.8	20.1	21.0	20.8	18.2	19.1	18.6	18.7
Belgium	21.1	21.0	15.9	16.8	15.5	16.4	15.3	15.6	15.3	15.3
Czech Republic							17.2	17.8	18.1	17.1
Denmark	9.1	18.8	16.9	22.3	20.1	20.7	19.3	19.5	19.7	19.6
Finland	18.5	19.3	16.8	18.7	19.6	20.6	17.3	17.8	18.4	18.5
France	23.3	25.5	23.4	21.1	20.0	18.8	17.3	17.8	17.7	17.5
Germany	16.5	17.1	14.6	16.6	15.8	16.6	17.4	17.7	17.8	17.9
Greece	10.3	16.8	18.3	13.2	17.2	26.5	23.1	23.3	22.9	
Hungary							19.4	20.7	23.0	23.5
Iceland	16.7	22.0	28.6	28.9	33.0	32.4	31.7	30.8	31.1	28.9
Ireland	5.7	13.1	14.7	14.8	20.6	20.6	21.2	21.5	21.8	22.2
Italy	12.9	13.2	14.3	15.6	14.5	14.7	13.8	13.0	12.6	14.2
Luxembourg	12.4	6.6	11.7	10.4	12.3	13.4	14.1	15.1	13.5	13.7
Netherlands	12.4	14.6	14.4	15.8	16.2	16.5	15.6	14.0	16.0	16.9
Norway	21.5	23.8	20.5	18.2	18.2	18.8	21.2	20.9	20.7	21.3
Poland							17.1	18.5	20.3	20.8
Portugal	—	8.4	11.2	16.2	12.6	19.6	23.4	22.8	23.3	23.3
Spain	22.2	20.3	15.3	10.2	14.7	16.0	15.9	16.2	16.3	16.6
Sweden	10.4	10.3	12.0	13.4	14.0	14.9	15.0	13.3	13.5	13.6
Switzerland	9.4	7.8	7.8	9.2	9.3	10.1	10.2	9.6	10.0	10.0
Turkey	—	—	—	—	23.3	20.1	31.1	33.0	31.4	30.0
United Kingdom	5.9	6.8	8.9	14.7	15.5	17.0	19.3	19.5	19.6	18.1
<i>Unweighted average:</i>										
OECD Total	11.9	13.3	13.3	14.1	15.8	17.4	17.5	17.7	17.9	17.9
OECD America	11.3	10.1	9.7	11.4	12.3	14.3	13.0	13.0	13.0	13.7
OECD Pacific	5.0	5.1	7.1	9.4	9.8	13.8	13.9	14.0	14.9	15.0
OECD Europe	13.0	14.9	15.0	15.6	17.5	18.6	18.8	19.0	19.2	19.1
EU 15	13.3	15.4	15.2	16.0	16.6	18.2	17.8	17.8	17.8	17.9

Source: Revenue statistics of OECD Member countries, 1999.

United Kingdom, France, Czech Republic, Ireland and Switzerland having thresholds in excess of USD 47 000. France has considerably increased its threshold from USD 16 700 up to USD 78 191. In Spain retailers are subject to a special VAT regime, the “equalisation tax”, which broadly reduces their formal obligations, *e.g.* accounting, issuing of receipts, and so forth for VAT purposes.

All countries apply VAT exemption to certain services (postal services; transport of sick/injured persons; hospital and medical care; human blood, tissues and organs; dental care; charitable work; education; non-commercial activities of non-profit making organisations; sporting services; cultural services; insurance and reinsurance; letting of immovable property; financial services; betting, lotteries and gambling; supply of land and buildings; certain fund-raising events) referred to as “standard exemptions” hereafter.

Table 3.7 provides a summary of departures from these “standard exemptions” where some administrations allow exemptions for commodities which are normally taxable while other administrations apply VAT to commodities which are normally exempt. In 1998, the European Union Member States have adopted a Directive (98/80/CE) that provides for an exemption (optional for taxpayers) on transactions in gold, if it is treated as an investment.

Table 3.8 shows departures from the standard rate of VAT for countries which have more than one rate including zero rate.

Table 3.3. Taxes on specific goods and services (5120) as percentage of GDP

	1965	1970	1975	1980	1985	1990	1995	1996	1997	1998
Canada	4.4	4.1	4.5	4.2	4.3	3.8	3.5	3.4	3.4	3.4
Mexico				5.6	8.2	5.9	6.0	6.3	6.1	4.9
United States	3.7	3.2	2.7	2.2	2.2	1.9	2.1	2.0	1.9	1.9
Australia	5.1	4.7	5.1	6.2	6.0	4.5	4.2	4.2	4.1	3.7
Japan	4.6	4.1	3.2	3.6	3.3	2.3	2.3	2.3	2.2	2.2
Korea			7.2	7.0	6.3	5.1	4.5	5.0	4.9	4.5
New Zealand	4.6	4.7	4.3	3.7	3.9	3.5	3.2	3.1	3.1	2.7
Austria	6.1	6.3	5.3	4.0	4.1	3.6	3.3	3.5	3.6	3.5
Belgium	4.0	4.2	3.6	3.3	3.8	3.6	3.9	3.9	4.0	3.4
Czech Republic							5.4	5.2	4.7	4.5
Denmark	8.7	7.2	6.1	5.9	6.1	5.3	5.7	5.8	5.8	6.0
Finland	7.1	6.5	5.8	6.0	5.6	5.2	5.2	5.4	5.4	5.3
France	4.9	4.1	3.3	3.4	3.8	3.8	4.1	4.1	4.1	3.8
Germany	4.6	4.2	3.9	3.1	2.9	3.0	3.6	3.5	3.3	3.1
Greece	6.1	5.7	5.0	6.0	6.0	4.6	5.3	5.4	5.2	
Hungary							8.8	7.9	6.2	5.8
Iceland	11.8	10.2	9.9	8.7	7.5	5.4	4.4	4.7	4.2	4.6
Ireland	10.8	10.9	9.0	8.9	7.7	6.7	5.8	5.6	5.3	4.8
Italy	6.2	6.1	3.7	2.9	3.1	4.1	4.6	4.2	4.3	4.3
Luxembourg	3.1	2.5	3.1	3.9	5.0	4.3	5.2	5.1	5.3	5.0
Netherlands	4.8	4.3	3.5	3.2	3.1	3.2	3.8	3.9	3.9	3.5
Norway	5.5	6.2	6.4	6.9	7.9	6.4	6.7	6.6	6.4	6.3
Poland							7.0	6.6	5.4	5.0
Portugal	6.6	6.7	5.7	6.7	7.8	6.9	6.4	6.2	6.0	6.0
Spain	2.7	2.6	1.7	2.4	3.6	3.5	3.4	3.3	3.4	3.6
Sweden	6.7	6.5	4.6	4.3	5.6	4.9	4.2	4.3	4.2	3.8
Switzerland	3.7	3.9	3.0	2.8	2.5	2.2	2.4	2.4	2.4	2.5
Turkey	5.6	6.1	6.5	4.5	1.9	1.5	1.4	1.2	1.4	1.5
United Kingdom	7.7	7.4	5.2	4.7	5.2	4.6	5.0	4.9	4.9	4.7
<i>Unweighted average:</i>										
OECD Total	5.8	5.5	4.9	4.8	4.9	4.2	4.5	4.5	4.3	4.1
OECD America	4.0	3.7	3.6	4.0	4.9	3.9	3.9	3.9	3.8	3.4
OECD Pacific	4.7	4.5	4.9	5.1	4.9	3.8	3.6	3.6	3.6	3.3
OECD Europe	6.1	5.9	5.0	4.8	4.9	4.4	4.8	4.7	4.5	4.4
EU 15	6.0	5.7	4.6	4.6	4.9	4.5	4.6	4.6	4.6	4.4

Source: Revenue statistics of OECD Member countries, 1999.

Table 3.4. Taxes on specific goods and services (5120) as percentage of total taxation

	1965	1970	1975	1980	1985	1990	1995	1996	1997	1998
Canada	16.8	13.3	13.6	13.0	13.0	10.5	9.8	9.4	9.2	9.1
Mexico				34.4	48.3	34.0	36.0	37.7	35.1	30.8
United States	15.1	11.7	10.0	8.3	8.4	7.1	7.7	7.1	6.8	6.5
Australia	22.7	20.3	19.1	22.6	20.7	15.3	14.5	13.9	13.8	12.5
Japan	25.0	20.9	15.1	14.1	12.1	7.3	8.0	8.0	7.6	7.7
Korea			47.3	39.5	37.4	26.5	21.9	23.1	22.9	21.5
New Zealand	18.5	17.2	13.8	11.2	11.7	9.2	8.5	8.7	8.4	7.6
Austria	18.0	18.0	14.0	10.1	9.9	9.0	7.9	8.0	8.2	7.8
Belgium	13.0	11.8	8.7	7.8	8.2	8.3	8.6	8.6	8.8	7.5
Czech Republic							13.4	13.2	12.2	11.7
Denmark	29.2	17.9	14.7	13.4	13.0	11.2	11.5	11.7	11.7	12.1
Finland	23.5	19.9	15.3	16.7	14.0	11.7	11.6	11.5	11.7	11.5
France	14.3	11.6	9.0	8.4	8.7	8.7	9.2	9.0	9.0	8.4
Germany	14.6	12.9	10.8	9.3	8.7	9.2	9.5	9.3	9.0	8.4
Greece	33.8	27.4	23.9	25.1	20.9	15.6	16.7	16.9	15.6	
Hungary							20.9	19.4	15.8	14.9
Iceland	45.0	37.9	33.6	29.8	26.5	17.0	14.0	14.5	13.2	13.8
Ireland	43.4	36.4	29.7	28.3	22.0	20.1	17.5	16.7	16.1	14.7
Italy	24.1	23.2	14.0	9.7	9.1	10.6	11.1	9.7	9.7	10.2
Luxembourg	11.1	8.8	7.9	9.5	11.1	10.7	12.4	11.9	12.8	12.0
Netherlands	14.7	11.6	8.1	7.3	7.2	7.5	9.0	8.1	9.3	8.4
Norway	18.4	17.8	16.1	16.2	18.3	15.3	16.2	15.8	15.2	14.5
Poland							17.5	16.6	13.9	13.3
Portugal	41.5	33.8	27.0	27.2	28.7	23.4	19.5	19.1	18.0	17.4
Spain	18.4	15.5	8.7	10.5	13.0	10.5	10.3	10.3	10.2	10.5
Sweden	19.2	16.3	10.7	9.2	11.6	9.2	8.7	8.7	8.1	7.3
Switzerland	19.0	17.1	10.6	9.8	8.3	7.1	7.2	7.1	7.0	7.0
Turkey	53.4	48.8	40.9	25.2	12.4	7.3	6.0	4.8	5.2	5.1
United Kingdom	25.2	19.9	14.8	13.3	13.8	12.7	14.3	14.1	13.9	12.8
<i>Unweighted average:</i>										
OECD Total	24.1	20.4	17.5	16.5	16.0	12.9	13.1	12.9	12.4	11.7
OECD America	16.0	12.5	11.8	18.6	23.2	17.2	17.8	18.1	17.0	15.5
OECD Pacific	22.1	19.5	23.8	21.8	20.5	14.6	13.2	13.4	13.2	12.3
OECD Europe	25.2	21.4	16.8	15.1	14.0	11.8	12.4	12.0	11.6	11.0
EU 15	22.9	19.0	14.5	13.7	13.3	11.9	11.8	11.6	11.5	10.8

Source: Revenue statistics of OECD Member countries, 1999.

Table 3.5. Current rates of VAT in OECD Member countries

	Reduced rate	Standard rate			
		2000	1998	1996	1994
Australia ¹²	–	10.0	–	–	–
Austria ¹	10.0/12.0	20.0	20.0	20.0	20.0
Belgium	0/6.0/12.0	21.0	21.0	21.0	20.5
Canada ²	0.0	7.0/15.0	7.0/15.0	7.0	7.0
Czech Republic	5.0	22.0	22.0	–	–
Denmark	–	25.0	25.0	25.0	25.0
Finland	8.0/17.0	22.0	22.0	22.0	22.0
France ³	2.2/5.5	20.6	20.6	20.6	18.6
Germany	7.0	16.0	16.0	15.0	15.0
Greece ⁴	4.0/8.0	18.0	18.0	18.0	18.0
Hungary	0/12.0	25.0	25.0	–	–
Iceland	14.0	24.5	24.5	24.5	24.5
Ireland ⁵	0/3.3/10/12.5	21.0	21.0	21.0	21.0
Italy	4.0/10.0	20.0	20.0	19.0	19.0
Japan	–	5.0	5.0	3.0	3.0
Korea	–	10.0	10.0	–	–
Luxembourg	3.0/6.0/12.0	15.0	15.0	15.0	15.0
Mexico	0/10.0	15.0	15.0	15.0	10.0
Netherlands ⁶	6.0	17.5	17.5	17.5	17.5
New Zealand ⁷	–	12.5	12.5	12.5	12.5
Norway	0.0	23.0	23.0	23.0	22.0
Poland	7.0	22.0	22.0	22.0	22.0
Portugal ⁸	5.0/12.0	17.0	17.0	17.0	16.0
Spain	4.0/7.0	16.0	16.0	16.0	15.0
Sweden	0/6.0/12.0	25.0	25.0	25.0	25.0
Switzerland ⁹	2.3/3.5	7.5	6.5	6.5	6.5
Turkey ¹⁰	1.0/8.0	17.0	15.0	15.0	15.0
United Kingdom ¹¹	0.0/5.0	17.5	17.5	17.5	17.5
Unweighted average:	–	17.7	17.7	17.2	17.1

1. 16% applies in the Austrian tax enclaves Mittelberg and Jungholz.

2. 15% Harmonised Sales Tax (HST) applies in those provinces that have harmonised their provincial retail sales tax with the federal GST (the 15% HST is composed of a provincial component of 8% and a federal component of 7%).

3. Standard rate is 19.6% as of 1 April 2000.

4. Tax rates are reduced by 30% in some remote areas.

5. Standard rate is 20% as of 1 January 2001.

6. Standard rate is 19% as of 1 January 2001.

7. For long term stay in a commercial dwelling GST at standard rate is levied on 60% of the value of the supply.

8. The rates applicable in the Autonomous Regions of Madeira and the Azores are respectively 4%, 8% and 12%.

9. 2.4% / 3.6% and 7.6% as of 1 January 2001.

10. There are also higher rates of 23/40%.

11. The standard rate is applied to a reduced value on imports of certain works of art, antiques and collectors items resulting in an effective rate of 5%.

12. Rate as at 1 July 2000.

Source: National Delegates; position as at 1 January 2000.

Table 3.6. Concessions providing relief from registration

Basic concession		Qualifying thresholds ¹		Optional Registration	Minimum registration Period
Size of trader	Trader type	Domestic currency	USD equivalent ²		
Australia ³	Yes	TAT up to AUD 50 000/100 000	\$32 231/\$ 64 462	Yes	1 year
Austria	Yes	TAT up to ATS 300 000	\$22 364	Yes	5 years
Belgium	No	TAT up to BEF 225 000	\$5 722	Yes	2 years
Canada ⁴	Yes	TAT up to CAD 30 000	\$20 742	Yes	1 year
Czech Republic	No	TAT up to CZK 3 million	\$83 775	Yes	1 year
Denmark	Yes	TAT up to DKK 20 000	\$2 712	Yes	2 years
Finland	Yes	TAT up to FIM 50 000	\$8 626	Yes	None
France ⁵	Yes	TAT up to FRF 500 000/175 000	\$78 191/\$ 27 367	Yes	2 years
Germany	Yes	TAT up to DEM 32 500	\$17 046	Yes	5 years
Greece ⁶	Yes	TAT up to GRD 2.5 million	\$7 778	Yes	None
Hungary ⁷	Yes	TAT up to HUF 2 million	\$7 914	Yes	2 years
Iceland	Yes	TAT up to ISK 220 000	\$3 062	Yes	None
Ireland ⁸	Yes	TAT up to IEP 40 000/20 000	\$52 100/\$26 050	Yes	5 years
Italy ⁹	Yes	TAT up to ITL 5 million	\$2 649	Yes	2 years
Japan	Yes	TAT up to JPY 30 million	\$291 305	Yes	–
Korea	No	–	–	–	–
Luxembourg	Yes	TAT up to LUF 400 000	\$10 172	Yes	5 years
Mexico ¹⁰	Yes	TAT up to MXN 1 337 303	\$142 387	No	None
Netherlands ¹¹	Yes	TAT up to NLG 4 150	\$1 932	Yes	None
New Zealand ¹²	Yes	TAT up to NZD 30 000	\$15 639	Yes	None
Norway ¹³	Yes	TAT up to NOK 30 000	\$3 754	No	2 years
Poland	Yes	TAT up to PLN 80 000	\$19 324	Yes	Irrevocable
Portugal ¹⁴	Yes	TAT up to PTE 2 million	\$10 233	Yes	5 years
Spain	No	Individual retailers	–	No	Irrevocable
Sweden	No	–	–	No	None
Switzerland ¹⁵	Yes	TAT up to CHF 75 000	\$47 933	Yes	None
Turkey	Yes	Varies with activity	–	Yes	None
United Kingdom	Yes	TAT up to GBP 51 000	\$83 492	Yes	None

1. "TAT" denotes Total Annual Turnover (including any tax charged, but VAT/GST excluded).

2. Exchange rates as of 01 January 2000 (see Table 5.3).

3. Figures as at 1st July 2000. TAT up to AUD 100 000 for non-profit organisations.

4. TAT up to CAD 50 000 for public service bodies (charities, non-profit organisations, etc.); in Canada, unlike other Member countries, the TAT under which there is concession providing relief from registration should be based on the world wide taxable turnover and not TAT in Canada

5. FRF 500 000 for delivery of goods, restaurants and accommodation; FRF 175 000 for other services.

6. TAT up to GRD 600 000 for suppliers of services.

7. According to Hungarian rules in force, all taxpayers realising economic activities – supply of goods or services – shall be registered at the Hungarian tax authority for taxation purposes. At registration the taxpayers shall declare which type of VAT assessment they choose. Taxable persons with an annual turnover of less than HUF 2 million are exempt from all VAT liabilities. If the annual turnover exceeds this amount, the taxable person will be subject to all VAT liabilities.

Table 3.6. Concessions providing relief from registration (cont.)

8. TAT up to IEP 20 000 for suppliers of services.
9. A total exemption is allowed only for agricultural undertakings. For agricultural firms operating exclusively within mountain communes having a population of under 1 000, and within areas having a population of under 500, the ITL 5 million ceiling is raised to ITL 15 million. Partial dispensations from certain bookkeeping requirements have also been introduced for all businesses (agricultural or non-agricultural) when turnover not exceeding ITL 40 million. As a special derogation, and for 1998 and 1999 only, these simplifications are applicable even to undertakings whose turnover exceeds ITL 40 million.
10. The concession providing relief from registration applies to individuals with annual earnings up to one million pesos. This quantity is adjusted every January according to the annual change in the National Consumer Price Index.
11. Businesses whose annual net tax payable lies between NLG 0 and NLG 2 964 do not have to pay tax. When their net tax payable lies between NLG 2 965 and NLG 4 150 they receive a graduated relief of the difference between the annual net tax payable and NLG 4 150, multiplied by 2.5. With tax payable of more than NLG 4 150 the tax has to be paid in full. When the tax payable is less than NLG 2 965 it is also possible to be relieved from certain tax obligations. These regulations only apply for not incorporated enterprises.
12. The threshold in New Zealand does not include any tax charged.
13. TAT up to NOK 140 000 for charitable institutions and organisations (as of 1 January 1998).
14. Unincorporated businesses which do not export or import and whose turnover is PTE 2 million or less, or unincorporated retailers with a turnover of PTE 2 500 000 or less (from 17 July 1996).
15. Up to CHF 40 000 registration not possible; up to CHF 250 000 if fiscal advantage is less than CHF 4 000.

Source: National Delegates; position as at 1 January 2000.

Table 3.7. Departures from standard exemptions¹

	Exemption other than "standard exemptions"	Taxation of "standard exemptions"
Australia ⁴	Specific basic food and beverages, health, child care, religious services, supplies of going concerns, water, sewerage and drainage, supplies of transport and related matters, precious metals, international mail, grants of freehold and similar interests by governments.	Domestic postal services, sporting services, cultural services excluding religious services, insurance and reinsurance excluding health insurance, gambling (including lottery tickets and betting).
Austria	–	Letting (private housing).
Belgium	Legal services.	–
Canada	Child care, legal aid, ferry, road and bridge tolls, standard municipal services.	Lotteries and gambling, supply and leasing of commercial land and buildings, domestic postal services.
Czech Republic	Public television and radio, supplies of enterprises.	Cultural services.
Denmark	Passenger transport. Burials, supply of all land and buildings, travel agents.	Radio and television broadcasting, theatre and cinema.
Finland	Services of performers, copyright to literary and artistic works, products of visual art sold by the artist, certain transactions by blind people, public cemetery services, self-picked natural berries.	Postal services, cultural services.
France	–	–
Germany	–	–
Greece	–	Culture (lower rate).
Hungary	Legal services, public broadcasting, mass sports events, services rendered by intermediaries, lending of buildings for education, sport and cultural purposes, transfer of creditors and ownership rights, compulsory social security insurance, public administration.	Financial leasing, safe transactions, insurance and reinsurance.
Iceland	Sports, passenger transport, authors, Composers, burials, travel agents	Radio and television broadcasting
Ireland	Passenger transport, broadcasting, supply of water by public authorities, admissions to sporting events. Funeral undertaking and travel agents/tour operators.	Long-term letting of commercial immovable property, supply of land and buildings.
Italy ²	Municipal passenger transport. burials.	Supply and letting of commercial land and buildings (standard rate).
Japan	Social welfare services.	Letting of commercial buildings, postal services, non-commercial activities of non-profit making organisations, cultural services, supply of buildings.
Korea	Certain public transportation, supply of water and coal, mineral oil used for certain purposes in agriculture and fishery, funeral undertaking.	Rental and supply of commercial buildings, commercial cultural services, gambling in licensed clubs.
Luxembourg	–	–
Mexico ³	The sale of books, newspapers, magazines, gold and silver coins and share; the exchange of foreign currency; retailing of gold bullions; authors' rights. Public transport of passengers by land, agriculture, forestry and fishing activities.	Postal and insurance services except life and agricultural insurance. The letting of commercial buildings and financial services for consumer credits and personal loans.
Netherlands	Burials, cremations, public broadcasting, Sports (not entrance fees), the services of composers, writers and journalists.	Cultural services (mostly lower rate), letting of immovable property (only at combined request by letter and hirer).

Table 3.7. **Departures from standard exemptions¹** (*cont.*)

	Exemption other than "standard exemptions"	Taxation of "standard exemptions"
New Zealand	Supply of fine metal (gold, silver, and platinum).	Postal services; human blood, tissues and organs, hospital and medical care; transport of sick/injured persons, dental care; charitable work, certain fund raising events, education; non-commercial activities of non-profit making organisations (other than unconditional gifts); cultural services; sporting services, insurance and reinsurance (other than life insurance and reinsurance); letting of immovable property (other than residential accommodation); betting, lotteries and gambling; supply of land and buildings (other than land and buildings which have been used for the provision of residential accommodation for five years or more).
Norway	Passenger transport, law, burials, broadcasting, accommodation in hotels, certain services rendered by intermediaries, services rendered by consultants and advisors.	–
Poland	Agriculture services, taxi service, research and development services, funeral, cremation and cemetery services, attorney services regarding civil and penal cases.	Pawn activity except for service provided by banks, rental or tenancy of the dwelling immovable property.
Spain	Copyright to literature and works of art.	Some cultural services provided consumers pay for them.
Sweden	Public television and radio, certain memberships, publications, Authors' rights, public cemetery services, social services.	Postal services, most cultural services, letting of commercial buildings, in certain cases (optional).
Switzerland	Reusable containers, social services, social security services; provision of agency workers under certain conditions, certain second-hand goods.	Short-term parking for cars, certain bank services, denture prosthesis.
Turkey	Deliveries and repairs of maritime, aircraft or railway transport vehicles used for business activities, social services, water used in agriculture.	Educational and cultural service, newspapers, books, magazines (lower rate), postal services, sale of commercial buildings, letting, radio and television broadcasting, hospitals, Lotteries and gambling.
United Kingdom	Burials and cremations, sports competitions, certain luxury hospital care.	The freehold sales of new commercial buildings are standard rated for three years from completion date. Furthermore, there is an "option to tax" other supplies of commercial buildings which would ordinarily be exempt from VAT. Gaming machines and certain gambling in licensed clubs.

1. "Standard exemptions" are the following: postal services; transport of sick/injured persons; hospital and medical care; human blood, tissues and organs; dental care; charitable work; education; non-commercial activities of non-profit making organisations; sporting services; cultural services; insurance and reinsurance; letting of immovable property; financial services; betting, lotteries and gambling; supply of land and buildings; certain fund-raising events.

2. Residential housing taxed only when let by building enterprises (at lower rate of 10%).

3. VAT exemption is applied to those individuals taxpayers, devoted to managerial, agricultural or fishing activities which have income 0 up to 77 minimum wages and assets equivalent to no more than 15 minimum wages in the earlier year.

• Life and farming risk insurance's and reinsurance are the only type of insurance's exempt.

• Only the letting of housing is exempt.

4. As at 1 July 2000.

Source: National Delegates; position as at 1 January 2000.

Table 3.8. Coverage of different VAT rates

	Zero rate	Lower rate	Higher rate
Australia	–	–	–
Austria	–	Agriculture, Books, food, forestry, hospitals, newspapers, art, culture, letting transport, supply of wine by farmers (12%).	–
Belgium	Cars for handicapped, newspapers and certain weeklies.	Agriculture, food, water distribution, pharmaceuticals, books, works of art, collectors' items and antiques delivered by their authors/creators or their heirs, or imported, funeral services, devices for the handicapped, passenger transport, shows, hotels and camping sites, renovation of dwellings over 5 years old, private homes and establishments for the handicapped, subsidised institutional housing, coal and coke.	–
Canada	Medicine, basic groceries, exports, certain financial services (usually to non-residents), certain agricultural and fishing products, medical devices, international travel and transportation services, international organisations and officials, agriculture, precious metals, (sales of 25 cents or less made through mechanical coin-operated devices).	–	–
Czech Republic	–	Food, agricultural products, heating, personal transport, medicine, art, cultural service, laundry, books, newspapers, handicap equipment, most of services.	Cars, TV, washing machines, jewellery, road transport of goods, services of tourist agencies, accommodation, restaurant, repairs
Denmark	Newspapers.	–	–
Finland	Subscribed newspapers and periodicals printing services for certain membership publications, vessels and international transport.	Food, non-alcoholic drinks, animal feed, medicine, books, passenger transport, accommodation, TV licence, admission to cultural entertainment, sporting events and cinema performances. Use of sporting facilities.	–
France	–	Medicine, handicap equipment, books, hotels, entertainment, Author's rights, museums., transport, accommodation, agriculture. Books, catering, newspapers, water, work on dwellings over 2 years old.	–
Germany ¹	–	Books, food, newspapers, certain cultural events. Charitable work if not exempt, transport (only applies to passenger transport by ship and to local public passenger transport).	–
Greece	–	Electric energy, transport of passengers, food, water supply, medicine, handicap equipment, admission to shows, agricultural services, hotels, restaurants, sporting facilities, funeral authors and artists (if not exempt), newspapers.	–
Hungary	Human medicine, books for public education, pieces of equipment for the blind and disabled.	Food, electric energy, books, equipment for the disabled, live animals, water, pharmaceutical products, mineral fuel for heating, newspapers, repairs of medical appliances, broadcasting, agricultural and fishery services, accommodation, transportation, veterinary services, movie services, art services, library services, bath services, funerals.	–

Table 3.8. Coverage of different VAT rates (cont.)

	Zero rate	Lower rate	Higher rate
Iceland	International transport provisions, fuel and equipment delivered for use in ships and aircraft engaged in international traffic, Building ships.	Food, newspapers, books, hotels, warm water, electricity and fuel oil used for the heating of houses and swimming pools.	–
Ireland	Books, children's clothing and footwear, oral medicine, certain medical equipment, food products. Seeds, fertiliser.	Newspapers and certain periodicals, fuel for certain purposes, electricity, works of art, veterinary services, agricultural services, car and boat hire, driving instruction, photographs, concrete, holiday accommodation, restaurant/hotel meals, building services, immovable goods, repair services, waste disposal, certain foods, tour guide services, admission to cinemas/certain musical performances and sporting facilities.	–
Italy ²	Scrap iron.	Food, medicine and health products/services for the handicapped, telecommunications, housing, books, newspapers, weekly publications, combustible gas for home heating, urban waste, purification stations, renewable-source energy, works of art, shows and transport.	–
Japan	–	–	–
Korea	Certain machinery and materials for agriculture, fishery, livestock and forestry, certain equipment for the handicapped.	–	–
Luxembourg	–	Agriculture, books, food, medicine, newspapers.	–
Mexico	The sale of non-processed animals and vegetables except rubber; patent medicines, milk, water, ice, food except processed food and smoked salmon and caviar; agricultural equipment and machinery and fishing boats; the wholesale of gold, gold bullions and jewellery, some agricultural and fishing services, The letting of some agricultural machinery and equipment, the export of goods and services.	The sale of goods and services in the border regions.	–
Netherlands	–	Accommodation, agriculture, books, catering, food, goods and services for handicapped, medicine, newspapers, magazines, passenger transport, water, entrance fees for sports events/amusement-parks/museums/cinemas/zoo and circus, restaurant/hotel meals, aids for the visually handicapped, entrance-fees for swimming pools, art and antiques, certain labour intensive services.	–

Table 3.8. Coverage of different VAT rates (*cont.*)

	Zero rate	Lower rate	Higher rate
New Zealand ³	The supply of a taxable activity (business) as a going concern; the supply of fine metal (gold, silver or platinum) from a refiner in fine metal to a dealer in fine metal; the supply by a local authority of the local authorities petroleum tax (the distribution of the local authorities petroleum tax between local authorities); the exportation of goods and services (being goods and services to be consumed outside New Zealand's borders).	For long term stay in a commercial dwelling, certain services, if provided as part of the right to occupancy are subject to tax at the standard rate on 60% of the value of the supply (an effective lower rate on such services of 7.5%). ³	–
Norway ⁴	Books; newspapers; certain aircraft and ships; transport services by ferrying vehicles; second hand vehicles; electricity in the northern part of Norway.	–	–
Poland	Basic agricultural means of production, new dwelling immovable property, books and specialised magazines.	Goods for children, basic building material, some building services, some goods connected with health protection, music instruments, catering services.	–
Portugal	–	Food, medicine, books, newspapers, electricity, water distribution, housing services, passenger transport, admission to sporting events.	–
Spain	–	Books, social lodgement, catering, certain cultural and entertainment services, food (encompasses not only human food but animal also) hotels, restaurants, supplies to the handicapped, medicines and other medical devices (<i>e.g.</i> lenses), transport, newspapers, public amenities, burial services, agriculture and forestry products used as food and goods used in agriculture and forestry undertaking, including flowers and plants. Hairdressing and complementary services, minor work on private housing, cleaning, waste treatment, cleaning of public sewage, water, private and social housing. The supply of cleaning and maintenance services.	–
Sweden	Commercial aircraft and ships. Aircraft fuel. prescribed medicine, printing of certain membership publications.	Accommodation, food, passenger transport, ski-lifts, newspapers, works of art owned by the originator, import of antiques, collectors items and works of art, culture (theatres, cinemas, etc.), authors' rights, commercial sports events, commercial museums.	–
Switzerland	–	Water, food, medicine, books, newspapers, non-commercial television, accommodation.	–
Turkey	–	Agricultural products, leasing, second hand cars, newspapers, books, magazines, basic foodstuffs, natural gas, cinema, theatre, opera, ballet and education.	Caviar, furs, diamonds, precious stones, TV, washing machines, cars, passenger and travelling ships, guns, services in casino, bar, night club, etc., renting of cars, yachts, cutters, helicopters, airplanes, cabled television services.

Table 3.8. Coverage of different VAT rates (*cont.*)

	Zero rate	Lower rate	Higher rate
United Kingdom	Certain services and goods supplied to charities, children's clothing, food, passenger transport, books, newspapers, domestic sewage and water, prescribed drugs, medicine, certain aids and services for disabled people, new housing, residential and some charity buildings, alterations to listed buildings.	Fuel and power for domestic and charity use (5%). Certain energy saving materials supplied together with fitting services to recipient of "Passport Benefits".	–
<p>1. Only applies to passenger transport by ship and to local public passenger transport.</p> <p>2. Accommodation let by building enterprises (10%).</p> <p>3. However, as excise duty is applicable on re-registration of second-hand vehicles;</p> <p>4. Books, newspapers, medicines, essential foods, certain supplies for the handicapped and social housing are taxed at the "super reduced rate" 4%. Other goods are taxed at the reduced rate of 7%.</p> <p>As of 1 September 1997 all transports of passengers in Spain whatever the means used air, sea or road are taxable at the reduced rate of 7%. The same rate will be also applied to highway fees.</p> <p>Source: National Delegates; position as at 1 January 2000.</p>			

SELECTIVE EXCISE DUTIES IN OECD MEMBER COUNTRIES

Introduction

Before the introduction of general consumption taxes the use of excise and import/export duties was the recognised mean of taxing consumption. Unlike import/export duties however excise duties are levied on all consumption of certain goods whether domestically produced or imported. The three principal product groups, which remain liable to excise duties in virtually all OECD countries, are alcoholic beverages, mineral oils and tobacco products.

The main purpose and the original reason for the introduction of excise duties was to raise revenue: this is certainly true as far as the three principal product groups are concerned. An alternative philosophy is of course the use of excise duties to influence consumer behaviour and to use market forces to influence consumption patterns. The case put forward in relation to alcoholic beverages and tobacco products is that drinking and smoking are health hazards and increased excise duties help to reduce consumption – at least for that sector of society on lower income levels.

For mineral oils reasons for determining consumer behaviour reflect a mixture of energy conservation, transport and environmental issues. Over the last decade, environmentally related aspect of these taxes, have played an increasing role.

Taxes on the purchase or use of motor vehicles (see Chapter 5) and fuels, including petrol and diesels, generate most of the revenues from environmentally related taxes.

With the increasing emergence of integrated markets (*e.g.* the European Union) and elimination of border controls at the frontiers, disparate excise rates between neighbouring countries can also come under the influence of market forces. This is not only true at an international level but frequently exists within a federal structure such as the USA where different excise rates apply in different neighbouring States. In such circumstances the effects of cross-border shopping can have a severe economic impact on business in border areas and put pressure on the relevant tax authorities to seek closer approximation of excise duty rates with their neighbours.

Before looking at the three main product groups in terms of their characteristics and comparative treatment by the different tax administrations, a number of general characteristics on excise taxes may be noted:

- Excise charges are generally calculated using specific rates of duty on volume and/or content, combined in several cases with *ad valorem* taxes (see table 4.5).
- VAT is usually levied on the duty paid value of the excise products; and
- Excise duty unlike VAT is not normally liable until the goods are entered into free circulation and transfers of ownership can take place while goods remain in a controlled warehousing environment without creating an excise (or VAT) charge.
- As opposed to VAT, the excise system is characterised by a small number of taxpayers in several domains (*e.g.* alcohol, tobacco, and mineral oil) at wholesale stage.

Alcoholic beverages

In general terms beer, wine and spirits are considered separate products within the category of alcoholic beverages. There are inevitably sub-divisions within each of these broad categories but the use of the internationally accepted Customs combined nomenclature code provides for consistency and helps to avoid contradictory definitions in applying rates.

Excise duties are applied to alcohol and alcoholic beverages in two ways mainly. The duty can either be specific in relation to the alcoholic content of the product or *ad valorem* and calculated on the basis of the value of the product; or the two methods combined to include an element of specific duty and an *ad valorem* element. The effect of a specific rate is to penalise cheap or raw products (which may be more harmful to health) and to benefit the more expensive and mature products. The reverse can be said of an *ad valorem* system and this is often the reasoning behind using a combination of the two methods. One exception concerns Mexico where a rate of *ad valorem* duty alone is applied to alcoholic beverages with that for beer graduated based on the alcoholic content of the product.

As with all forms of taxation inconsistencies do exist in relation to excise duties on alcoholic beverages. And although in theory excise duties should be neutral, preferential treatment and the use of tax rebates for local products leads to distortion of competition in this field.

Tables 4.1, 4.2 and in respect of excise duties on beer, wine and spirits respectively illustrate the complicated computations for excise duties and show the current comparative rates for OECD countries. Due to fluctuations in the value base coupled with a mixture of specific and *ad valorem* rates it is difficult to be precise about the price differentials from a consumer point of view. What is apparent however is the obvious tax competition mentioned earlier between certain neighbouring countries giving rise to cross border “bootlegging” activities (*e.g.* UK/France and Denmark/Germany). Although some would argue that market forces should give rise to moves towards approximation of rates, this is contradictory with other policy factors when issues such as health have been taken into account in setting the rates. Figure 4.1 illustrates the vast spread of excise duty rates for wine and highlights the differences between Northern and Southern European countries. Figure 4.2 is a further endorsement of this fact with regard to spirits.

Mineral oil products

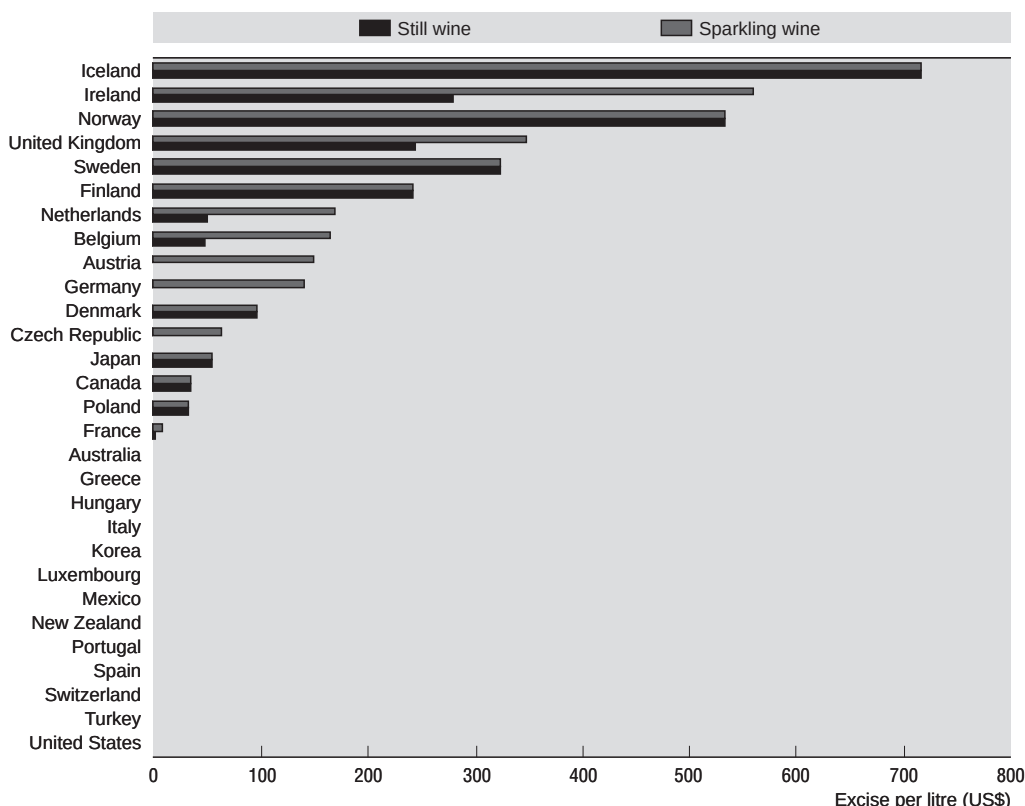
Mineral oils are usually sub-divided into product categories in relation to technical specifications – leaded/unleaded petrol, diesel oil, heating oil and heavy fuel oil. Some OECD countries tax other energy products such as gas, electricity and coal but there is no common basis for taxing energy.

For social reasons nearly all OECD countries tax heating oil at a lower rate than diesel even though these two products are more or less identical. Only two OECD countries – Mexico and Turkey – have an *ad valorem* tax on energy products. All other countries have a specific duty rate and no country has a combined system with a specific element and an *ad valorem* element.

A much more significant feature of excise duties on mineral oils is the fact that duty rates have been used to affect consumer behaviour to a greater degree than in other areas. When the environmentally friendly unleaded petrol appeared on the market it was more expensive to produce and as a consequence not commercially competitive with leaded petrol as a retail product. This handicap was soon overcome with the use of tax differentials making unleaded petrol cheaper at the pump (see Chapter 5). Nearly all OECD countries have such a tax situation and in some countries anti-pollution devices such as catalytic converters in new cars have become obligatory.

Table 4.4 gives the current rates for mineral oil products in OECD countries and again illustrates the wide disparity that exists in this area. The resultant price differentials are scrutinised more closely Chapter 5.

Figure 4.1. Excise duties per litre of still and sparkling wine up to 7% alc./vol.



Source: National Delegates; position as at 1st January 2000.

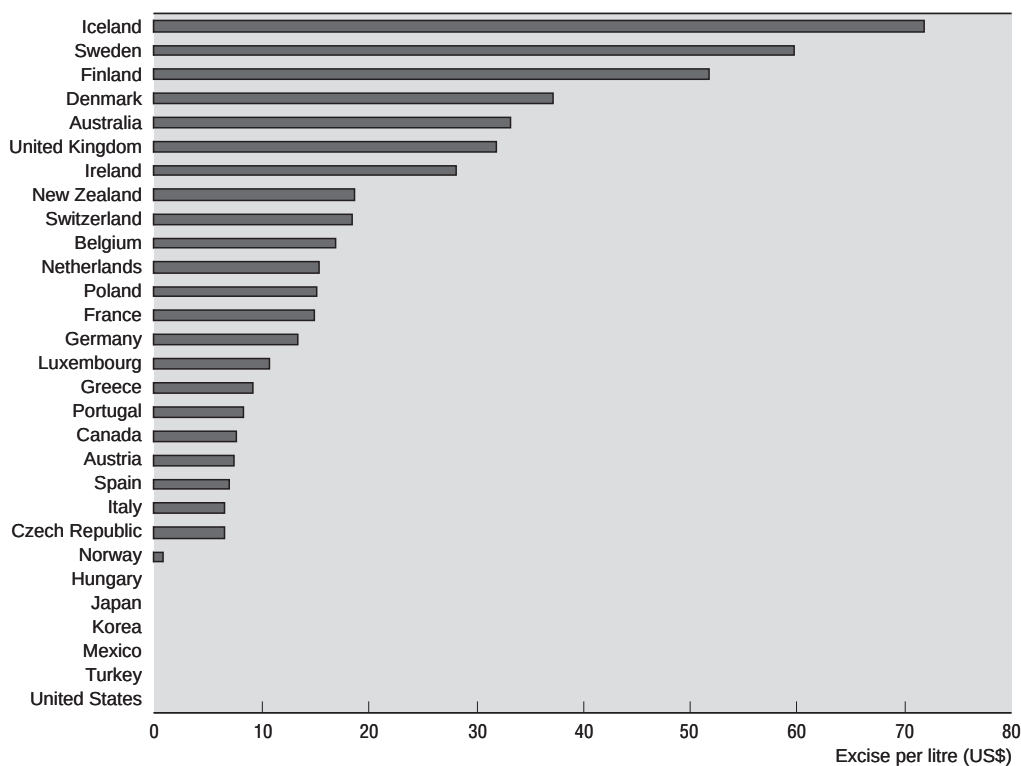
Tobacco products

This is the last of the three traditional consumer product groups in the field of excise duties. As with alcohol and mineral oils there is a sub-division of tobacco products into four categories – cigarettes, cigars, cigarette rolling tobacco and pipe tobacco. For alcoholic beverages the objective criterion for excise duty is the alcoholic content; for mineral products it is the energy content. But what about tobacco – is there a smoking value difference between a cigar and a cigarette? Or should we measure the nicotine/tar content as part of the health issue?

Ostensibly for health reasons most countries have tax differentials between cigarettes and other tobacco products making cigarettes relatively more expensive. However unlike the success achieved with leaded and unleaded petrol, smokers do not see cigars and other tobacco products as substitutes for cigarettes with the result that price elasticity in this field is much lower.

Very few countries levy excise duties on alcoholic beverages and mineral oils on an *ad valorem* basis alone but this method nevertheless remains popular for tobacco products, particularly amongst members of the European Union. The majority of countries use a combination of specific and *ad valorem* elements to calculate the excise liability on tobacco products. This not only helps to provide compensation in respect of cheap and expensive products (in much the same way as alcoholic beverages) but also acts as a means of achieving neutrality between countries with low production costs and those with high production costs. Those countries with low production costs might tend to choose a low specific element combined with a high *ad valorem* element whereas high production costs can compensate by choosing a high specific element and a low *ad valorem* element.

Figure 4.2. Excise duties per litre of alc./vol.



Source: National Delegates; position as at 1st January 2000.

Table 4.5 shows the current excise rates for tobacco products in OECD countries. As with alcoholic beverages the obvious price differentials contribute to the regular day to day feature of cross border “bootlegging” activities.

Table 4.1. Taxation of beer

	Specific excise per hectolitre per degree Plato		Specific excise per hectolitre per hectolitre alc.		VAT rate	Excise duty on low alcohol (under 2.8% alcohol by volume) beer		Other features of the excise taxation system on beer	
	National currency	USD	National currency	USD		National currency	USD	Excise rates which are progressive by strength	Low rates for small producers
Australia ¹	See note		See note		10	0.00	0.00	Yes	No
Austria ²	20.00	1.49			20			No	Yes
Belgium ³	69.00	1.75			21			No	Yes
Canada ⁴			27.89	19.28	7/15	See note		Yes	No
Czech Republic	24.00	0.67			22	0.00	0.00	No	Yes
Denmark ⁵	268.50	36.41	170.00	29.33	25	10.00	1.73	Yes	Yes
Finland ⁶			17.00	2.66	22	8.50	1.33	No	Yes
France ⁷					20.6			No	No
Germany ⁸	1.54	0.81			16			No	Yes
Greece	384.00	1.19			18	–		No	No
Hungary	334.00	1.32			25			No	No
Iceland ⁹			5 870.00	81.69	24.5	0.00	0.00	No	No
Ireland	–		15.65	20.38	21			No	No
Italy	2 710.00	1.44			20			No	No
Japan ¹⁰			See note		5			No	No
Korea ¹¹	See note		See note		10	See note		No	No
Luxembourg ¹²	32.00	0.81			15			No	Yes
Mexico ¹³	–		25%/30%/60%		15			Yes	No
Netherlands ¹⁴	3.90	1.82			17.5			Yes	Yes
New Zealand ¹⁵			See note		12.5	29.37	15.31	No	No
Norway ¹⁶			366.00	45.80	23	158.00	19.77	No	No
Poland ²³	6.86	1.66	–	–	22	–	–	No	Yes
Portugal ¹⁷					17	1 125.00	5.76	Yes	Yes
Spain ¹⁸	See note				16	0.00	0.00	No	No
Sweden ¹⁹			147.00	17.57	25/12	0.00	0.00	No	No
Switzerland	2.27	1.45	45%		7.5				
Turkey ²⁰			11.50	18.83	15	0.00	0.00	No	No
United Kingdom ²¹			See note		17.5			No	No
United States ²²					–			No	Yes

1. **Australia.** As at May 2000, the excise rates were AUD 16.39 per litre of alcohol calculated on the amount by which the alcohol content (by volume) exceeds 1.15%. Beer that does not contain more than 1.15% by volume of alcohol is free of excise. There was a wholesale sales tax rate of 37%; this was abolished as of 1 July 2000.
 - The following are the new excise rates effective from 1 July 2000:
 - Low alcohol beer (not exceeding 3%) – A\$41.67/US\$27.25 per litre of alcohol calculated on the amount by which the alcohol content (by volume) exceeds 1.15%.
 - Mid-strength beer (exceeding 3% but not exceeding 3.5%) – A\$35.368/US\$23.13 per litre of alcohol calculated on the amount by which the alcohol content (by volume) exceeds 1.15%.
 - Full-strength beer (exceeding 3.5%) – A\$30.46/US\$19.92 per litre of alcohol calculated on the amount by which the alcohol content (by volume) exceeds 1.15%.
2. **Austria.** Rates for small breweries (annual production up to 50 000 hl) range from ATS 12 to ATS 18 according to size of production.
3. **Belgium.** Rates for small breweries (annual production up to 200 000 hl of beer) range from BEF 60 to BEF 68 according to size of production.
4. **Canada.** Excise rates are as follows per hectolitre of product: a) Over 2.5% vol. CAD 27.89; b) Over 1.2% vol. but not more than 2.5% vol. CAD 13.99; c) 1.2% vol. or less CAD 2.591.
5. **Denmark.** Excise rates are as follows per hectolitre of product: a) Up to 11 degree Plato DKK 268.50; b) 11–14 degree Plato DKK 345.75; c) 14–18 degree Plato DKK 460.75; d) 18–22 degree Plato DKK 510.25; e) Over 22 degree Plato DKK 27.00 per degree. Denmark has some very complicated rules for tax reductions for small breweries.

Table 4.1. Taxation of beer (cont.)

6. **Finland.** Three reduced rates for small independent breweries: a) FIM 119 (annual production up to 200 hl); b) FIM 136 (annual production over 200 hl and up to 20 000 hl); c) FIM 153 (annual production over 20 000 hl and up to 55 000 hl).
7. **France.** TVA 19.6% as of 1 April 2000.
8. **Germany.** Rates for small breweries (annual production up to 200 000 hl) range from DEM 0.77 to DEM 1.54.
9. **Iceland.** Excise rate in ISK 5 870 per % alcohol by volume exceeding 2.25%.
10. **Japan.** Excise rates are JPY 22 200 per hectolitre of product.
11. **Korea.** In addition to Liquor Tax, liquor is also subject to Education Tax which is a surtax levied at varying rates on the amount of Liquor Tax. For beer, which is subject to 115% (100% from 1/1/2001) Liquor Tax on the manufacturer's price. The rate of Education Tax is 30% on the amount of Liquor Tax. Both taxes are based on an *ad valorem* system and therefore do not vary with alcohol content.
12. **Luxembourg.** Rates for small breweries (annual production up to 200 000 hl) range from LUF 16 to LUF 18.
13. **Mexico.** All rates are *ad valorem*. The specified rates for beer apply as follows: 25% up to 13.5° G.L.; 30% above 13.5° G.L. and up to 20° G.L.; 60% above 20° G.L.
14. **Netherlands.** For beer that is sold usually, that is beer of 12 degree Plato in the range 11-15 degree Plato (NLG 46.90; 12 = NLG 3.90 per degree Plato). Excise rates are as follows per hectolitre of product: a) Up to 7 degree Plato NLG 20.00; b) 7-11 degree Plato NLG 35.20; c) 11-15 degree Plato NLG 46.90; d) Over 15 degree Plato NLG 58.65. Rates for small breweries (annual production up to 200 000 hl) are as follows: a) Up to 7 degree Plato the above mentioned rate; b) 7-11 degree Plato NLG 32.56; c) 11-15 degree Plato NLG 43.38; d) Over 15 degree Plato NLG 54.25. For beer with an alcohol content of 0.5% the VAT rate is 6%.
15. **New Zealand.** The excise rate for beer containing more than 2.5% vol. is NZD 19.581 per litre of alcohol in finished product. The rate for beer containing more than 1.15% vol. but not more than 2.5% vol. is NZD 29.37 per hectolitre product. There is no excise duty on beer containing less than 1.15% vol.
16. **Norway.** Excise rates are as follows per hectolitre of product: a) 0.00-0.70% vol. NOK 168; b) 0.70-2.75% vol. NOK 251; c) 2.75-3.75% vol. NOK 945; d) 3.75-4.75% vol. NOK 1 637. The excise rate for beer with an alcoholic content of more than 7% vol is NOK 365 per degree of alcohol and hectolitre.
17. **Portugal.** From 4 April 2000, excise rates for beer are as follows per hectolitre of product: a) More than 0.5% vol. and up to 1.2% - PTE 1 125; b) more than 1.2% vol. and a degree Plato up to 8 - PTE 1 410; c) more than 1.2% vol. and a degree Plato in excess of 8 but up to 11 - PTE 2 250; d) more than 1.2% vol. and a degree of Plato in excess of 11 but up to 13 - PTE 2 820; e) more than 1.2% vol. and a degree of Plato in excess of 13 but up to 15 - PTE 3 380; f) more than 1.2% vol. and a degree of Plato in excess of 15 - PTE 3 950. Rates for small breweries (annual production up to 200 000 hl) are 50% of the normal rates.
18. **Spain.** Beer with an alcoholic content not exceeding 1.2% vol. is free of excise. The rate for beer between 1.2% and 2.8% is ESP 386 per HL; Beer with an alcoholic degree > 2.8% and a degree Plato < 11 = ESP 888/Hl; Beer with a degree Plato > 11 and not > 15 = ESP 1 395/Hl; Beer with a degree Plato > 15 and not > 19 = ESP 1 902/Hl; Beer with a degree Plato > 19 = ESP 128 per Hl. and per degree Plato. There is no tax on Beer in Ceuta and Melilla. Spanish cities situated in the North of Africa.
19. **Sweden.** The rate shown is for beer stronger than 2.8% vol. The VAT rate for beer with an alcoholic strength lower than 3.5% vol. is 12%.
20. **Turkey.** No specific tax element. The *ad valorem* elements are the Excise Duty at a rate of 15%; Defense Industry Support Fund (IDF) at a rate of 10%; Education, Sports and Health Services Tax at a rate of 10%. No taxation according to the alcohol content.
21. **United Kingdom.** Beer with an alcoholic content not exceeding 1.2% vol. is free of excise.
22. **United States.** The weighted average of Federal and State taxes was +0.93 per litre in 1997. The Federal tax is USD 18.00 per barrel (31 gallons) in 1998. 1 US gallon is 3.785 litres. Small domestic brewers who produce less than 2 million barrels of beer per calendar year pay USD 7.00 per barrel on the first 60 000 barrels. There is no progressive rate structure based on alcohol content and no Federal VAT.
23. **Poland.** Allowances for small breweries.
11 PLN/hl if the producer sells no more than 20 000 hl a year.
6 PLN/hl if the producer sells no more than 200 000 hl a year.

Source: National Delegates; position as at 1 January 2000.

Table 4.2. Taxation of wine

	Still wine			Sparkling wine			Low-alcohol (still) wine (< 8.5% alc.)		
	National currency	USD	VAT (%)	National currency	USD	VAT (%)	National currency	USD	VAT (%)
Australia ¹	See note		10	See note		10	See note		10
Austria	0.00	0.00	20	2 000.00	149.10	20			20
Belgium	1 900.00	48.31	21	6 500.00	165.29	21	600.00	15.26	21
Canada ²	51.22	35.41	7/15	51.22	35.41	7/15	24.59	17.00	7/15
Czech Republic	0.00	0.00	22	2 340.00	65.34	22			22
Denmark ³	705.00	95.59	25	705.00	95.59	25	450.00	61.02	25
Finland ⁴	1 400.00	241.54	22	1 400.00	241.54	22	See note		22
France	22.00	3.44	20.6	54.80	8.57	20.6			
Germany	0.00	0.00	16	266.00	139.51	16	100.00	52.45	16
Greece	0.00	0.00	18	0.00	0.00	18			
Hungary ⁵	See note								
Iceland ⁶	51 480.00	716.44	24.5	51 480.00	716.44	24.5	See note		24.5
Ireland ⁷	215.01	280.05	21	430.02	560.10	21	71.66	93.34	21
Italy	0.00	0.00	10	0.00	0.00	20			
Japan	5 650.00	54.86	5	5 650.00	54.86	5			
Korea ⁸	30%		10	30%		10	30%		10
Luxembourg	0.00	0.00	12/15	0.00	0.00	15			
Mexico ⁹	25%		15	30%		15			
Netherlands ¹⁰	107.50	50.04	17.5	366.50	170.60	17.5	25%		15
New Zealand ¹¹	See note		12.5	See note		12.5	53.75	25.02	17.5
Norway ¹²	4 271.00	534.41	23	4 271.00	534.41	23	See note		23
Poland	136.00	32.85	22	136.00	32.85	22	See note		22
Portugal	0.00	0.00	5	0.00	0.00	17			
Spain ¹³	0.00	0.00	16	0.00	0.00	16			
Sweden ¹⁴	2 720.00	325.04	25	2 720.00	325.04	25	See note		25
Switzerland	0.00	0.00	7.5	0.00	0.00	7.5	0.00	0.00	7.5
Turkey ¹⁵	120%		15	120%		15	35%		15
United Kingdom ¹⁶	149.28	244.39	17.5	213.27	349.14	17.5			
United States ¹⁷	See note		0	See note		0	See note		0

1. **Australia:** does not make a distinction between still, sparkling or low alcohol wine, all are taxed at 10%. The Wine Equalisation Tax (WET) was introduced on 1 July 2000 to replace the difference between the previous 41% wholesale sales tax and the GST of 10%. The WET is levied at 29%.
The WET applies to the following alcoholic products provided they contain more than 1.15% by volume of ethyl alcohol:
 - Grape wine.
 - Grape wine products such as marala, vermouth, wine cocktails and creams.
 - Fruit wines or vegetable wines; and
 - Cider, perry, mead and sake.
 The Commonwealth and State Governments will also operate separate rebate/subsidy schemes.
2. **Canada:** For still or sparkling wine with 1.2% vol. or less the rate is CAD 2.05 per hectolitre.
3. **Denmark:** The rate for sparkling wine with more than 15% – maximum 22% volume is DKK 1 055. Additional excise rate for sparkling wine which has an excess pressure due to carbon dioxide in solution of 3 bar or more at 20 °C is DKK 350.
4. **Finland:** Excise rates for low alcohol wine are as follows: a) > 5.5% – £ 8.0% vol. FIM 1 100; b) > 2.8% – £ 5.5% vol. FIM 800; c) > 1.2% – £ 2.8% vol. FIM 27.
5. **Hungary:** According to the rules in force in Hungary, wine is not subject to excise duty. Instead it is subject of national consumption tax, the rate of which is 11% of the wholesale price (excluding VAT).
The applicable VAT rate is 25%. As from 1 August 2000, the national consumption tax for wine is replaced by a specific excise duty of HUF 5 per litre for wine made from grapes, HUF 20 per litre of other wine.
Sparkling wine is subject of excise duty of HUF 71.20 per litre, HUF 7 120 HUF per hectolitre.

Table 4.2. Taxation of wine (cont.)

6. **Iceland:** Excise rate shown in the Table is the rate for wine with 12% vol. The rate is ISK 5 280 per % alcohol by volume exceeding 2.25%.
7. **Ireland:** The rate for low alcohol wine applies to wine with an alcoholic content of less than 5.5% vol.
8. **Korea:** The rate of liquor tax on wine is 30% on the manufacturer's price and the rate of Education Tax is 10% of the amount of liquor tax levied. These rates are applicable to both still and sparkling wine regardless of alcohol content.
9. **Mexico:** All rates are *ad valorem*.
10. **Netherlands:** Excise rate for low alcohol sparkling wine is GLD 69.50. For low alcohol wine < 5% the VAT rate is 6%.
11. **New Zealand:** Excise rates for grape wine are as follows: a) 0-14% vol. NZD 195.81; b) greater than 14% vol. NZD 352.48 per hectolitre of product.
12. **Norway:** The rate shown in the Table is the rate for wine with an alcoholic content of 12% vol. Excise rates are as follows: a) Alcoholic content of 4.76%-15% vol. NOK 365 per vol. pct. alcohol and per hectoliter b) Alcoholic content of 15%-22% vol. NOK 366 per vol. pct. alcohol and per hectoliter.
13. **Spain:** Intermediate products – products to which distilled alcohol has been added – and with a volume of alcoholic degree between 1.2% vol. and less than 22% are taxed according to the following rates: Alcoholic degree > 1.2% and less than 15% = ESP 4 575 per Hl. Others = ESP 7 625 per Hl.
14. **Sweden:** Excise rates for low alcohol wine are as follows: a) 7%-8.5% vol. SEK 1 898; b) 4.5%-7% vol. SEK 1 380; c) 2.25%-4.5% vol. SEK 934. No special rates for sparkling wine.
15. **Turkey:** No specific tax element. The *ad valorem* elements are the Excise Duty; Defense Industry Support Fund (DFI); and Education. Sports and Health Services Tax whose rates are like the explanation of Table 3.1.
16. **United Kingdom:** Reduced excise rates for lower strength drinks (wine categories) are as follows: a) exceeding 1.2% – not exceeding 4% alcohol by volume = GBP 46.01 per hl; b) exceeding 4% – not exceeding 5.5% alcohol by volume = GBP 63.26 per hl; and c) low strength sparkling wine exceeding 5.5% – less than 8.5% = GBP 161.20 per hl. There is also a rate of duty in the band exceeding 15% but not exceeding 22%: GBP 199.03 per hl (wine and made wine). The United Kingdom also charges excise duty on cider and perry products. The following rates per hl applied on 1 January 2000.
Exceeding 1.2% but not exceeding 7.5%: GBP 25.27.
Exceeding 7.5% but less than 8.5%: GBP 37.92.
Sparkling wine and perry – Exceeding 5.5% but less than 8.5%: GBP 161.20.
Any still cider product which has a strength of 8.5% and over is dutied as a made wine.
17. **United States:** The weighted average Federal and State tax rate is USD 0.45 per litre in 1997. The Federal excise rates in 1998 are as follows: a) Up to 14% vol. USD 1.07 per gallon. b) 14%-21% vol. USD 1.57 per gallon in 1998. c) 21%-24% vol. USD 3.15 per gallon. d) Artificially carbonated wine USD 3.30 per gallon. e) Sparkling wine USD 3.40 per gallon. 26.42 US gallons = 1 hectolitre. Small producers receive a credit of USD 0.90 per gallon on up to 100 000 gallons in a calendar year. The credit is phased out as annual production increases from 150 000 to 250 000 gallons. There is no Federal VAT.

Source: National Delegates; position as at 1 January 2000.

Table 4.3. Taxation of alcoholic beverages

	Tax per hectolitre of absolute alcohol			
	Excise		VAT Per cent	Small distillery rate
	National currency	USD		
Australia ¹	5 158.00	3 324.95	10	No
Austria ²	10 000.00	745.48	20	Yes
Belgium	67 000.00	1 703.74	21	No
Canada ³	1 106.60	765.10	7/15	No
Czech Republic	23 400.00	653.45	22	No
Denmark	27 500.00	3 728.81	25	No
Finland ⁴	30 000.00	5 175.82	22	No
France ⁵	9 510.00	1 487.19	20.6	No
Germany ⁶	2 550.00	1 337.43	16	Yes
Greece ⁷	298 414.00	928.37	18	No
Hungary ⁸	1 500.00	5.94	25	No
Iceland ⁹	516 120.00	7 182.80	24.5	No
Ireland ¹⁰	2 175.00	2 832.93	21	No
Italy	1 249 600.00	662.01	20	No
Japan ¹¹	See note		5	No
Korea ¹²	See note		10	No
Luxembourg	42 000.00	1 068.01	15	No
Mexico ¹³	60%		15	No
Netherlands ¹⁹	3 315.00	1 543.09	17.5	No
New Zealand	3 566.20	1 859.04	12.5	No
Norway	704.00	88.09	23	No
Poland	6 278.00	1 516.43	22	No
Portugal ²⁰	163 200.00	835.04	17	Yes
Spain ²¹	114 000.00	702.83	16	Yes
Sweden	50 141.00	5 991.85	25	No
Switzerland ²²	2 900.00	1 853.39	6.5	
Turkey ²³	120%		15	No
United Kingdom ²⁴	1 956.00	3 202.17	17.5	No
United States ²⁵	—		—	No

1. **Australia:** The excise rate for brandy before 1 July 2000 was AUD 32.58 per litre of distilled alcohol. The excise rate on other spirits and liquors (for example whisky, rum and gin) used to be AUD 38.14 per litre of distilled alcohol. There was a wholesale sales tax rate of 37% on spirits, but this was abolished on 1 July 2000.

The excise tax rates that are effective as of 1 July 2000 are as follows:

• Brandy – AUD 48.17 per litre of alcohol.

• Other spirits and liquors (for example whisky, rum and gin) – AUD 51.58 per litre of alcohol.

2. **Austria:** The rate for small distilleries is ATS 5 400.

3. **Canada:** Insert note here.

4. **Finland:** Excise rates are as follows: a) CN – code 2 208. alcoholic content of > 1.2% – €2.8% vol. FIM 1 000; b) CN – code 2 208. alcoholic content of > 2.8% – €10.0% FIM 26 500; c) Other products FIM 30 000.

5. **France:** 19.6% as at 1 April 2000.

6. **Germany:** The rates for small distilleries are DEM 2 000.

7. **Greece:** The rate for Ouzo is GRD 149 207.

8. **Hungary:** The tax rate on fruit spirits and distilled wine (e.g. liquors) is HUF 1 250 per hectoliter grade. Small distilleries are subject to HUF 540 per hectolitre degree for an annual production of up to 50 hectolitre degree; above 50 hectolitre degree the excise duty is HUF 1 250 per hectolitre degree.

9. **Iceland:** Excise rate is ISK 5 280 per % alcohol by volume exceeding 2.25%.

1. **Australia:** The excise rate for brandy before 1 July 2000 was AUD 32.58 per litre of distilled alcohol. The excise rate on other spirits and liquors (for example whisky, rum and gin) used to be AUD 38.14 per litre of distilled alcohol. There was a wholesale sales tax rate of 37% on spirits, but this was abolished on 1 July 2000.

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9. **Iceland:** Excise rate is ISK 5 280 per % alcohol by volume exceeding 2.25%.

Table 4.3. Taxation of alcoholic beverages (cont.)

10. **Ireland:** A reduced rate of excise duty of IEP 15.65 per litre (IEP 1 565 per hectolitre) applies to low alcohol spirits with an alcoholic content – 5.5%.
11. **Japan:** Excise rates are as follows: a) Whisky and brandy (40% vol.) JPY 40 900; b) Spirits (37% vol.) JPY 36 718; c) Shochu Group A (35% vol.) JPY 34 734; d) Shochu Group A (25% vol.) JPY 24 810; e) Shochu Group B (35% vol.) JPY 25 545; f) Shochu Group B (25% vol.) JPY 24 810.
12. **Korea:** In Korea, because Excise Tax for liquor is based on *ad valorem* system, the rate does not vary with alcohol content. Whisky and Brandy 72% Liquor and 30% Education tax imposed; general distilled spirits 72% Liquor tax and 30% Education tax of Liquor imposed; Liqueur 72% Liquor tax and 30% Education tax of Liquor imposed; diluted Soju 72% Liquor tax and 30% Education tax of Liquor imposed.
13. **Mexico:** There is a charge per litre of alcoholic beverages produced, bottled or imported, which is levied on the first sale. The excise amount varies according to the type of drinks and it is adjusted every month according to the change in the National Alcoholic Beverages Price Index. This charge is final in all cases. The charges per liter for some specific liquors are:
 a) Cognac MXN 858.10;
 b) Whisky MXN 63.95;
 c) Tequila MXN 43.68;
 d) Brandy MXN 22.62;
 e) Ron MXN 18.81; Others (from MXN 881.25 to MXN 4.3).
14. **Netherlands:** For low alcohol spirits with an alcoholic content < 1.2% the VAT rate is 6%.
15. **Portugal:** A reduced rate for small distilleries applies from 14 February 1995.
16. **Spain:** The excise rate in the Canary Islands is ESP 82 204 per Hl of pure alcohol. There is a special regime for small distilleries for which the rate is ESP 99 760 per Hl (or ESP 77 672 in the Canary Islands).
17. **Switzerland:** Weighted average rate.
18. **Turkey:** No specific tax element. The *ad valorem* elements are the Excise Duty at a rate of 100%; Defense Industry Support Fund (DFI) at a rate of 10%; Education, Sports and Health Services Tax at a rate of 10%.
19. **United Kingdom:** All drinks over 22% are dutied as spirits.
20. **United States:** The weighted average Federal and State tax rate was USD 13.50 per proof gallon in 1997. The Federal excise rate is USD 13.50 per proof gallon in 1998. A proof gallon is a US gallon (3 785 litres) containing 50% alcohol. There is no Federal VAT.

Source: National Delegates ; position as at 1 January 2000.

Table 4.4. Taxation of mineral oils (per 1 000 litres of product at 15 °C)

	Leaded petrol			Unleaded petrol			Diesel			Industrial use of diesel ¹			Heating gas oil		
	Excise		VAT Per cent	Excise		VAT Per cent	Excise		VAT Per cent	Excise		VAT Per cent	Excise		VAT Per cent
	National currency	USD		National currency	USD		National currency	USD		National currency	USD		National currency	USD	
Australia ²	397.25	256.08	10	374.81	241.61	10	374.81	241.61	10	374.81	241.61	10	5.90	3.80	10
Austria	6 600.00	492.02	20	5 610.00	418.21	20	3 890.00	289.99	20	3 890.00	289.99	20	950.00	70.82	20
Belgium ³	22 260.00	566.05	21	19 910.00	506.29	21	11 700.00	297.52	21	750.00	19.07	21	210.00	5.34	21
Canada	110.00	76.05	7/15	100.00	69.14	7/15	40.00	27.66	7/15	40.00	27.66	7	0.00	0.00	7
Czech Republic ⁴	10 840.00	302.71	22	10 840.00	302.71	22	8 150.00	227.59	22	8 150.00	227.59	22 ^{1/2}	0.00	0.00	22
Denmark ⁵	3 957.00	536.54	25	3 312.00	449.08	25	2 278.00	308.88	25	2 278.00	308.88	25	1 960.00	265.76	25
Finland ⁶	3 783.00	652.67	22	3 333.00	575.03	22	1 935.00	333.84	22	379.00	65.39	22	379.00	65.39	22
France ⁷				3 846.20	601.48	20.6	2 551.80	399.06	20.6	513.30	80.27	20.6	517.30	80.90	20.6
Germany ⁸	1 260.00	660.85	16	1 160.00	608.40	16	800.00	419.59	16	800.00	419.59	16	120.00	62.94	16
Greece	114 000.00	354.65	18	98 000.00	304.88	18	83 000.00	258.21	18	83 000.00	258.21	18	6 100.00	18.98	18
Hungary	100 500.00	397.69	25	93 000.00	368.01	25	80 200.00	317.36	25	80 200.00	317.36	25	80 200.00	317.36	25
Iceland ⁹	40 930.00	569.62	24.5	39 100.00	544.15	24.5	0.00	0.00	24.5	0.00	0.00	24.5	0.00	0.00	14
Ireland ¹⁰	361.36	470.67	21	294.44	383.51	21	256.14	333.62	21	37.30	48.58	21	37.30	48.58	12.5
Italy ¹¹	1 077 962.00	571.08	20	1 077 486.00	570.83	20	739 064.00	391.54	20	221 719.00	117.46	20	248 361.00	131.58	20
Japan	55 840.00	542.21	5	55 840.00	542.21	5	34 140.00	331.50	5	2 040.00	19.81	5	2 040.00	19.81	5
Korea ¹²	630 000.00	556.54	10	630 000.00	556.54	10	155 000.00	136.93	10	155 000.00	136.93	10	60 000.00	53.00	10
Luxembourg	17 110.00	435.09	15	15 010.00	381.69	12	10 200.00	259.37	15	750.00	19.07	15	210.00	5.34	12
Mexico ¹³	78.90%		15	66.60%		15	43.50%		15	39.30%		15	0.00	0.00	
Netherlands ¹⁴	1 426.10	663.83	17.5	1 278.80	595.27	17.5	735.50	342.37	17.5	102.60	47.76	17.5	102.60	47.76	17.5
New Zealand ¹⁵	See note			343.00	178.80		0.00	0.00		0.00	0.00		0.00	0.00	
Norway ¹⁶	6 070.00	759.51	23	6 280.00	785.79	23	4 210.00	526.78	23	See note		23	See note		23
Poland ²⁴	1 588.00	383.57	22	1 427.00	344.69	22	See note		22	See note		22	130.00	31.40	22
Portugal ¹⁷	1 10 000.00	562.83	17	67 000.00	342.82	17	49 300.00	252.25	5	49 300.00	252.25	5	n.a.		
Spain ²³	67 352.00	415.24	16	61 844.00	381.28	16	44 091.00	271.83	16	13 097.00	80.75	16	13 097.00	80.75	16
Sweden ¹⁸	5 130.00	613.04	25	4 470.00	534.17	25	2 922.00	349.18	25	2 922.00	349.18	25	1 801.00	215.22	25
Switzerland ¹⁹	See note			731.20	467.31	7.5	758.70	484.89	7.5	172.80	110.44	7.5	3.00	1.92	7.5
Turkey ²⁰	See note		17	See note		17	See note		17	See note		17	See note		17
United Kingdom ²¹	528.80	865.70	17.5	472.10	772.87	17.5	472.10	772.87	17.5	30.30	49.60	17.5	30.30	49.60	17.5
United States ²²	—		—	—		—	—		—	0.00	0.00	—	0.00	0.00	—

1. **Industrial use.** Diesel used for stationary motors, plants and machinery in construction, civil engineering and public works and for vehicles intended for use off the public roadway.

2. **Australia.** These excise rates are current as of 1/07/2000. They represent a reduction of around 6.7 cents per litre since the introduction of the GST.

3. **Belgium.** The excise figure of BEF 210 for heating oil is in fact a fee. In addition leaded and unleaded petrol are subject to an energy contribution of BEF 340 per 1 000 litres.

4. **Czech Republic.** For industrial use of diesel, there is a refund for agriculture purposes of 60%. For industrial use of biodiesel, the VAT rate is 5%. Mixture of petrol and alcohol or 15% ethyl-tercyl-butyl-ether is submitted to the same taxation as petrol. Fuels and lubricants used for air transportation are exempt from excise duty.

5. **Denmark.** The rate for diesel is for light diesel. The rate for heavy diesel is DKK 2 377. The rates for diesel and heating oil include CO₂ tax.

Petrol delivered from service stations where a specific system has been installed, by which the greater part of the petrol fumes is lead back to the service stations's tank and reused:

• Leaded petrol: DKK 4 453.

• Unleaded petrol: DKK 3 808.

Petrol delivered from service stations where the above-mentioned system hasn't been installed:

• Leaded petrol: DKK 4 482.

• Unleaded petrol: DKK 3 838.

Table 4.4. Taxation of mineral oils (per 1 000 litres of product at 15 °C) (cont.)

- Diesel low sulphur (max. 0.005% sulphur): DKK 2 286.
 Ultra light diesel: DKK 2 376.
 Light diesel: DKK 2 465.
 Heavy diesel: DKK 2 565.
 Industrial use of low sulphur diesel: DKK 2 286.
 Heating gas oil: DKK 1 719.
6. **Finland.** For environmentally friendly products the rates are as follows: leaded petrol FIM 3 733, unleaded petrol FIM 3 283 and diesel FIM 1 785. There is a strategic stockpile fee of FIM 40 for petrol and FIM 21 for diesel and heating oil.
 7. **France.** As of 1 January 2000 leaded petrol is no commercialised any longer. Petrol with specific additives 4 176.8 / 1 000 l.
 8. **Germany.** Diesel used for stationary motors: DEM 120.00 / VAT 16%.
 9. **Iceland.** Excise Duty on petrol is ISK 40 930 (leaded petrol) ISK 39 100 (unleaded petrol) per 1 000 litres.
 10. **Ireland.** A higher rate of duty of IEP 357.22 per 1 000 litres applies to super-unleaded petrol.
 11. **Italy.** The excise figure shown as to industrial use of diesel only concerns diesel used for stationary motors civil engineering and public works: it is not intended for plants and machinery in construction and vehicles to be used off the public road. As regards heating oil, the excise figure shown above refers to the cited fuel with a sulphur content higher than 1%. The excise duty for diesel for heating is ITL 697 398/1 000 l.
 12. **Korea.** The figures above include the Excise Tax and the Education Tax (15% of the amount of excise Tax).
 13. **Mexico.** All rates are *ad valorem* and vary monthly according with international petrol prices.
 14. **Netherlands.** A reduced VAT-rate of 6% is applied to the supply of gas and heating gas oil used for the growth of horticultural products. Apart from the excise duties on mineral oils and within the framework of the Law on environmental taxes, the Netherlands have two energy taxes based on a 50% energy content/50% CO₂ component. The fuel tax exists in some form or another since 1988 and covers fossils fuels used in combustion, at a fairly low tariff. The revenue for 1999 is estimated at NLG 1.4 billion. The regulatory energy tax was introduced in 1996 and covers non-transport energy consumption; the tax base is limited to 1 000 000 m³ of natural gas and 10 000 000 kWh electricity per year. The Fuel tax on natural gas is about 2.2 cents/m³ compared to about 11.4 cents/m³ by the Regulatory energy tax (rate for consumption between 5 000 and 170 000 m³). The estimated revenue in 1999 of the Regulatory energy tax is NLG 2.9 billion. Furthermore the Strategic storage levy is charged on some mineral oil product.
 15. **New Zealand.** Does not refine or import leaded petrol.
 16. **Norway.** The petrol tax rates shown include a CO₂ tax of NOK 940/1 000 litres. The rate shown for leaded petrol is the rate for petrol with a content of lead above 0.05 g/litre. For leaded petrol with a content of lead below 0.05 g/litre the rate is NOK 5 530. The diesel tax consists of a basic element (NOK 3 740) and a mineral oil tax. The mineral oil tax consists of a CO₂ tax (NOK 470) and a SO₂ tax (NOK 70 per 1 000 litres and per 0.25 sulphur content on diesel and all fuel oils with 0.05% sulphur content and more). In addition, there is an SO₂ tax (NOK 250) on diesel with more than 0.05% sulphur content.
 17. **Portugal.** Data on 4 April 2000. Heating oil does not exist in Portugal. Rates vary throughout the year, depending on international crude oil prices, within a range stipulated by law.
 18. **Sweden.** Unleaded petrol and diesel are divided into environmental classes. For unleaded petrol there are two rates: SEK 4 470 and SEK 4 540. For diesel used in all kinds of motor driven vehicles there are three rates SEK 2 672, SEK 2 898 and SEK 3 196.
 19. **Switzerland.** As of 1 January 2000 leaded petrol is not commercialised any longer.
 20. **Turkey.** The tax consists of two *ad valorem* elements. 15% of Liquid Fuel Price Stabilisation Fund is calculated on basis of the CIF price or refinery out price of the leaded petrol. unleaded petrol. diesel. industrial use of diesel and fuel oil excluding diesel and fuel oil which are used to produce the electric. On top of that is calculated Liquid Fuel Consumption Duty of 280% for leaded petrol and 270% for unleaded. 180% for diesel. 50% for industrial use of diesel and for heating oil.
 21. **United Kingdom.** For domestic purposes (for supplies under 2 300 litres) VAT rate is 5%.
 22. **United States.** The weighted average rate of Federal and State taxes in 1996 was USD 0.3697 per gallon on petrol (leaded and unleaded) and USD 0.4329 for diesel fuel. The rate on petrol (leaded and unleaded) is USD 0.184 per gallon in 1998. 1 US gallon is 3.785 litres. The rate on diesel is USD 0.244 per gallon in 1998. "Gasohol" (mixtures of petrol and alcohol) is taxed at a rate of USD 0.130-0.1532 per gallon in 1998 depending on content of alcohol. There is no Federal VAT.
 23. **Spain.** For unleaded petrol of more than 97 IO, the rate is 67 040.00 per 1 000 litres.
 24. **Poland.** Varies with sulphur contents: 0.2-0.05% PLN 1 062.00 (USD 256.52); 0.05-0.005% PLN 1 001 (USD 241.79); 0.005% PLN 955 (USD 230.67).

Source: National Delegates; position as at 1 January 2000.

Table 4.5. Taxation of tobacco

	Cigarettes			Cigars ²			Tax on rolling tobacco for cigarettes		
	Cigarettes		VAT %	Cigars ²		VAT %	Specific excise per 1 000 grams		Ad valorem excise (% of RSP)
	Specific excise per 1 000	Ad valorem excise (% of RSP) ¹		Specific excise per 1 000	Ad valorem excise (% of RSP)		National currency	USD	
Australia ³	See note		10	See note		10	See note		10
Austria	18.34	42	20	0.00	13	20	0.00	0.00	47
Belgium	16.12	45.84	21	0.00	5	21	0.00	0.00	37.55
Canada ⁴	See note		7/15		50	7/15	See note		7
Czech Republic				790.00	22.06	22	855.00	23.88	0
Longer than 70 mm	20.66	0	22						
Up to 70 mm	18.71	0	22						
Denmark ⁵	606.80	21.22	25	198.00	30.96	25	400.00	54.24	0
Finland ⁶	90.00	50	22	0.00	0.00	22	21.50	3.71	50
France	36.67	54.5	20.6	0.00	0.00	20.6	0.00	0.00	51
Germany	96.90	21.6	16	26.00	13.64	16	30.21	15.84	18.12
Greece	1 182.00	53.86	18	0.00	0.00	18	0.00	0.00	59
Hungary	2 300.00	17	25	0.00	0.00	25	0.00	0.00	26
Iceland	7 274.00	47.31	24.5	5 200.00	72.37	24.5	5 200.00	72.37	44.56
Ireland	80.99	18.57	21	123.47	160.81	21	104.19	135.70	0
Italy	7 467.70	54.27	20	0.00	0.00	20	0.00	0.00	54
Japan ⁷	7 072.00	0	5	7 072.00	68.67	5	7 072.00	68.67	0
Korea ⁸	32 000.00	0	10	72 800.00	64.31	10	25 480.00	22.51	0
Luxembourg	427.00	46.84	12	0.00	0.00	12	0.00	0.00	31.5
Mexico ⁹	None	85/20.9	15	None	0.00	15	None	0.00	20.9
Netherlands	99.95	21.05	17.5	0.00	0.00	17.5	43.10	20.06	15.48
New Zealand ¹⁰	195.50	0	12.5	244.37	127.39	12.5	244.37	127.39	0
Norway	1 620.00	0	23	930.00	116.37	23	1 120.00	140.14	0
Poland	50.00	25	22	123.00	29.71	22	–	–	150
Portugal ¹¹	5 800.00	32	17	0.00	0.00	17	0.00	0.00	30
Spain	500.00	54	16	0.00	0.00	16	0.00	0.00	37.5
Sweden	200.00	39.2	25	560.00	66.92	25	630.00	75.29	0
Switzerland	87.00	0	7.5	8.00	5.11	7.5	9.00	5.75	0
Turkey	–	39–51	17	0.00	0.00	17	0.00	0.00	39
United Kingdom	82.59	22	17.5	122.06	199.82	17.5	87.74	143.64	0
United States ¹²	–	0	–	See note		–	See note		0

1. RSP: Retail selling price.

2. Cigars: Canada, Denmark and Japan tax cigars at a certain rate per 1 000 pieces and not according to weight. In Canada and Denmark it is assumed that a cigar weighs 3 grams and in Japan 1 gram.

3. Australia: On 1 July 2000, the following regime applies: if the cigarette stick has less than 0.08 grams of tobacco in the stick, the rate is AUD 0.19155 per stick. For example, if a cigarette has 0.65 grams of tobacco, and one million sticks were sold, the excise will be AUD 0.19155 for each of the sticks. The total excise that would be paid would be AUD 191 550. However, if the cigarette stick has more than 0.8 grams of tobacco, the excise will not be charged per stick. It will be charged per kilo. The rate is AUD 239.44 per kilogram of tobacco per stick. For example, if a cigarette has 0.85 grams of tobacco and one million sticks were sold, the total tobacco will be 850 000 grams or 850 kilograms. The excise that would be paid would be AUD 203 524. The same weight based rates will apply to cigars and rolling tobacco. The rates mentioned above are effective from 1 July 2000. The rates will change in February and August every year. Therefore these rates will change after August.

Table 4.5. Taxation of tobacco (cont.)

4. **Canada.** Federal excise duties and taxes apply separately to all tobacco products sold in Canada. The combination these duties and taxes on cigarettes vary from province to province between CAD 32.25 and CAD 54.25. The excise duty rate for cigars is CAD 14 786 for 1 000 pieces. Excise tax is applicable at either CAD 39 47 per 1 000 or 50% *ad valorem* based on the value for duty whichever results in the higher rate of tax. For rolling tobacco the total of excise duty and tax is CAD 29.00 per 1 000 grams except in Ontario where the total is CAD 20.00 per 1 000 grams. Federal excise duties and taxes apply to all tobacco products sold in Canada. Provincial tobacco taxes apply separately to all tobacco products. The combination these federal duties and taxes on a carton of 200 cigarettes vary from province to province between CAD 8.35 and CAD 10.85. The excise duty rate for cigars is CAD 14 786 for 1 000 pieces. Excise tax is applicable at either CAD 39 47 per 1 000 or 50% *ad valorem* based on the value for duty.
5. **Denmark.** The specific excise on rolling tobacco for cigarettes is DKK 350/1 000 grams for coarse-cut tobacco.
6. **Finland.** Cigarette paper: *ad valorem* excise 60% of RSP.
7. **Japan.** The tax consists of a national element, a prefectural element and a municipal element. The rate for cigars is JPY 7 072 for 1 000 pieces (same tax as for cigarettes).
8. **Korea.** The figures above include the Excise Tax and the Education Tax (40% of the amount of the Excise Tax).
9. **Mexico.** The *ad valorem* rates are 20% and 100%. The lower rate applies to cheaper cigarettes, without filter and with dark tobacco.
10. **New Zealand.** The rate shown for cigarettes is the rate of 1 000 pieces not exceeding 0.8 kg in actual tobacco content. Cigarettes exceeding 0.8 kg in actual tobacco content per 1 000 are taxed as cigars.
11. **Portugal.** Data on 4th April 2000. Excise tax on cigarettes is reduced to ESC 250 and 36% for small producers in the Azores and Madeira respectively.
12. **United States.** The weighted average of Federal and State taxes was USD 0.64 per pack in 1997. The Federal specific excise tax rate per 1 000 is USD 12 in 1998 for cigarettes (no more than 3 pounds per thousand). Large cigarettes are taxed at USD 1.125 per thousand. Large cigars are taxed at USD 0.36 per pound. Small cigars weighing no more than 3 pounds per thousand are taxed at USD 0.125 per thousand. Snuff is taxed at USD 0.36 per pound; chewing tobacco of the manufacturers price but not more than USD 30 per thousand. Cigarette paper is taxed at USD 0.0075 per 50 papers and books of 25 or less untaxed. There is no Federal VAT.

Source: National Delegates ; position as at 1 January 2000.

TAXING VEHICLES

Introduction

Vehicle taxation in its widest definition represents a prime example of the use of the whole spectrum of consumption taxes. Taxes levied on motor vehicles may broadly be divided into three categories:

- a) taxes on the acquisition of motor vehicles ;
- b) taxes on the ownership of motor vehicles ; and
- c) taxes related to the operation of motor vehicles.

Taxes on the acquisition of motor vehicles may include once and for all payments of excise duties or other fees and charges associated with the registration of a newly acquired vehicle whether the vehicle itself is new or used. Taxes on the ownership of vehicles will include recurring charges levied on vehicles during the period of ownership, usually in the form of an annual motor tax. Taxes on the use of motor vehicles will include excise duties on fuel and motorway charges or other road user tolls. In addition many of these charges will incur VAT or sales tax which in most cases will be levied on the final duty paid value. VAT or sales tax will also apply to general maintenance and running costs.

Table 5.1 gives an overview of taxes on acquisition and ownership. Table 5.2 gives an overview of revenues from such taxes and revenues from taxes on motor fuels. Table 4.4 gives an overview of the taxation of motor fuel, the most significant tax related to the operation of motor vehicles. The data contained in these tables clearly demonstrates how differently motor vehicles are taxed from one country to another. The taxable commodity is the same but the ways and means of applying the relevant taxes are certainly not the same.

Contrasting vehicle taxes

On the acquisition side Denmark has an excise duty of up to 180% of the value of the vehicle including 25% VAT whereas neighbouring Germany only levies 16% VAT plus a registration charge of DM 35-50 for a new motor vehicle. The Netherlands taxes new cars at 45.2% of the value plus 17.5% VAT. Belgium, which shares a border with both the Netherlands and Germany levies 21% VAT plus a registration tax based on the engine capacity of the car.

Recurring taxes on the ownership of motor vehicles can also take many forms. The main elements used to assess these kinds of taxes are weight, usage and vehicle type, type of fuel and engine size. Other specific criteria can also be used. Mexico, for example, levies a tax on the basis of the value of the vehicle while Korea levies a tax varying according to the size of the city of registration.

Finally there are the numerous different rates of VAT in most OECD countries and VAT is normally calculated on the basis of the retail-selling price including excise duties. VAT on used vehicles may be applied to the full selling price or only in respect of the margin between the buying and the selling price.

In principle motor vehicles may be taxed either in the country of registration or in the country where they are operating – based on the principle of nationality or the principle of territoriality. In fact they are taxed in both. Acquisition and recurring ownership taxes normally apply in the country of

registration and taxes on fuels and road user charges apply where the vehicle is operating. A haulier from a country with high registration taxes may be commercially disadvantaged by also having to pay high fuel taxes and tolls in countries where ownership charges are low. The question is how to balance these two factors.

However, unlike many other products, the differences in the taxation of motor vehicles in general do not give rise to cross border shopping as motor vehicles need to be registered in the principal country of use with a unique identification number. Even in the integrated market of the European Union there has been no harmonisation or even approximation of taxes or tax rates on motor vehicles (except for minimum EU motor vehicles tax rates in respect of heavy lorries and suppression of the increased VAT rate). While a resident of an EU Member state may buy a vehicle anywhere in the EU, the vehicle remains liable to be registered in the country of residence of the person acquiring the vehicle and the relevant taxes are levied in that country.

Links with other policy areas

While taxation of motor vehicles is a significant source of revenue for most countries, fiscal policy considerations must take due account of the equally important issues involving other policy areas in the field of transport, energy and environment. Transport (and general trade) policy may require that the total tax burden on heavy goods vehicles is kept reasonably low to help stimulate commercial activity, or taxation of motor vehicles could be designed to move transport from road to rail or from private to public transport. Energy and environmental policies may require high taxation of motor vehicles as a means of controlling consumer behaviour to conserve energy and reduce pollution.

In general terms very high taxes are likely to limit the number of motor vehicles on the road. However, while this would at first appear to favour environmental policy, higher taxes on the acquisition of new motor cars invariably means that there is a greater population of old cars polluting the atmosphere. To combat this some countries have introduced short term bonus schemes to scrap old cars and encourage the purchase of new cars.

One of the most popular examples of using a fiscal instrument for common policy purposes is the differentiation between various qualities of fuel. When unleaded petrol was introduced onto the market the pump price of the product was not competitive with the less environmentally friendly leaded product. (Added to this was the fact that the number of cars with catalysts, which required unleaded petrol, was low in many countries.) The solution to the problem was a tax differentiation between leaded and unleaded petrol to make unleaded petrol retail prices significantly cheaper and thus more attractive to the consumer. The result is that leaded petrol now has disappeared from the market in most OECD countries (partly due to the tax rate differences, partly due to regulations).

Nevertheless, Table 4.4 shows that large differences remain in the tax rates applicable in the Member countries, especially as concerns unleaded petrol and light fuel oil.* The difference in the tax levels for petrol and diesel in European and North American Member countries is striking (see Chapter 6).

Ultimately, however, any revenue losses arising from the implementation of non-revenue policy considerations has to be looked at from the overall budget policy requirement. A balance has to be drawn in trying to meet the many conflicting policy demands.

* The somewhat lower variation in the tax rates for diesel is probably related to the fact that diesel-powered lorries can travel several thousand km when their tanks are filled up. For lorries involved in international transport there is thus a significant potential for "tank tourism" – i.e. for buying fuel in countries with lower tax rates.

Table 5.1. Taxes on sale, registration and use of motor vehicles

	One-off taxes on sale or initial registration of motor vehicles	Annual or recurrent taxes on registration or use of motor vehicles
Australia	<p>Prior to 1 July 2000 the Government levied wholesales sales tax at 22% on passenger motor vehicles whose value was less than AUD 36 995; 22% on trucks and four wheel drive vehicles; and a split rate of 22% and 45% on motor vehicles whose wholesale sales value exceeded AUD 36 995 (the 45% rate applied to the wholesale value exceeding AUD 36 995).</p> <p>On 1 July 2000, wholesales sales tax was abolished and replaced by the goods and services tax (GST). Goods that have been taxed for some time at differing sales tax rates will now be taxed at a flat 10% rate. The rate of luxury car tax is now 25% (as of 1 July 2000). Luxury car tax is only calculated on the value of the car that exceeds AUD 36 995.</p> <p>Passenger motor vehicles currently import duty at the rate of 15%. This will be phased down to 10% in 2005.</p>	<p>The States and Territories levy fees for annual registration, third party compulsory insurance and driver's licenses. Fees for commercial vehicles are generally higher than the fees for private vehicles. In most States, fees for trucks vary depending on the type of vehicle and the gross vehicle mass.</p>
Austria	<p>The higher VAT rate (32%) was replaced by a standard rate of 20%. A new Car Registration Tax was introduced on 1st January 1992. While the tax base is the selling price, the tax rate depends on the standard fuel consumption of the car.</p> <p>Investment allowance of 6% applicable to investments in noise-reduced trucks.</p>	<p>Motor Vehicle Tax based on the engine power of motor vehicles up to a total weight of 3.5 tons and on the total weight of motor vehicles above 3.5 tons.</p> <p>Road Transport duty levied on lorries and trailers of a total weight of more than 12 tons.</p> <p>Tax rates:</p> <ul style="list-style-type: none"> • per day ATS 80; • per week ATS 440; • per month ATS 1 670 (total weight under 18 tons); • per annum ATS 16 700.
Belgium	<p>VAT at 21%.</p> <p>Entry into service tax depends on engine power, expressed in either fiscal horsepower or kW, and vehicle age. The tax base is set according to progressive scales ranging from BEF 2 500 to BEF 200 000.</p>	<p>Road tax depends on engine power, expressed in fiscal horsepower. Each year on 1 July the tax is adjusted for fluctuations in the general consumer price index. The indexed tax applicable for the period from 1 July 1999 through 30 June 2000 was established according to progressive scales the base amount of which was BEF 2 064 for a 4 hp vehicle and BEF 52 704 for a 20 hp vehicle. Road tax is subject to a 10% surcharge which goes to the communes. A supplemental road tax is levied on vehicles fuelled, even temporarily, by liquefied gas or petroleum or by other liquefied gaseous hydrocarbons. There is a countervailing excise tax for diesel-powered vehicles. The amount of this tax depends on fiscal horsepower with progressive scales depending on whether a vehicle has been on the road for more or fewer than five years. The rate ranges from BEF 978 for a vehicle of 4 horsepower or less to BEF 49 992 for a vehicle less than five years old and of 20 horsepower, plus BEF 2 724 per hp above 20. Euro vignette, consisting in a road use tax on vehicles used exclusively for road haulage and having authorised maximum weight of at least 12 tons is levied for the use of motorways in Belgium. The tax is established in euro and depends on the number of axles, as well as fulfillment of several European pollution norms. It can be paid on a daily, weekly, monthly or annual basis. It ranges from euro 750 to 1550.</p> <p>All provinces impose annual fees for the registration or use of motor vehicles. In general, the fees depend on the type of vehicles and in most cases on the weight of the vehicle.</p>
Canada	<p>VAT: 7% GST plus provincial retail sales tax or 15% HST.</p> <p>Automotive air conditioner tax levied on vehicle air conditioners at CAD 100 per unit.</p> <p>Vehicle excise tax levied on heavy automobiles (over 2 007 kg). Increasing scale. Starting at CAD 30 per vehicle.</p> <p>One province has a tax levied on the purchase of fuel inefficient passenger cars and sport utility vehicle. A subsidy of CAD 100 is provided for cars with a highway fuel efficiency rating of less than 6 litres per 100 km.</p>	

Table 5.1. Taxes on sale, registration and use of motor vehicles (cont.)

	One-off taxes on sale or initial registration of motor vehicles	Annual or recurrent taxes on registration or use of motor vehicles
Czech Republic	<p>Standard VAT rate at 22%.</p> <p>Registration fee I – payable when the vehicle is registered, rates depend on different cylinder capacity (CZK 100 up to CZK 300).</p> <p>Registration fee II – payable when new number plate is issued (CZK 100).</p> <p>Permit fee on non-standard motor vehicle (CZK 1000 up to CZK 2000).</p>	<p>Road tax – paid by businesses (corporations or unincorporated individuals) on ownership of a motor vehicle, which are used for commercial purposes. For passenger cars rates depend on cylinder capacity (CZK 1 200 up to CZK 4 200 – rates valid on the 1st January 1999 and 2000), for other cars rates depend on total weight and number of axles (CZK 1 800 up to CZK 44 100 – rates valid on the 1st January 1999 and 2000).</p> <p>Highway fee – paid by all drivers using a highway, rates depend on weight of a vehicle and period for which the stamp is issued (CZK 800 up to CZK 8 000 CZK – rates valid on the 1st January 1999 and 100 up to CZK 12 000 as of 1st January 2000).</p> <p>Permit fee on specific use of road – Fee is levied on transporting oversized heavy load or using road by special oversized vehicles (CZK 200 up to CZK 6 000 per 3 months for vehicle registered in the Czech Republic and CZK 4 500 up to CZK 140 000 per 3 months for vehicle registered abroad, fee rate depending on the size and weight valid on the 1st January 1999 and 2000).</p> <p>Motor vehicle entry fee – Municipality levies fee on person who has permission for entrance to selected places (maximum CZK 20/day).</p> <p>For passenger cars the annual tax rates vary from DKK 1 920 for a car weighing up to 800 kg to DKK 320 pr. 100 kg for cars weighing more than 2 000 kg. For vans the rates vary from DKK 1 000 for a car with a total permissible weight of up to 1 000 kg to DKK 3 444 for cars with tpw between 3 000 and 4 000 kg.</p> <p>For vans registered for the first time as new after 2 June 1998, an additional tax is charged if the car is used exclusively for private purposes. The charge for private use is DKK 830 annually for cars with tpw up to 2 000 kg and DKK 4 620 annually for cars with tpw between 2 000 and 4 000 kg. For cars used for both private and commercial purposes the rates are only 50%. Cars used exclusively for commercial use are free of charge. For lorries with tpw from 12 t the minimum rates of directive 93/89 apply.</p> <p>For passenger cars registered the first time in 1 July 1997, or later, the above mentioned weight tax does not apply. Instead a tax based on fuel consumption is charged. For gasoline-driven cars the semi-annual rate varies from DKK 230 at 20 or more km/l up to DKK 860 at less than 4.5 km/l. For diesel driven cars the rates vary from DKK 980 at 22.5 or more km/l up to DKK 11 530 at less than 5.1 km/l.</p> <p>Annual tax on diesel driven vehicles levied on all vehicles using fuel other than petrol.</p> <p>Rates (examples):</p> <ul style="list-style-type: none"> passengers cars FIM 150/100 kg of total weight; delivery vans FIM 27/100 kg; lorries FIM 27-63/100 kg; lorries FIM 27-63/100 kg. <p>Annual tax on motor vehicles levied on passenger cars, delivery vans and special-purpose cars that have a maximum unloaded weight of 3 500 kg.</p> <ul style="list-style-type: none"> FIM 500/a for old vehicles (registered before 1994). FIM 700/a for new vehicles.
Denmark	<p>The vehicle registration tax: the registration tax is payable when the vehicle is registered with police for the first time. Different rates are used for motor vehicles destined for different purposes. Generally, the rate is higher for private vehicles than for cars used for commercial purposes.</p> <p>For example:</p> <p>Private cars of value:</p> <ul style="list-style-type: none"> less than or equal to DKK 50 800: 105%; more than DKK 50 800: on the first 50 800: + 105% on the remainder: 180%. <p>Taxis of value:</p> <ul style="list-style-type: none"> less than or equal to DKK 12 100: 0%; more than DKK 12 100: on the first DKK 12 100: 0%; on the remainder: 20%. 	
Finland	<p>Value Added Tax 22%.</p> <p>Vehicle excise tax: the amount of the tax for passengers-cars, delivery vans (see also below) and other motor-cars weighing less than 1 875 kg is the taxation value of the vehicle less FIM 4 600. For delivery vans designed exclusively for the transports of goods, the rate is 35% and for motor-cycles 20-70% of the taxable value, varying with the cylinder capacity.</p> <p>Cars with low emissions are allowed a special deduction of 4 500 FIM, which is deducted from the taxable value of the car.</p>	

Table 5.1. Taxes on sale, registration and use of motor vehicles (cont.)

	One-off taxes on sale or initial registration of motor vehicles	Annual or recurrent taxes on registration or use of motor vehicles
France	<p>Tax on registration certificates or regional tax on certificates</p> <ul style="list-style-type: none"> • Scope: all deliveries of registration certificates for motor vehicles • Rate: <ul style="list-style-type: none"> – Flat rate depending on engine power, with a horse power unit rate established by each region – Rate reduced by half for some vehicles depending on their nature (trucks having a total weight exceeding 3.5 tons; motorcycles) or age (more than 10 years old) <p>Fixed price for duplicates and specific registration plates (WW, TT,...)</p> <ul style="list-style-type: none"> • Exemptions: <ul style="list-style-type: none"> – Automatic for new demonstration models weighting less than 3.5 tons, state vehicles, certain motorcycles and new certificates delivery after a change of address or marital status. – After deliberation, full exemption or tax reduced by half for electrically or gas propelled cars. <p>Additional special tax on the regional certificate tax for lorries:</p> <ul style="list-style-type: none"> – Up to 3.5 tons: 178 FRF – Greater than 3.5 tons but less than 6 tons: 731 FRF – 6 tons or more; but less than 11 tons: 1 094 FRF – Greater than 11 tons: 1 642 FRF* <p>* This rate applies to trailers and busses for public transport of passengers whatever their weight</p>	<p>New tax; levied as of 1-6-1994.</p> <p>Fuel fee charged if heating oil is used as propellant in a diesel motor vehicle instead of diesel oil.</p> <ul style="list-style-type: none"> • FIM 1 000 for passenger cars. • FIM 3 000 for lorries. • FIM 2 000 for busses. • FIM 1 500 for vans. <p>New charge; levied as of 13-4-1993.</p> <p><i>Tax on business passenger cars:</i></p> <ul style="list-style-type: none"> • Scope: all vehicles registered as passenger cars owed or used by companies • Exemptions: <ul style="list-style-type: none"> – Cars more than 10 years old; – Cars used public passenger transport, cars used for leasing or sale, – Electrically or gas propelled cars (for mixed oil and gas propelled vehicles exemption is reduced by half). Vehicles that can use both gasoline and GPL are exempt at rate of 50% • Periodicity: annual tax on a period from 1 October to 30 September of the year t+1. • Rate: <ul style="list-style-type: none"> Up to 7 HP: 7 400 FRF More than 7 HP: 16 000 FRF <p><i>Differential tax on motor vehicles:</i></p> <ul style="list-style-type: none"> • Scope: all vehicles mentioned on title II of the Road Code and registered in France • Exemptions: <ul style="list-style-type: none"> – Vehicles submitted to axle tax, diplomatic cars, and vehicles temporarily imported with tax exemption. – Vehicles of more than 25 years old, busses for public transport, taxis, specific cars and cars used by sales representatives; – As from 1 December 2000, individuals, state registered associations, religious orders, business foundations, trade unions, for the following vehicles: camping-cars and vehicles designed for transporting disabled persons or any other vehicles weighting less than 2 tons; – After deliberation, full exemption or exemption reduced by half for electrically or gas propelled cars. • Periodicity: annual tax on a period from 1 December of the year to 30 November of the year t+1 • Rate: fixed by each department depending on the nature of the vehicle (passenger cars, other) and administrative power. Tax reduced by half for cars of more than 5 years old.

Table 5.1. Taxes on sale, registration and use of motor vehicles (cont.)

	One-off taxes on sale or initial registration of motor vehicles	Annual or recurrent taxes on registration or use of motor vehicles
Germany	<p>Value Added Tax on acquisition: 16%.</p> <p>Tax on motoring: mineral oil tax.</p> <p>+ VAT on mineral oil tax.</p> <p>Tax on insurance: 15%.</p> <p>Registration charge: DEM 35-50.</p>	<p>Motor vehicle Tax on vehicles licensed for use on public roads.</p> <p>Tax on cars is based on cylinder capacity; rates depend on pollutant emission and type of engine; Annual tax rate per 100 cc cylinder capacity: DEM 10 for low-pollutant petrol-engine cars to DEM 49.60 for high-pollutant petrol-engine cars. Tax rates for diesel-engine cars are DEM 27 or DEM 73.50 higher in each case.</p> <p>Tax on motorcycles DEM 3.60 per 25 cc cylinder capacity.</p> <p>Tax on commercial vehicles based on maximum permissible weight, pollutant emission and decibel. (Tax accounts for approx. 3% of road haulage costs).</p> <p>Road tax on motor vehicles for use of public roads.</p> <p>Annual road tax on private passenger cars and motorcycles based on cylinder capacity from 4 000 to 130 000 GRD.</p> <p>Annual road tax on trucks based on payload, horse power or combination of both.</p> <p>Annual road tax for busses based on the number of seats.</p>
Greece	<p>Value Added Tax 18%.</p> <p>Initial registration tax.</p> <p>A. Private passengers' cars registration tax depending on engine capacity and anti-pollutant technology: from 7% to 385%.</p> <p>B. Commercial vehicles' registration tax.</p> <p>Heavy commercial vehicles (> 3.5 t) 5%.</p> <p>Light commercial vehicles with open loading space (< 3.5 t) 7%.</p> <p>Light commercial vehicles with covered loading space (< 3.5 t):</p> <p>Up to 900 cc 6%; 901 cc to 1 400 cc 14%; 1 401 cc to 1 800 cc 28%; 1 801 cc to 2 000 cc 21%; more than 2 000 26%.</p> <p>For vehicles that don't fulfil latest EC emissions Directive rates should be increased by 30%.</p> <p>C. Motor vehicles' registration tax: 51 cc to 125 cc 2%; 126 to 249 cc 3%; 250 cc to 900 cc 9%; 901 cc to 1 400 cc 15%; 1 401 cc to 1 600 cc 18%; 1 601 cc to 1 800 cc 22%; more than 1 801 cc 32%.</p> <p>Fees</p> <p>Licence fee for private and public use of motor vehicles and motorcycles from 2 700 to 37 220 GRD. Fee on the sale of motor vehicles: motor vehicles 11 120 GRD; motorcycles 2 400 GRD.</p>	<p>Motor vehicle tax levied according to weight: from HUF 600 to HUF 1 000 per 100 kilograms of net weight; for lorries the tax is based on net weight plus 50% of cargo weight. Motorcycles with engines over 250 ccm motor homes and caravans are subject to an amount from 2000 HUF to HUF 5 000. The exact amount is determined by the local government and must remain between the limits set by the Act on Motor Vehicle Tax.</p> <p>Compulsory liability insurance, costs of regular technical and environmental supervision.</p> <p>Weight-distance tax levied on non-petrol vehicles (non gasoline fuels, including diesel, are exempt from other taxes). For vehicles under 4 000 kg owners have the option of a flat annual rate ranging from ISK 94 273 to ISK 207 603 depending on the weight of the vehicle. Others are charged per kilometre driver with charges ranging from ISK 7 09 to ISK 34.58 per km, depending on the weight of the vehicle. Annual Automobile Tax levied on weight of registered motor vehicles. The amount is ISK 11.72 per kg; with a surcharge of 7.60 per kg above 1 000 kg. Minimum rate is ISK 5 986; maximum rate is ISK 37 830.</p>
Hungary	<p>Standard VAT of 25% is levied in the case of new motor vehicles or upon first registration of the motor vehicle.</p> <p>National consumption tax is levied according to the engine size its ccm and varies if the vehicle is electric powered or is equipped with a catalyser. The rates for electric and catalyser equipped passenger cars of up to 1600 ccm is 10% from 1601 ccm 20%. For other passenger cars up to 1600 ccm 22%, from 1601 ccm 32%.</p> <p>Acquisition fee according to engine size: HUF 10 per ccm; for electric powered vehicles HUF 400 per kW. For trailers up to 2.5 tons of net weight HUF 5 000, above 2.5 tons HUF 12 000.</p>	
Iceland	<p>Value Added Tax 24.5%.</p> <p>Vehicle registration fee of ISK 5 675 on initial registration, and ISK 2 500 for subsequent changes.</p> <p>Motor vehicle excise duty, based on cylinder capacity (rate 30-45%).</p>	

Table 5.1. Taxes on sale, registration and use of motor vehicles (cont.)

	One-off taxes on sale or initial registration of motor vehicles	Annual or recurrent taxes on registration or use of motor vehicles																														
Ireland	<p>VAT at 21%.</p> <p>Registration tax based on the open market selling price of motor vehicles at :</p> <ul style="list-style-type: none"> • 22.5% for private vehicles up to 1 400 cc • 25% for private vehicles between 1 401 cc and 2 000 cc • 30% for private vehicles over 2 000 cc <p> $\left. \begin{array}{l} \text{Subject} \\ \text{to a minimum} \\ \text{of IEP 250} \end{array} \right\}$ </p> <ul style="list-style-type: none"> • 13.30% for commercial car-derived vans, "jeep" type vehicles and certain motor caravans and crew cabs – subject to a minimum of IEP 100. • IEP 40 flat rate for other commercial vehicles. • New motorcycles IEP 2 per cc up to and IEP 1 per cc above 350 cc. • Used motorcycles IEP 2 per cc up to and IEP 1 per cc above 350 cc, less a deduction for age. <p>Value Added Tax 20%.</p> <p>Registration fee charged at the time a new or used vehicle is purchased (ITL 10 000 per vehicle).</p> <p>Stamp duty: motor vehicle/motorcycle (new and used) = ITL 40 000</p> <p>Number plate fee: motor vehicle: ITL 75 300 motorcycle: ITL 36 150</p> <p>PRA (Motor Vehicle Registration Office) registration taxes collected when new or used cars are purchased. The provincial surtax IPT, paid at registration, is ITL 292 000, plus 3% to 20% may be added depending on the province of residence.</p> <p>Consumption tax at 5%.</p> <p>Automobile Acquisition Tax at 5% of purchase price (3% for commercial vehicles).</p>	<p>Road Tax on private cars based on cylinder capacity:</p> <p>Up to 1 000 cc a flat rate of IEP 98 applies.</p> <p>1 001 1 500 cc: IEP 13.27 per 100 cc</p> <p>1 501 1 700 cc: IEP 15.39 per 100 cc</p> <p>1 701 2 000 cc: IEP 16.98 per 100 cc</p> <p>2 001 2 500 cc: IEP 20.70 per 100 cc</p> <p>2 501-3 000 cc: IEP 23.34 per 100 cc</p> <p>3 001 cc or over: IEP 849 flat rate</p> <p>Electrically propelled vehicles: IEP 98 flat rate (private vehicles) and IEP 54 flat rate (commercial not over 1 500 kg).</p> <p>Tax on commercial vehicles based on unladen weight:</p> <p>Minimum: IEP 160 < 3 000 kg.</p> <p>Maximum: IEP 2 494 > 20 000 kg.</p> <p>Annual tax on motor vehicles and motorboats, the rate of which depends on power as measured in kW (motorcycles, cars, busses and trailers), payload as measured in quintals (trucks having a total weight of under 12 tons and trailers), total weight at full payload and the number of axles for trucks of 12 tons or more and tractor-trailers). In addition, a surtax is imposed on diesel-powered vehicles not complying with Directive EEC 91/441 (non-ecological vehicles). The amount of the surtax is set nationally, except for a regional tax of more or less 10% which is allocated to the regions.</p> <p>Motor Vehicle Tonnage Tax (national):</p> <p>(N.B. * Commercial vehicles)</p> <p>Passenger vehicles JPY 6 300 per 0.5 tonnes (*JPY 2 800).</p> <p>Lorries below 2.5 tonnes: JPY 4 400 per tonne (*JPY 2 800).</p> <p>Lorries above 2.5 tonnes and buses JPY 6 300 per tonne (*JPY 2 800); Light motor vehicles JPY 4 400 per vehicle (*JPY 2 800).</p> <p>Automobile Tax levied according to cylinder capacity. Rates applicable to non-commercial vehicles (commercial vehicles in brackets)[local]:</p> <table> <tr> <td>660-1 000 cc</td><td>JPY 29 500</td><td>(JPY 7 500)</td></tr> <tr> <td>1 000-1 500 cc</td><td>JPY 34 500</td><td>(JPY 8 500)</td></tr> <tr> <td>1 500-2 000 cc</td><td>JPY 39 500</td><td>(JPY 9 500)</td></tr> <tr> <td>2 000-2 500 cc</td><td>JPY 45 000</td><td>(JPY 13 800)</td></tr> <tr> <td>2 500-3 000 cc</td><td>JPY 51 000</td><td>(JPY 15 700)</td></tr> <tr> <td>3 000-3 500 cc</td><td>JPY 58 000</td><td>(JPY 17 900)</td></tr> <tr> <td>3 500-4 000 cc</td><td>JPY 66 500</td><td>(JPY 20 500)</td></tr> <tr> <td>4 000-4 500 cc</td><td>JPY 76 500</td><td>(JPY 23 600)</td></tr> <tr> <td>4 500-6 000 cc</td><td>JPY 88 000</td><td>(JPY 27 200)</td></tr> <tr> <td>+ 6 000 cc</td><td>JPY 111 000</td><td>(JPY 40 700)</td></tr> </table> <p>Lorries: (4-5 tonnes capacity): JPY 25 500 (JPY 18 500)</p> <p>Buses: JPY 49 000 (JPY 14 500)</p> <p>Light vehicle tax (local) levied on motorcycles and light vehicles according to cylinder capacity.</p>	660-1 000 cc	JPY 29 500	(JPY 7 500)	1 000-1 500 cc	JPY 34 500	(JPY 8 500)	1 500-2 000 cc	JPY 39 500	(JPY 9 500)	2 000-2 500 cc	JPY 45 000	(JPY 13 800)	2 500-3 000 cc	JPY 51 000	(JPY 15 700)	3 000-3 500 cc	JPY 58 000	(JPY 17 900)	3 500-4 000 cc	JPY 66 500	(JPY 20 500)	4 000-4 500 cc	JPY 76 500	(JPY 23 600)	4 500-6 000 cc	JPY 88 000	(JPY 27 200)	+ 6 000 cc	JPY 111 000	(JPY 40 700)
660-1 000 cc	JPY 29 500	(JPY 7 500)																														
1 000-1 500 cc	JPY 34 500	(JPY 8 500)																														
1 500-2 000 cc	JPY 39 500	(JPY 9 500)																														
2 000-2 500 cc	JPY 45 000	(JPY 13 800)																														
2 500-3 000 cc	JPY 51 000	(JPY 15 700)																														
3 000-3 500 cc	JPY 58 000	(JPY 17 900)																														
3 500-4 000 cc	JPY 66 500	(JPY 20 500)																														
4 000-4 500 cc	JPY 76 500	(JPY 23 600)																														
4 500-6 000 cc	JPY 88 000	(JPY 27 200)																														
+ 6 000 cc	JPY 111 000	(JPY 40 700)																														
Japan																																

Table 5.1. Taxes on sale, registration and use of motor vehicles (cont.)

	One-off taxes on sale or initial registration of motor vehicles	Annual or recurrent taxes on registration or use of motor vehicles																								
Korea	<p>Value Added Tax at 10%.</p> <p>Special Excise Tax.</p> <p>Up to 800 cc : Zero.</p> <p>800 cc-1500 cc : 7% of the manufacturer's price.</p> <p>1 500 cc-2000 cc : 10.5% of the manufacturer's price.</p> <p>above 2 000 cc : 14% of the manufacturer's price.</p> <p>The Education Tax is levied at the rate of 30% on the amount of Excise Tax.</p> <p>Acquisition Tax at 2% of the retail price excluding VAT.</p> <p>Registration Tax at 2.5% of the retail price excluding VAT.</p>	<p>Licence Tax: different rates are applicable according to the type of the vehicle and the place of registration.</p> <p>Example:</p> <p>In cities with population of over 500 000, the Licence Tax ranges from KRW 12 000 to KRW 45 000 per year according to engine displacement.</p> <p>Automobile Tax:</p> <p>Rates per year applicable to non-commercial vehicles</p> <p>Up to 800 cc : KRW 80 per cc</p> <p>1 000-1 500 cc : KRW 100 per cc</p> <p>1 500-2 000 cc : KRW 140 per cc</p> <p>above 2 000 cc : KRW 220 per cc</p> <p>Rates per year applicable to commercial vehicles</p> <p>Up to 1 500 cc : KRW 18 per cc</p> <p>1 500-2 000 cc : KRW 19 per cc</p> <p>above 2 500 cc : KRW 24 per cc</p> <p>Automobile Tax : Different rate is applicable according to the type and usage of the vehicle.</p> <p>Tax on property or use of motor vehicles levied on the value of motor vehicles up to 10 years old.*</p>																								
Luxembourg	Value Added Tax at 15%.																									
Mexico	<p>Tax on new motor vehicles levied on the value of the first sale according to the following table:</p> <table><tr><th>Lower Limit (Pesos)</th><th>Upper Limit (Pesos)</th><th>Fix minimum Payable amount (Pesos)</th><th>% rate paid on the Difference between Sales value and lower limit</th></tr><tr><td>0 01</td><td>98 033</td><td>0</td><td>2</td></tr><tr><td>98 033</td><td>117 640</td><td>1 961</td><td>5</td></tr><tr><td>117 640</td><td>137 246</td><td>2 941</td><td>10</td></tr><tr><td>137 246</td><td>176 459</td><td>4 902</td><td>15</td></tr><tr><td>176 459</td><td>over</td><td>10 784</td><td>17</td></tr></table> <p>The tax applied to sales price over MXN 270.703 is 10%.</p>	Lower Limit (Pesos)	Upper Limit (Pesos)	Fix minimum Payable amount (Pesos)	% rate paid on the Difference between Sales value and lower limit	0 01	98 033	0	2	98 033	117 640	1 961	5	117 640	137 246	2 941	10	137 246	176 459	4 902	15	176 459	over	10 784	17	
Lower Limit (Pesos)	Upper Limit (Pesos)	Fix minimum Payable amount (Pesos)	% rate paid on the Difference between Sales value and lower limit																							
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98 033	117 640	1 961	5																							
117 640	137 246	2 941	10																							
137 246	176 459	4 902	15																							
176 459	over	10 784	17																							
Netherlands	<p>Value Added Tax at 17.5%</p> <p>Registration Tax levied on net value :</p> <p>Cars:</p> <p>45.2%, the resulting amount diminished with NLG 3 394 (petrol engine) or NLG 478 (diesel engine with limited emission) or increased with NLG 722 (other diesel engine).</p> <p>Motorcycles:</p> <p>(A) for motorcycles with a net value not higher than NLG 4 700: 10.2% of the net value.</p> <p>(B) for motorcycles with a net value higher than NLG 4 700: 20.7% of the net value.</p> <p>The resulting amount diminished with NLG 494.</p>	<p>The value of vehicles is updated according to annual changes on the National Consumer Price Index and a discount of 10% for each passed year is granted, so that vehicles older than 10 years do not pay the tax.</p> <p>*These rates are updated every quarter according to relative changes on the CPI. This table is valid for the last quarter of 1998.</p> <p>Motor vehicle tax levied according to type, weight and (for private cars only) fuel used.</p> <p>Tax on heavy vehicles (also know as the Eurovignette) is levied on vehicles (lorries) with a gross weight of 12 000 kg or more for the use of motor ways in the Netherlands.</p> <table><tr><th>Type</th><th>Car value (thousands of pesos)</th><th>Rate</th></tr><tr><td>A</td><td>up to 367</td><td>2.6%</td></tr><tr><td>B</td><td>from 367 to 811</td><td>6.5%</td></tr><tr><td>C</td><td>from 811 to 1.304</td><td>8.5%</td></tr><tr><td>D</td><td>over 1.304</td><td>10.4%</td></tr></table>	Type	Car value (thousands of pesos)	Rate	A	up to 367	2.6%	B	from 367 to 811	6.5%	C	from 811 to 1.304	8.5%	D	over 1.304	10.4%									
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D	over 1.304	10.4%																								

Table 5.1. Taxes on sale, registration and use of motor vehicles (cont.)

	One-off taxes on sale or initial registration of motor vehicles	Annual or recurrent taxes on registration or use of motor vehicles
New Zealand	<p>Goods and Services Tax at the standard rate of 12.5%. Fees are payable on initial registration of a motor vehicle. They vary depending on the class of vehicle. Classes are based on type of vehicle and for some types of vehicle engine size.</p> <p>Examples are:</p> <p>Motorcar:</p> <p>0 cc-1 300 cc NZD 74</p> <p>301 cc-2 600 cc NZD 112</p> <p>2 601 cc-4 000 cc NZD 139</p> <p>More than 4 000 cc NZD 232</p> <p>Heavy motor vehicles : NZD 232</p> <p>Motorcycle:</p> <p>0cc-60 cc NZD 28</p> <p>More than 60 cc NZD 47</p> <p>Imported vehicles attract no duty from 15 May 1998.</p>	<p>Annual registration fees are payable for motor vehicles. They vary depending on the class of vehicle. Classes are based on type of vehicle. Most classes of vehicle including all motor cars and heavy vehicles pay a fee of NZD 206.82.</p> <p>This fee is made up of the following:</p> <ul style="list-style-type: none"> • Accident compensation levy NZD 132.20 • National Roads Fund NZD 43.47 • Land Transport Safety Authority safety standards levy NZD 1.16 • Administration costs NZD 7.01 • GST NZD 17.52 TOTAL NZD 206.82
Norway	<p>Import tax levied on road motor vehicles (progressive elements based on weight, piston displacement and engine performance). Average import-Tax is approx. NOK 70 000 per car.</p> <p>License tax levied on road motor vehicles assembled in Norway (same as import tax). Electric vehicles exempt.</p> <p>Registration tax on vehicles previously licensed in Norway.</p>	<p>Vehicle excises duty on vehicles or combined vehicles over 12 ton levied on weight, number of axles and suspension system.</p> <p>For these vehicles there also is tax differential on weight and year of registration.</p>
Portugal	<p>Value Added Tax at 17%.</p> <p>Vehicle excise duty levied on cylinder capacity.</p> <p>Rates/cc : (from 4 April 2 000)</p> <p>Deduction</p> <p>up to 1 250 cc: ESC 665/cc ESC 430 283</p> <p>1 251-2 500 cc: ESC 1 577/cc ESC 1 568 595</p> <p>above 2 500 cc: ESC 2 321/cc ESC 3 428 769</p> <p>There are other rate brackets for all-terrain vehicles and combined (passenger and freight) vehicles.</p>	<p>Annual tax based on vehicle type.</p> <p>Municipal vehicle tax levied on cars and motorcycles. Vehicle excise duty on lorries above 2.5 tonnes used in public and private transport of merchandise (<i>imposto de circulação e camionagem</i>).</p>
Spain	<p>VAT rate: 16%.</p> <p>Vehicle registration tax levied : 7% for cars with engines of less than 1 600 cubic centimetres for gasoline cars and less than 2 000 cubic centimetres for diesel cars. 12% for others.</p>	<p>Motor vehicle tax. (levied by municipalities) based on engine power for passenger cars. Passenger capacity for buses, loading capacity for trucks and cylinder volume for motorcycles.</p>
Sweden	<p>VAT rate: 25%</p> <p>Sales tax levied on weight.</p>	<p>Vehicle excise duty levied on weight, number of axles, vehicle type and fuel.</p>

Table 5.1. Taxes on sale, registration and use of motor vehicles (cont.)

	One-off taxes on sale or initial registration of motor vehicles	Annual or recurrent taxes on registration or use of motor vehicles
Switzerland	Value Added Tax 7.5%	<p>Motor vehicle tax.</p> <p>Motonway tax is CHF 40 per year levied on all vehicles below 3.5 tons:</p> <p>Busses + 3.5 tons: CHF 1 300</p> <p>Trucks with two axles:</p> <p>3.5-12 tons: CHF 1 300</p> <p>+12 tons: CHF 4 000</p> <p>Trucks with more than two axles and tractors:</p> <p>3.5-12 tons: CHF 1 300</p> <p>12-18 tons: CHF 4 000</p> <p>18-25 tons: CHF 6 000</p> <p>+25 tons: CHF 8 000</p> <p>Trailers:</p> <p>3.5-8 tons: CHF 1 300</p> <p>8-10 tons: CHF 3 000</p> <p>+20 tons: CHF 4 000</p>
Turkey	VAT on cars at a rate of 23-40% and on other vehicles at a rate of 15%. Motor Vehicles Acquisition Tax levied according to the dead weight, type, cylinder volume, maximum permissible weight and horse power. Supplementary Motor Vehicles Acquisition Tax at 12% of the basis of VAT (this rate is varied according to the cylinders volume). Environment Fund at 25% of the Motor Vehicles Acquisition Tax.	Motor Vehicle Tax levied on all motor vehicles – based on weight, type and cylinder capacity. Paid twice annually by registered owner.
United Kingdom	VAT on new cars at standard rate of 17.5%. Vehicle Excise Duty payable as an annual lump sum on all vehicles (with a few exceptions). Set at GBP 150.00 for private cars since 16 November 1997.	VED on lorries is set according to the number of axles, weight and type of vehicle. For private cars there is a two-tier threshold: cars not over 1 100 cc pay GBP 100 and those over, pay GBP 155.
United States	The gas guzzler excise is imposed on the sale of autos whose fuel efficiency is less than 22.5 miles per gallon. The tax varies from USD 1 000 to USD 7 700 depending on the fuel efficiency. The luxury car tax is imposed on the first retail sale of any passenger vehicle in an amount equal to 10% of the extent to which the sales prices exceeds USD 30 000. The USD 30 000 threshold is indexed for inflation. From 27 August 1996 the tax rate is reduced to 9% and is to be phased out by January 2003. A tax is imposed on the first sale of heavy trucks in an amount equal to 12% of the sales price. A tax is imposed on the sale of tyres for highway vehicles. For tyres whose weight exceeds 40 pounds but whose weight does not exceed 70 pounds, the tax is USD 0.15 per pound in excess of 40 pounds. For tyres whose weight exceeds 70 pounds but whose weight does not exceed 90 pounds, the tax is USD 4.50 plus USD 0.30 per pound in excess of 70 pounds. For tyres whose weight exceeds 90 pounds, the tax is USD 10.50 plus USD 0.50 cents per pound in excess of 90 pounds. State and local governments impose a one-time sales tax and/or title fee.	A tax is imposed on the use of trucks weighing at least 55 000 pounds. For those trucks weighing no more than 75 000 pounds. The tax is USD 100 per year plus USD 22 for each 1 000 pounds in excess of 55 000 pounds. For those trucks weighing more than 75 000 pounds, the tax is USD 550. State and local governments may impose a periodic registration. Operator's license. Parking, and inspection fees, as well as property taxes.

Table 5.2. Revenues from vehicle taxes and taxes on motor fuels

	Description	Revenue
	I. Revenues from one-off taxes on sale or initial registration and annual or recurrent taxes of private motor vehicles	
Australia	State levied stamp duty on vehicle registration	AUD 1 318 million in 1998-99
	Other	AUD 2 583 million in 1998-99
	Road transport taxes	AUD 6 860 million in 1997-98
	Duty on vehicles (fuel consumption)	ATS 4 606 million in 1994
Austria		ATS 4 742 million in 1995
		ATS 5 502 million in 1996
		ATS 5 344 million in 1997
		ATS 5 383 million in 1998
		ATS 6 040 million in 1999
		ATS 6 286 million in 1994
		ATS 6 412 million in 1995
		ATS 6 667 million in 1996
		ATS 7 418 million in 1997
		ATS 8 370 million in 1998
		ATS 8.4 billion in 1994
		ATS 8.4 billion in 1995
Belgium	Motor vehicles (paid by households)	ATS 10.2 billion in 1996
	VAT (paid by households)	BEF 30 billion in 1993 (estimate)
	Value added tax (one-off tax on sale)	BEF 46.8 billion in 1999
	Entry into service tax (one-off tax on sale)	BEF 4.8 billion in 1993
	Road tax (annual)	BEF 8.6 billion in 1998
		BEF 31 billion in 1993
Canada		BEF 38.2 billion in 1998
	Excise tax on automotive air conditioners	CAD 82.9 million in 1992-93
		CAD 107.9 million in 1993-94
		CAD 109.6 million in 1994-95
		CAD 94.7 million in 1995-96
		CAD 109.2 million in 1996-97
	Excise tax on heavy automobiles	CAD 2.7 million in 1992-93
		CAD 2.3 million in 1993-94
		CAD 2.6 million in 1994-95
		CAD 3.4 million in 1995-96
		CAD 5.3 million in 1996-97
	Goods and Service Tax/Harmonised Sales Tax (billions)	CAD 14.9 billion in 1992-93
		CAD 15.7 billion in 1993-94
		CAD 16.8 billion in 1994-95
		CAD 16.4 billion in 1995-96
		CAD 18.8 billion in 1996-97

Table 5.2. Revenues from vehicle taxes and taxes on motor fuels (cont.)

	Description	Revenue
	I. Revenues from one-off taxes on sale or initial registration and annual or recurrent taxes of private motor vehicles	
Czech Republic	Road tax	CZK 4 565 billion in 1997 CZK 4 373 billion in 1998 CZK 5 226 billion in 1999
	Highway fee	CZK 992 billion in 1997 CZK 1 644 billion in 1998 CZK 1 947 billion in 1999
	Motor entry fee	CZK 24 million in 1997 CZK 29 million in 1998 CZK 31 million in 1999
	Vehicle registration tax	DKK 13 708 million in 1994 DKK 14 885 million in 1995 DKK 15 419 million in 1996 DKK 16 780 million in 1999
	Weight tax	DKK 4 267 million in 1994 DKK 4 404 million in 1995 DKK 4 918 million in 1996 DKK 6 465 million in 1999
Denmark	VAT	DKK 4 400 million in 1996 DKK 2 450 million in 1999 DKK 296 million in 1999
	Tax on heavy vehicles	–
	Value added tax (22%) on new car sales	FIM 2 685 million in 1995 FIM 3 611 million in 1996 FIM 4 210 million in 1997 FIM 5 259 million in 1998 FIM 6 115 million in 1999
	Vehicle excise tax	FIM 668 million in 1995 FIM 929 million in 1996 FIM 979 million in 1997 FIM 1 042 million in 1998 FIM 1 101 million in 1998
	Annual tax on diesel-driven vehicles	Included in tax cited above.
Finland	Road taxes on motor vehicles registered abroad	Included in tax cited above.
	Fuel charge	FIM 1 046 million in 1999 FIM 1 110 million in 1996 FIM 1 129 million in 1997 FIM 1 198 million in 1998 FIM 1 245 million in 1999
	Annual tax on motor vehicles	

Table 5.2. Revenues from vehicle taxes and taxes on motor fuels (cont.)

	Description	Revenue
	I. Revenues from one-off taxes on sale or initial registration and annual or recurrent taxes of private motor vehicles	
Germany	Motor vehicle tax	DEM 14.2 billion in 1994 DEM 13.8 billion in 1995 DEM 13.7 billion in 1996 DEM 14.4 billion in 1997 –
	VAT	
Hungary	Motor vehicle tax	HUF 14 billion in 1997 HUF 19.3 billion in 1999
Iceland	Motor vehicle excise duty	ISK 2 474 billion in 1995 ISK 5 896 billion in 1999
	Weight distance tax	ISK 2 333 billion in 1995 ISK 4 039 billion in 1999
	Annual automobile tax	ISK 1 765 billion in 1995 ISK 2 341 billion in 1999
	Vehicle registration fee	–
	VAT	–
Ireland	Road tax	IEP 247 million in 1995 IEP 271 million in 1996 IEP 295 million in 1997 IEP 320.43 million in 1998
	VAT	IEP 165 million in 1995 IEP 212 million in 1996 IEP 228 million in 1997 IEP 295.1 million in 1998
	Vehicle Registration Tax	IEP 279 million in 1995 IEP 345 million in 1996 IEP 386 million in 1997 IEP 473 million in 1998
Italy	Registration fees	ITL 26 billion in 1997
	Stamp duty	ITL 105 billion in 1997
	Number plate fees	ITL 156 billion in 1997
	Annual vehicle tax	ITL 6 755 billion in 1996 ITL 7 132 billion in 1997 ITL 8 650 billion in 1998
	PRA registration fees	ITL 1 754 billion in 1998
	PRA stamp duty	ITL 415 billion in 1998
	IET, APIET, ARIET, IPI	ITL 1 793 billion in 1998

Table 5.2. Revenues from vehicle taxes and taxes on motor fuels (cont.)

	Description	Revenue
	I. Revenues from one-off taxes on sale or initial registration and annual or recurrent taxes of private motor vehicles	
Japan	Automobile Acquisitions Tax (local)	JPY 601.7 billion in 1996 JPY 477.3 billion in 1998
	Automobile tax (local)	JPY 1 624.3 billion in 1996 JPY 7 736.9 billion in 1998
	Light vehicle tax (local)	JPY 107.7 billion in 1996 JPY 115.9 billion in 1998
	Motor Vehicle Weight Tax (national)	JPY 1 073.4 billion in 1996 JPY 1 088.7 billion in 1998
	Consumption tax	KRW 1 063 billion in 1995 KRW 1 264 billion in 1996 KRW 1 267 billion in 1997 KRW 263 billion in 1998
Korea	Special Excise Tax on vehicles	KRW 449 billion in 1995 KRW 484 billion in 1996 KRW 491 billion in 1997 KRW 281 billion in 1998
	Acquisition Tax	KRW 886 billion in 1995 KRW 925 billion in 1996 KRW 947 billion in 1997 KRW 505 billion in 1998
	Registration Tax	KRW 1 681 billion in 1995 KRW 1 978 billion in 1996 KRW 192 281 billion in 1997 KRW 2 459 billion in 1998
	Automobile Tax	KRW 135 billion in 1995 KRW 167 billion in 1996 KRW 184 billion in 1997 KRW 201 billion in 1998
	License Tax	LUF 1 billion in 1999
Luxembourg	Vehicle road Tax	MXN 843 million pesos in 1997
Mexico ¹	New motor vehicles tax	MXN 5 736 million pesos in 1997
	Property or use of motor vehicles tax Gasoline and diesel tax	

Table 5.2. Revenues from vehicle taxes and taxes on motor fuels (cont.)

	Description	Revenue
	I. Revenues from one-off taxes on sale or initial registration and annual or recurrent taxes of private motor vehicles	
Netherlands	Motor vehicle tax	NLG 5 001 billion in 1996 NLG 4 004 billion in 1997 NLG 3996 billion in 1998 NLG 4 359 billion in 1999 –
	Value added tax	NLG 4.120 billion 1996
	Registration tax	NLG 4.670 billion (estimates for 1998)
	Tax on heavy vehicles	NLG 185 million (estimates for 1998)
	GST	–
New Zealand	Initial Vehicle Registration Fee and Annual Registration Fees	NZD 156.1 million 1997/98 NZD 157.70 million 1999/2000
	Duty	Duty zero from 15 May 1998
	Weight-Distance Tax	NZD 451.8 million 1997/1998 NZD 533.3 million 1999/2000
Norway	Import tax	NOK 9.8 billion 1997 NOK 37 billion 1999
	Registration tax	NOK 1.3 billion 1997 NOK 1.4 billion 1999
	Annual tax	NOK 3.7 billion 1997 NOK 4.4 billion in 1999
	Weight differentiation tax	NOK 226 million 1999
	Excise on petrol	NOK 9.7 billion 1999
	Excise on diesel	NOK 4.6 billion 1999
	Vehicle tax duty	PLN 936.2 million in 2000
Poland	Value added tax	–
Portugal	Vehicle excise duty	PTE 158.7 billion 1996 PTE 167.6 billion 1997 PTE 206.5 billion 1998
	Municipal vehicle tax	PTE 11.2 billion 1996 PTE 11.6 billion 1997 PTE 13.2 billion 1998
Spain	Vehicle registration tax	ESP 125 333 billion 1993 ESP 151 509 billion 1998 ESP 192 411 billion 1999

Table 5.2. Revenues from vehicle taxes and taxes on motor fuels (cont.)

	Description	Revenue
	I. Revenues from one-off taxes on sale or initial registration and annual or recurrent taxes of private motor vehicles	
Sweden	Vehicle registration tax	SEK 1.75 billion in 1995 SEK 1.40 billion in 1996 SEK 230 million in 1999
	Vehicle excise duty	SEK 4.05 billion in 1995 SEK 5.47 billion in 1996
Switzerland	Import tax	CHF 284 million 1999 CHF 3.4 million 1999 CHF 332 million 1999
	Turnover tax	
Turkey	Motor Vehicles Acquisition Tax	TL 77 251 billion 1997
	Supplementary motor vehicles acquisition tax	TL 115 billion 1997
	Motor Vehicle Tax	TL 32 540 billion 1997
	VAT	–
United Kingdom	Vehicle Excise Duty	GBP 4 487 million 1996/97 GBP 4 885 million 1998
	VAT on new cars	GBP 2.9 billion 1996 GBP 3.5 billion 1998
United States	Gas Guzzler Excise Tax	USD 64 million 1994 USD 73 million 1995
	Luxury Car Tax	USD 567 million 1994 USD 608 million 1995
	Sale of Heavy Trucks	USD 1 636 million 1994 USD 1 040 million 1995
	Sale of Tyres	USD 358 million 1994 USD 390 million 1995
	Use of Trucks	USD 647 million 1994 USD 695 million 1995
	State and local fees for vehicle title, registration, inspection and operators licenses	USD 9 619 million 1984 USD 10 181 million 1995

Table 5.2. Revenues from vehicle taxes and taxes on motor fuels (cont.)

	Description	Revenue
	II. Revenues from taxes on motor fuels	
Australia	Excise duty on leaded petrol	AUD 2.063 billion in 1997-98 AUD 2.2 billion in 1998-99
	Excise duty on unleaded petrol	AUD 4.275 billion in 1997-98 AUD 5.8 billion in 1998-99
	Excise duty on diesel	AUD 4.378 billion in 1997-98 AUD 5.4 billion in 1997-98
	Mineral oil excise duty (unearmarked since 1987)	ATS 27.098 billion in 1994 ATS 31.459 billion in 1995 ATS 36.230 billion in 1996 ATS 166 million in 1994 ATS 137 million in 1995 ATS 629 million in 1996
Belgium	Special tax on fossil oil	ATS 5.7 billion in 1994 ATS 6.0 billion in 1995 ATS 6.6 billion in 1996
	VAT on motor fuels (paid by households)	BEF 108.2 billion in 1993 BEF 133.1 billion in 1996 BEF 133.0 billion in 1997 BEF 134.2 billion in 1998 BEF 135.0 billion in 1999
	Excise duty	BEF 2.1 billion in 1996 BEF 1.9 billion in 1997 BEF 1.9 billion in 1998 BEF 1.8 billion in 1999
	Levy on energy	BEF 24.4 billion in 1996
Canada	VAT	CAD 3.38 billion in 1991-1992 CAD 4.69 billion in 1998-1999
	Excise tax on Gasoline and Diesel Fuel	No loaded gasoline sold in Canada Goods and Services Tax/Harmonised Sales Tax.
	Unleaded/leaded differential	
Czech Republic	Excise duty	CZK 4 825 billion in 1996 CZK 15 021 billion in 1996 CZK 17 565 billion in 1996
	• unleaded petrol	
	• leaded petrol	
Denmark	• diesel	
	Motor fuel taxes (petrol. diesel)	DKK 11 800 million in 1996 DKK 4 400 million in 1996 DKK 500 million in 1996
	VAT	
	CO ₂ -tax	

Table 5.2. Revenues from vehicle taxes and taxes on motor fuels (cont.)

Description		Revenue
Finland	II. Revenues from taxes on motor fuels	
	Excise duty (basic rate): unleaded petrol	
	• basic quality	FIM 77 million in 1996
		FIM 94 million in 1999
	• reformulated	FIM 7 314 million in 1996
		FIM 7 451 million in 1999
	Leaded petrol	
	• basic	FIM 1 million in 1996
	• reformulated	—
	Diesel oil	
	• basic quality	FIM 205 million in 1996
	• sulphur free	FIM 2 686 million in 1996
		FIM 3 152 million in 1999
	Excise Duty (additional duty): unleaded	
	• basic quality	FIM 3 million in 1996
France	• reformulated	FIM 7 million in 1999
	Leaded petrol	
	• basic quality	FIM 303 million in 1996
	• reformulated	FIM 585 million in 1999
	Diesel oil	
	• basic quality	FIM 0.03 million in 1996
	• sulphur free	—
	Precautionary stock fee:	
	petrol	FIM 17 million in 1996
	diesel	FIM 242 million in 1996
		FIM 559 million in 1999
	Oil pollution fee:	
	petrol + diesel oil	FIM 107 million in 1993
		FIM 99 million in 1999
	Excise duty	FIM 44 million in 1996
		FIM 44 million in 1999
		FIM 4.7 million in 1996
		FIM 9.7 million in 1999
	leaded/unleaded differential	FRF 1.08 billion in 1990
	VAT	FRF 161.22 billion in 1999
		FRF 2.50 billion in 1991
		—

Table 5.2. Revenues from vehicle taxes and taxes on motor fuels (cont.)

Description		Revenue
II. Revenues from taxes on motor fuels		
Germany	Excise duty: unleaded petrol	DEM 39.6 billion in 1997 DEM 40.0 billion in 1998 DEM 41.5 billion in 1999
	Leaded petrol	DEM 0.05 billion in 1997 This remarkable decline in revenue from taxes on leaded petrol is due to a voluntary decision by most mineral oil companies to abolish trade of leaded petrol because of the environment. No revenue in 1998 and 1999.
	diesel	DEM 19.4 billion in 1997 DEM 20.0 billion in 1998 DEM 12.2 billion in 1999
	VAT	–
Hungary	Excise duty on motor fuels	HUF 270 billion in 1997 HUF 308.8 billion in 1999
	VAT	N/A
Iceland	Excise duty	ISK 4.509 billion in 1995
	Special excise duty	ISK 1.662 billion in 1995
Ireland	VAT	–
	Leaded petrol excise duty	IEP 180 million in 1995 IEP 158 million in 1996 IEP 135 million in 1997 IEP 98 million in 1998 IEP 52.7 million in 1999 (p)
	Unleaded petrol excise duty	IEP 213 million in 1995 IEP 264 million in 1996 IEP 340 million in 1997 IEP 435 million in 1998 IEP 506 million in 1999 (p)
	Diesel excise duty	IEP 256 million in 1995 IEP 288 million in 1996 IEP 338 million in 1997 IEP 401 million in 1998 IEP 460 million in 1999
	LPG excise duty	IEP 0.5 million in 1995 IEP 0.4 million in 1996 IEP 0.4 million in 1997 IEP 0.3 million in 1998 IEP 0.17 million in 1999

Table 5.2. Revenues from vehicle taxes and taxes on motor fuels (cont.)

Description		Revenue
II. Revenues from taxes on motor fuels		
	VAT	IEP 138 million in 1995 IEP 154 million in 1996 IEP 169 million in 1997
Italy	Excise duty – mineral oils	ITL 44 854 billion in 1998
Japan	Petroleum tax	JPY 535 billion in 1996
	Gasoline tax	JPY 2 505.4 billion in 1996
	Light oil (diesel fuel) delivery tax	JPY 1 375.3 billion in 1996
	Local road tax	JPY 268.4 billion in 1996
	LPG tax	JPY 30.0 billion in 1996
Korea	Transportation Tax on gasoline	KRW 2 759 billion in 1995
		KRW 3 491 billion in 1996
		KRW 4 554 billion in 1997
		KRW 5 169 billion in 1998
		KRW 699 billion in 1995
	Transportation Tax on diesel	KRW 831 billion in 1996
		KRW 1 021 billion in 1997
		KRW 1 627 billion in 1998
		KRW 836 billion in 1997
		KRW 1 019 billion in 1998
	Education Tax on gasoline and diesel	LUF 14 billion in 1999
Luxembourg	Gasoline and diesel Tax	MXN 19 639 million new pesos in 1994
Mexico	Gasoline and diesel tax	NLG 6 670 billion (estimates for 1998)
Netherlands	Excise on petrol	NLG 4 440 billion (estimates for 1998)
	Excise on diesel oil (including LPG and heavy duty oil)	–
	VAT	–
New Zealand	Excise on Petroleum Fuels	NZD 1 045 million 1997/1999
Norway	Excise duty (including CO ₂ tax): gasoline mineral oil	NZD 1 195 million 1998/1999
		NOK 10.9 billion in 1997
	VAT	NOK 4.2 billion in 1997
Poland	Taxes on motor fuels	–
Portugal	Excise duty	PLN 13.0 billion in 2 000
		PTE 455.3 billion in 1997
	VAT	PTE 506.0 billion in 1998
	Mineral oil excise duty (including petrol, diesel and heating oil)	–
Spain		ESP 1 104.3 billion in 1993
		ESP 1 096.8 billion in 1992
		ESP 1 397.4 billion in 1998
		ESP 1 487.9 billion in 1999

Table 5.2. Revenues from vehicle taxes and taxes on motor fuels (*cont.*)

Description		Revenue
II. Revenues from taxes on motor fuels		
Sweden	Tax on Petrol (energy and CO ₂ -tax)	SEK 22 800 million in 1995 SEK 23 700 million in 1996 SEK 24 442 million in 1999
	whereas: Carbon dioxide (CO ₂ -tax on petrol)	SEK 4 200 million in 1995 SEK 4 800 million in 1996 SEK 4 690 million in 1999
	Tax on diesel (energy and CO ₂ tax)	SEK 6 044 million in 1995 SEK 6 354 million in 1996 SEK 6 103 million in 1999
	whereas: Carbon dioxide (CO ₂ -tax on diesel)	SEK 2 398 million in 1995 SEK 2 603 million in 1996
	Excise duty. Turnover tax on gasoline	CHF 2 348 million in 1990 CHF 4 807 million in 1999
Switzerland		
Turkey	Liquid fuels consumption tax	TRL 637 470 billion (1997)
	Customs duty on motor fuels	TRL 11 789 billion (1997)
	Liquid Fuel Price Stabilisation Fund VAT	TRL 32 495 billion (1996) -
United Kingdom	Excise duty on leaded petrol	GBP 3 657 million (1996/97) GBP 2 795 million (1998/99)
	Excise duty on unleaded petrol	GBP 6 941 million (1996/97) GBP 10 336 million (1998/99)
	Excise duty on diesel fuel	GBP 6 056 million (1996/97)
	VAT	GBP 8 197 million (1998/99)
	Federal Motor Fuels: Highway Motor Fuels tax <i>b)</i>	USD 16 668 million (FY 1995) USD 22 611 million (FY 1994)
United States	Non-commercial Aviation <i>b)</i>	USD 158 million (FY 1995) USD 189 million (FY 1995)
	Recreational Motor boat <i>b)</i>	USD 301 million (FY 1994) USD 306 million (FY 1995)
	Inland Waterway Transportation <i>b)</i>	USD 88 million (FY 1994) USD 103 million (FY 1995)
	Rail Transportation <i>b)</i>	USD 209 million (FY 1994) USD 193 million (FY 1995)

Table 5.2. Revenues from vehicle taxes and taxes on motor fuels (*cont.*)

Description	Revenue
II. Revenues from taxes on motor fuels	
Leaking Underground Storage Tank Tax	USD 152 million (FY 1994) USD 165 million (FY 1995)
State motor fuels (includes taxes on gasoline, diesel oil and other fuels used in motor vehicles, including aircraft fuel).	USD 25 203 million (FY 1992) USD 26 206 million (FY 1993)

1. These rates are updated every quarter according to relative changes on CPI. This table is valid for the last quarter of 1998.

Table 5.3. **Exchange rates**
(as of 1 January 2000)

Australia	AUD	1.551
Austria	ATS	13.414
Belgium	BEF	39.325
Canada	CAD	1.446
Czech Rep.	CZR	35.810
Denmark	DKK	7.375
Finland	FIM	5.796
France	FRF	6.395
Germany	DEM	1.907
Greece	GRD	321.440
Hungary	HUF	252.710
Iceland	ISK	71.855
Ireland	IEP	0.768
Italy	ITL	1 887.571
Japan	JPY	102.985
Korea	KRW	1 132.000
Luxembourg	LUF	39.325
Mexico	MXN	9.392
Netherlands	NLG	2.148
New Zealand	NZD	1.918
Norway	NOK	7.992
Poland	PLN	4.140
Portugal	PTE	195.440
Spain	ESP	162.201
Sweden	SEK	8.368
Switzerland	CHF	1.565
Turkey	TRL	542 400.000
United Kingdom	GBP	0.611
United States	USD	1.000

ENVIRONMENTALLY RELATED TAXES

For many years, OECD countries have collected excise taxes on items such as transport fuels, which are now recognised as having environmental effects. However, it was not until the early 1990s, when the Nordic countries introduced “green tax reforms”, that environmental protection became regarded as a possible objective of tax reform. Since then, a number of countries have increased existing taxes or introduced new taxes on goods and activities that damage the environment, justifying these changes in terms of their environmental benefits. Nonetheless, it is not appropriate to classify taxes according to the goals that governments ascribe to them, and even taxes that were introduced long before any widespread environmental concerns must be classified as “environmentally related” if it can be seen as having a beneficial effect on the environment.

Revenues from environmentally related taxes

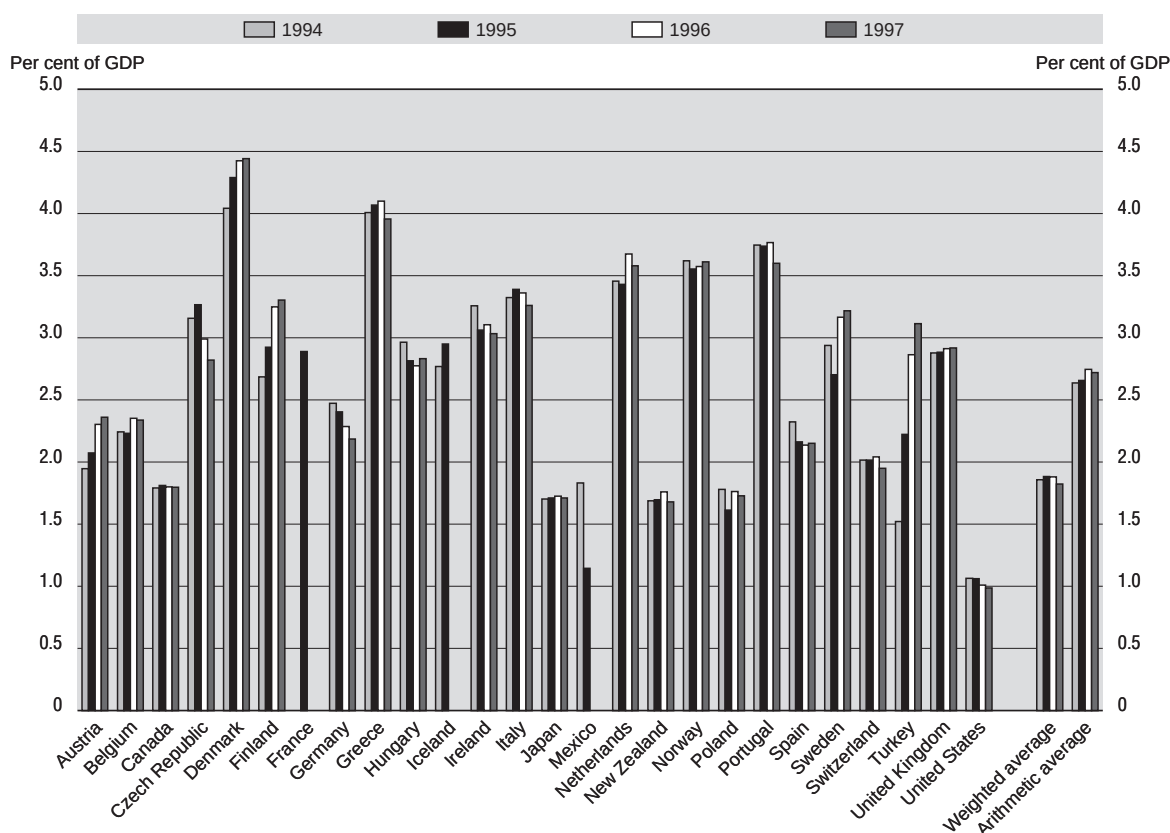
According to the OECD/EU database on environmentally related taxes and charges (www.oecd.org/env/policies/taxes/index.htm), the revenues from (pollution-oriented) environmentally related taxes, on average amounted to in the order of 2% of GDP (see Figure 6.1) and 6% of total tax revenues (see Figure 6.2). In Figures 1 and 2, revenues from fees and charges are not included, in part because of lack of revenue data on many of these levies. The graphs and the database on which they are based also do not include *value added taxes* paid on environmentally related tax bases.* The graphs should be interpreted with caution. Few inferences concerning the “environmental friendliness” of the tax system in the countries can be drawn from the graphs below alone. For instance, a low revenue from the taxes in question, could either be due to little use of environmentally related taxes, or due to broad use of such taxes, where high tax rates have caused significant changes in behavioural patterns among producers and consumers (*e.g.* reduced emissions). Also, the share of revenue from environmentally related taxes in total tax revenue is influenced by the extent of taxation of non-environmentally related tax-bases.

Although there are differences between countries, the revenues from these taxes are significant in all the 26 countries covered. Denmark and Greece are the countries where the revenues from the taxes in question constitute the largest share of GDP. The share of these taxes in total tax revenues is shown in Figure 6.2. Over the period environmentally related taxation has steadily increased in importance in Austria, Denmark, Finland, the Netherlands and Turkey. Greece, Portugal and Turkey are the three countries with the largest shares of environmentally related taxes in total tax revenues.

Figure 6.3 breaks down environmentally related tax revenue by tax-bases. The transport sector accounts for 90% of total environmentally related taxation revenues, raised from taxes on petrol, diesel fuel, and motor vehicle taxes. Note that tax revenues from coal, coke, heavy fuel oil, and electricity producers are close to zero. The remainder of total revenues are raised by other environmentally related taxes, for instance taxes on waste, mining aggregates, pesticides, water consumption, packaging materials, electricity, coal, coke, etc.

* Most OECD governments apply VAT consistently across goods and services. To the extent that this done, VAT has few environmental impacts. However, differences in the treatment of goods and services within a VAT system may have an environmental impact.

Figure 6.1. Revenues from environmentally related taxes in per cent of GDP



Source: OECD/EU database on environmentally related taxes.

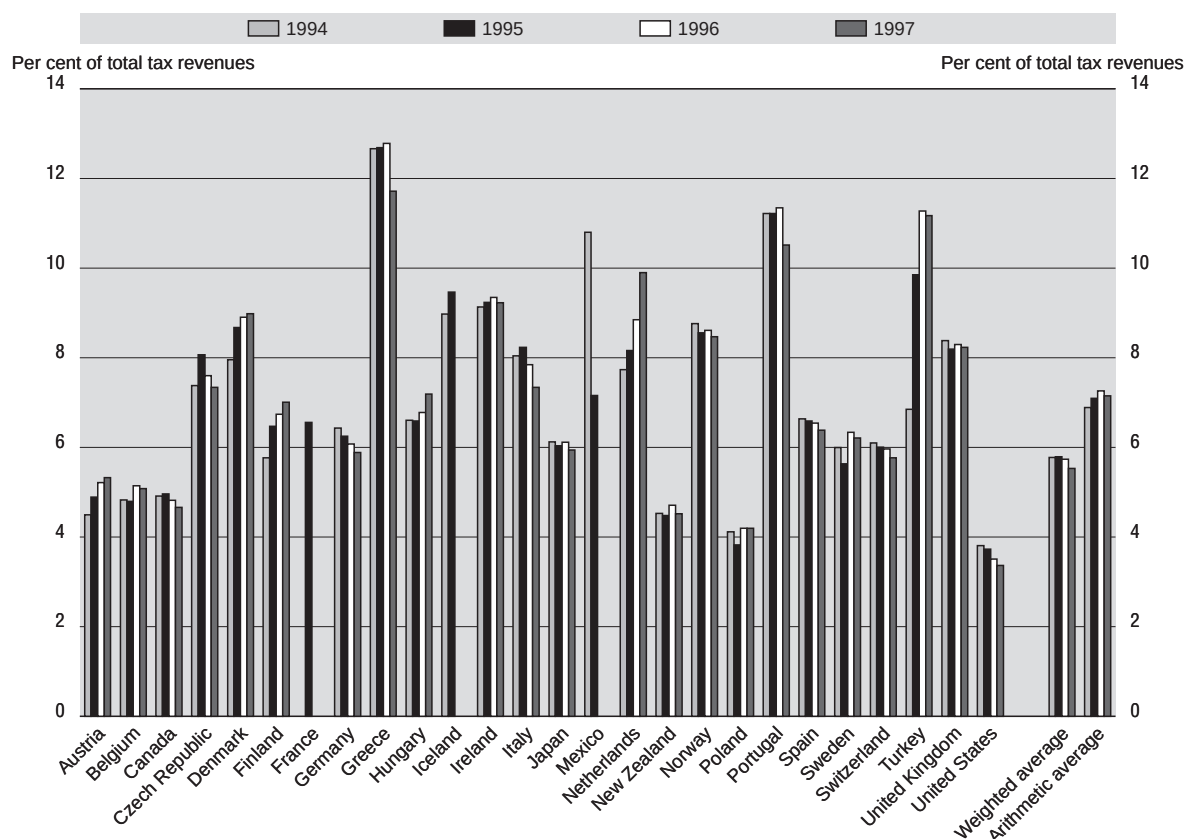
Automotive fuels and light fuel oil taxes

This group of taxes represents the largest quantity of revenue collected from environmentally related taxes. There are large differences in the tax rates applicable in the Member countries, especially as concerns unleaded petrol and light fuel oil. The difference in the tax levels for petrol and diesel in European and North American Member countries is particularly marked.

In most countries, the tax rate that applies to unleaded petrol is significantly higher than the rate applying to diesel, with the exception of UK, Switzerland and New Zealand. From an environmental point of view, this is unfortunate, as the use of diesel (including the "cleaner" qualities of diesel) is more polluting than the use of petrol, in terms of emissions of particles, NO_x and most VOCs. Diesel-powered vehicles cause lower CO₂-emissions per km driven than petrol-driven vehicles, due to lower fuel consumption. However this is not an argument for a preferential tax treatment, as the drivers benefit directly from this fuel consumption advantage.

The tax rates on light fuel oil used for heating purposes are normally much lower than the tax rates on diesel, even if the products (technically speaking) are almost identical. In some countries (Canada, New Zealand and United Kingdom), there are no taxes on heating oils at all. From a social point of view, low taxation of heating oils is often motivated by equity concerns, as low-income households tend to spend a larger share of their incomes on heating than households with higher incomes.

Figure 6.2. Revenues from environmentally related taxes in per cent of total tax revenues



Source: OECD/EU database on environmentally related taxes.

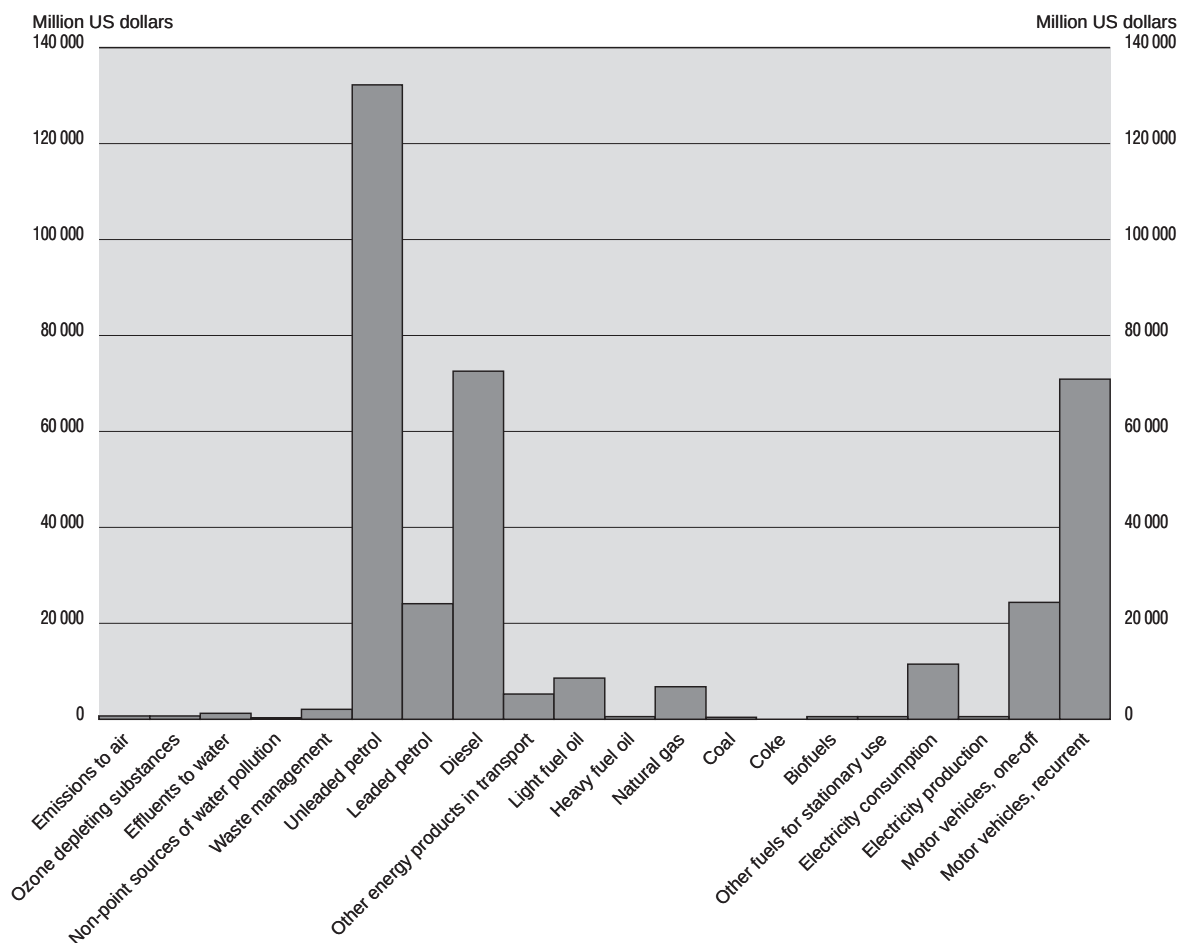
Other energy taxes

A number of OECD countries apply taxes on electricity consumption, *i.e.* per kWh and not on the primary fuel used to generate the electricity. Only five OECD countries tax coal and coke. Figure 6.3 illustrated the small contribution coal and coke taxation makes to overall environmentally related tax revenue, even though these fuels are heavily polluting and the most carbon intensive. Even though air traffic is a major polluter, *i.e.* a major source of greenhouse gas emissions, aviation fuel in most countries is exempt from excise duties. The existence of international agreements creates legal obstacles to implementing unilateral aviation fuel taxes on fuel used in international flights. Only six OECD countries have implemented taxes on aviation fuel tax used on *domestic* flights. In 1997 Sweden scrapped its tax on domestic air traffic implemented in 1989. The tax had two components: a tax based on fuel consumption according to engine type and a tax on hydrocarbon and NO_x emissions according to type of aircraft on an average flight.

Carbon taxes

It has sometimes been suggested that, as their contribution to the greenhouse effect is a major part of the environmental damage caused by energy products, the rates of tax applied to them should be based on their carbon content and hence on the quantity of carbon dioxide that is produced when they are burned. This is the idea of a carbon tax. Denmark, Finland, Italy, the Netherlands, Norway and

Figure 6.3. Revenues from environmentally related tax-bases



Source: OECD/EU database on environmentally related taxes.

Sweden have implemented “carbon taxes”. Although they represent new tax bases and, to some extent, tax rates between fuels are based on the different carbon content of those fuels, the taxes are not applied uniformly.

Energy and carbon tax rebates and exemptions

Energy and carbon taxes are not implemented uniformly, *i.e.* numerous exemptions and rebates apply. The OECD/EU database on environmentally related taxes records a large number of exemptions and rebates. The main reasons for this are concerns over industrial competitiveness and income distribution. However, there are also concerns about the negative impacts of environmentally related taxation on other policy objectives, for example encouraging the use of public transportation. In addition, some governments have introduced policy measures, including tax exemptions, to further the development of, and the proportion of, electricity sourced from renewables. The emphasis on industrial competitiveness in designing exemptions from environmentally related taxes has meant that most such taxes bear more heavily on household rather than business consumption of energy.

Motor vehicle taxes

A large number of environmentally related taxes are levied on motor vehicle ownership (see Chapter 5). Vehicle registration taxes are most often differentiated by the weight or engine size of cars and lorries. However, in a number of OECD countries, for example Austria, Germany and Norway, vehicle taxes are based on environmental criteria, *i.e.* emissions. Denmark levies a passenger fuel consumption tax according to the fuel efficiency of vehicle, and also levies road user charges on heavy lorries, (*i.e.* related to road damage). The US levies a *fuel-inefficiency* charge varying from US\$1 000-7 700 per motor vehicle, based on the degree of fuel-inefficiency.

Waste and packaging taxes

The largest group of non-energy and non-vehicle environmentally related taxes are waste and packaging taxes. A number of European governments have responded to European Union targets on packaging and waste to landfill by implementing environmentally related taxation on packaging and waste. The secondary benefits of waste taxation are large, specifically in terms of reduced methane gas emissions.

A number of governments have introduced differentials in environmentally related taxation for the end treatment of waste. For example, Austria has different tax rates for landfill depending on the efficiency of the facility, *i.e.* whether it has methane recovery or not. Denmark has set different rates of taxation between incineration and landfilling. Landfilled waste is charged at a higher rate than incinerated waste, and between incineration facilities, with lower rates applied to waste deposited at facilities with energy recovery. These tax differentials change the relative prices of final waste treatment options creating differential incentives for different waste streams and between facilities based on the efficiency of the facility, thereby better reflecting the environmental damage of different waste management options.

A number of governments have also introduced environmentally related taxation to reduce packaging and packaging waste. Denmark, Finland, and Norway have a large number of packaging tax bases: taxes are levied on carrier bags, beverage containers, and other packaging containers according to the material used. Differential tax rates can also create incentives for reuse and recycling of packaging material, for example in Norway only non-refillable beverage containers are taxed, and in Finland rates depend on whether or not the container is recyclable or part of a return system. Such taxes create price incentives for producers and consumers to produce and consume longer-life products and for recycling.

Other environmentally related taxes

In addition to levying taxes that fall into these main categories, several countries tax other environmentally damaging goods or activities. Several countries have introduced taxes to reduce SO₂ emissions. For example, the Netherlands has a groundwater tax; Denmark and Norway both levy taxes on chlorinated solvents; Finland imposes an oil damage levy on oil transported in ships, with a reduction for vessels with a double bottom; Switzerland taxes volatile organic compounds; Belgium, Canada, Denmark and Finland levy taxes on pesticides; The United Kingdom has proposed a tax on the extraction of mineral aggregates from quarries. Details of these and other taxes are given in the OECD/EU database on environmentally related taxes.

ELECTRONIC COMMERCE AND CONSUMPTION TAXES

Introduction

E-commerce can provide a fundamentally new way of conducting commercial transactions. It has potentially far-reaching economic and social implications on many facets of life including the environment, the nature of work, and the role of governments. Accepted ways of doing business are likely to be profoundly changed by it. The economic distance between producers and consumers will shrink, traditional intermediaries will be replaced in many instances, new products and markets will be created, and new and far closer relationships will be forged between businesses and consumers and between the different parts of global enterprises.

New challenges will arise in areas such as taxation, where governments will continue to seek to raise revenue without distorting economic or technological choices. These changes require a reassessment both of the effectiveness of government policies towards commerce and of traditional commercial practices and procedures, most of which were formed with a much different image of commerce in mind.

A prominent feature is the importance attached to co-operation between OECD government, non-member economies and business to achieve the global solutions necessary for the effective taxation and unbridled development of this new form of trade.

The growth of e-commerce

Although it is not obvious to give accurate numbers in the fast evolving context of electronic commerce, it is useful to give a feel for the size of the issue. For several years the Internet has experienced phenomenal growth and this is expected to continue in the near to medium term. This growth can be seen by a number of indicators – such as the number of devices connected to the Internet (Figure 7.1) or by the number of domain names (Figure 7.2). According to *dotcom.com*, as at November 2000 there were close to 20 million domain names registered in the *.com* registry alone, even if many of these (34%) domain names are “parked” at the moment as businesses create their e-commerce web sites. Most (75%) domain names have been registered, and related to, small businesses.

Mirroring, and to a large extent fuelling, this phenomenal growth in Internet usage is the growth in electronic commerce, although the initial magnitude of trade will be lower in some regions than others (Figure 7.3).

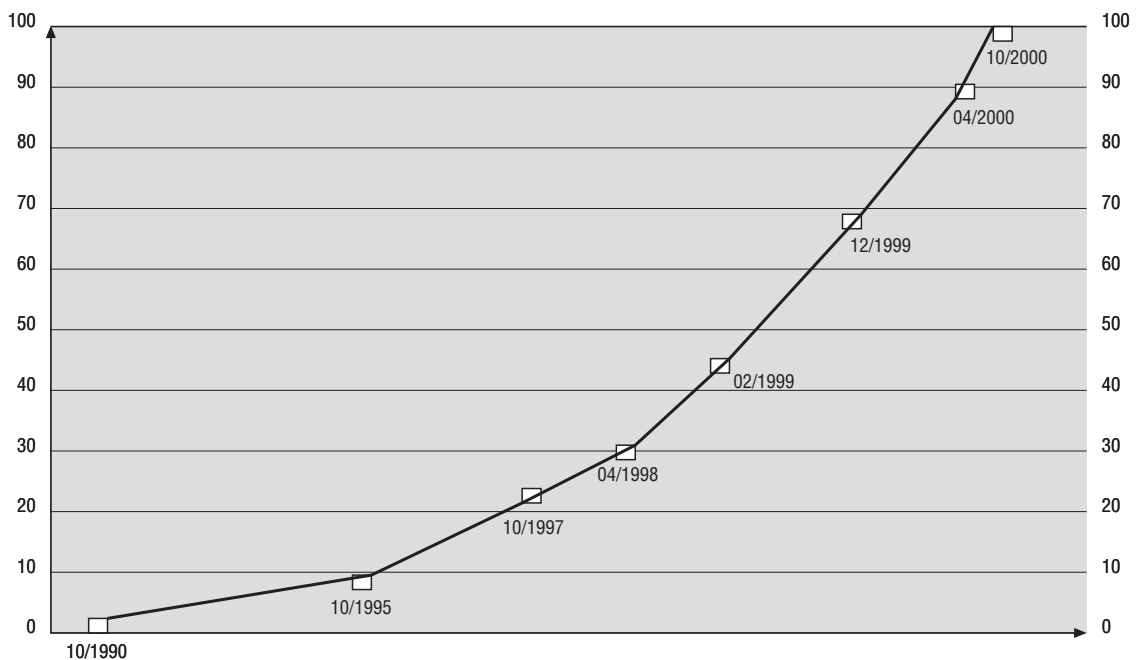
Ottawa Taxation Framework Conditions

Governments are very keen to realise the potential of electronic commerce. For tax authorities, there are twin objectives:

- To foster the growth of electronic commerce by a positive fiscal environment providing a level playing field avoiding any distortion of competition.
- Safeguard revenue yields from taxation.

The question of how to achieve a reasonable and successful balance between these two objectives is what the OECD-led work on electronic commerce taxation is all about.

Figure 7.1. Internet host growth (devices connected to the Internet with an IP address)



Source: Netsizer (www.netsizer.com).

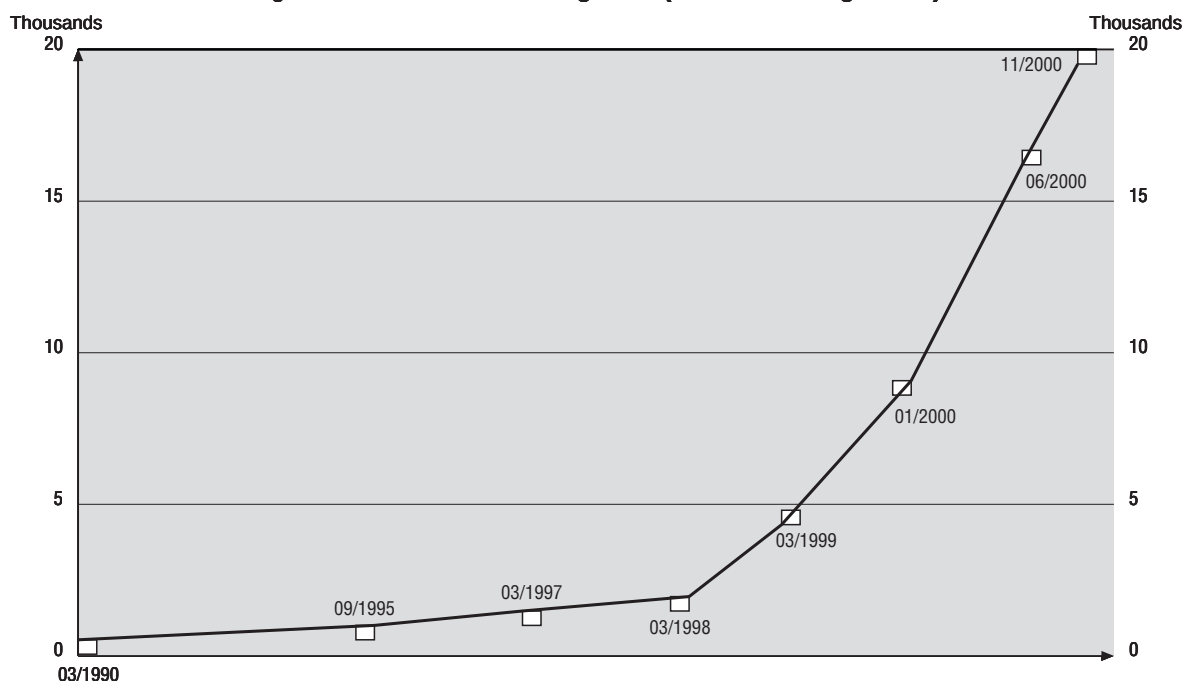
At the Ottawa conference entitled *A Borderless World – Realising the potential of Electronic Commerce* the Committee on Fiscal Affairs published the Taxation Framework Conditions (available at www.oecd.org/daf/fa) that were welcomed by Ministers and business. The Taxation Framework Conditions have since been generally accepted by most countries as providing a sound basis for ongoing work on the taxation of e-commerce. The OECD, in co-operation with other international organisations, was acknowledged at Ottawa as the Organisation best placed to co-ordinate and carry this work forward.

It is worth briefly recapping what was endorsed at Ottawa in October 1998 as it provides the foundation on which work over the last two years has been based. At Ottawa it was agreed that the following broad taxation principles should apply to e-commerce:

- **Neutrality** – taxation should seek to be neutral and equitable between forms of e-commerce and between conventional and e-commerce, so avoiding double taxation or unintentional non-taxation.
- **Efficiency** – compliance costs to business and administration costs for governments should be minimised as far as possible.
- **Certainty and simplicity** – tax rules should be clear and simple to understand, so that taxpayers know where they stand.
- **Effectiveness and fairness** – taxation should produce the right amount of tax at the right time, and the potential for evasion and avoidance should be minimised.
- **Flexibility** – taxation systems should be flexible and dynamic to ensure they keep pace with technological and commercial developments.

The CFA used the taxation principles to draw the following conclusions, reflected in the Taxation Framework Conditions:

Figure 7.2. Internet domain growth (.com names registered)



Source: dotcom.com (www.dotcom.com).

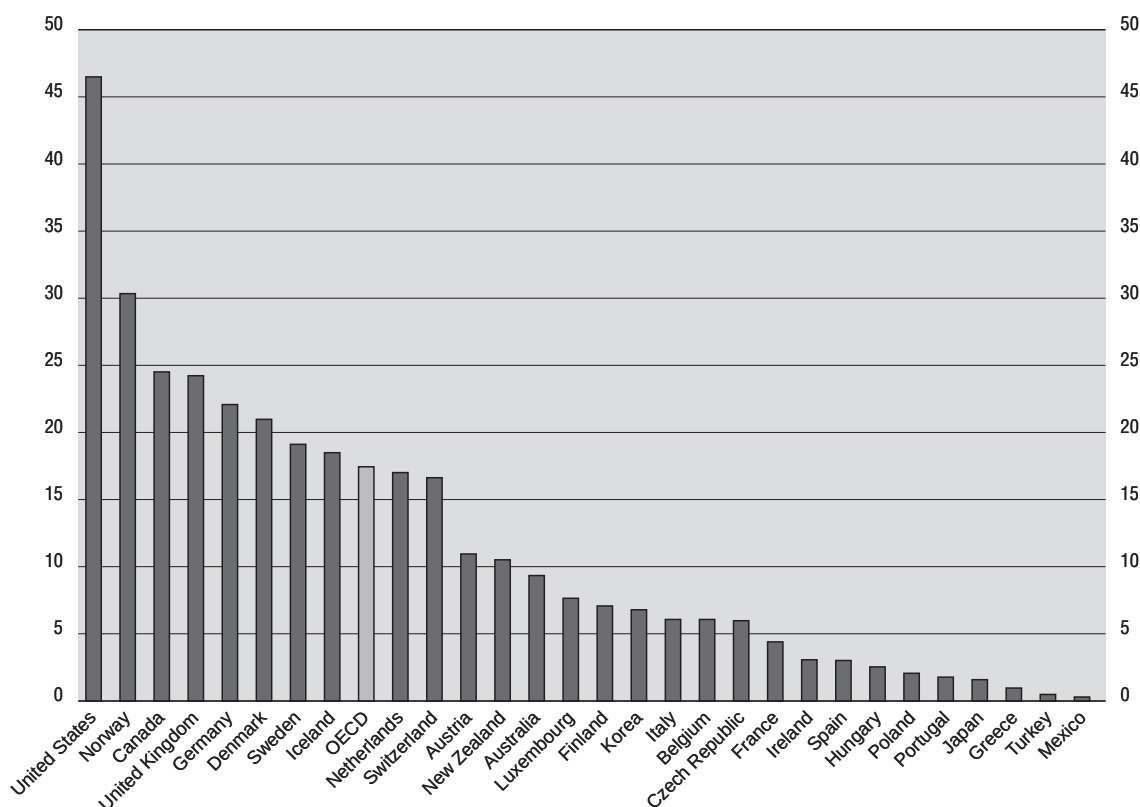
- The taxation principles that guide governments in relation to conventional commerce should also guide them in relation to e-commerce.
- Existing taxation rules can implement these principles. This approach does not preclude new administrative or legislative measures, or changes to existing measures, relating to e-commerce, provided that those measures are intended to assist in the application of the existing taxation principles, and are not intended to impose a discriminatory tax treatment of e-commerce transactions.
- The application of these principles to e-commerce should be structured to maintain the fiscal sovereignty of countries, to achieve a fair sharing of the tax base from e-commerce between countries and to avoid double and unintentional non-taxation.
- The process of implementing these principles should involve an intensified dialogue with business and with non-member economies.

The Ottawa conference also confirmed that it is important to make a distinction between tariffs and taxes. There is broad support of the proposition that *digital products* should not be subject to **tariffs**. This, however, is **not** the same as saying that there should be a **tax-free** environment for all e-commerce, which would be contrary to the neutrality principle set out in the Ottawa Taxation Framework Conditions.

As regards consumption taxes, the above-mentioned Ottawa Taxation Framework Conditions state:

- The supply of digitised products should not be treated as goods for consumption tax purposes (that means that they cannot be subject to any customs duty or procedure, but can be subject to consumption taxes like services).
- Cross-border transactions should be liable to tax in the country where consumption takes place.
- Self-assessment (the so-called *reverse charge mechanism*) should be used as a means of collecting tax on cross-border transactions of services and intangible property between businesses.

Figure 7.3. Internet hosts (devices connected to the Internet with an IP address) in OECD countries per 1 000 inhabitants on October 2000



Source: Netsizer (www.netsizer.com).

In implementing these principles, there is a double challenge: on one hand, existing rules should be adapted in a manner that allows for taxation in the country of consumption, without placing heavy compliance burdens on business. On the other, substantial differences among the various taxation systems around the world should be recognised. Examples of different systems include European Union VAT, similar taxes in other countries and, where appropriate local sales and use taxes.

Tables 7.1. and 7.2. show that rates of consumption taxes on telecommunication services and internet provision are standard rated in all OECD countries, except in the Czech Republic where a reduced rate apply for both.

The proposed Guidelines

Translating these principles into practical measures has been the focus of the OECD's work since the Ottawa Conference. After two years work, in close co-operation with business and non-member economies, the Committee on Fiscal Affairs released in February 2001 a report for public comments (available on www.oecd.org/daf/fa). This Report, subsequently published as part of the OECD publication implementing the Ottawa Taxation Framework Conditions, proposed guidelines to define the place of consumption and recommended approaches on tax collection mechanisms.

The Guidelines define the place of consumption for the cross-border supplies of services and intangible property that are capable of delivery from a remote location. This includes digitised

Table 7.1. **Rates of consumption taxes
on telecommunications services**

	Tax rate applicable to consumption of local telecommunication services 1990	Tax rate applicable to consumption of local telecommunication services 2000
Australia ¹	–	10
Austria		20
Belgium		21
Canada	0	15
Czech Republic		5
Denmark	22	25
Finland	17	22
France	18.6	20.6
Germany	0	16
Greece	16	18
Hungary		25
Iceland	25	24.5
Ireland	0	21
Italy	9	20
Japan	3	3
Korea	10	10
Luxembourg	Exoneration	15
Mexico		15
Netherlands	0	17.5
New Zealand	12.5	12.5
Norway	0	23
Poland	8	22
Portugal	17	17
Spain	12	16
Sweden	0	25
Switzerland		7.5
Turkey	10	15
United Kingdom	15	17.5
United States	0	10

1. As at 1 July 2000.

Source: National Delegations, 2000.

products like software, music and images, while tangible goods (*e.g.* a book or a videocassette) are excluded. Also excluded are the “tangible” services such as hairdressing or car rental.

- For B2B transactions the place of consumption – and therefore the place of taxation – would be the jurisdiction in which the business recipient has established its business presence, That's to say, in principle, the establishment (headquarters, registered office or branch of the business) of the recipient that utilises the supply.
- For B2C transactions the place of consumption – and therefore the place of taxation – would be jurisdiction in which the consumer has his or her usual place of residence.

On tax Collection Mechanisms, the Report identifies the following Recommended approaches:

- For B2B transactions, self-assessment or reverse charge mechanism is the most viable option.
- For B2C transactions, effective tax collection presents particular challenges. The report points toward the potential in the medium term for technology-facilitated options, while accepting that, in the interim, simplified registration-based mechanisms may be required.

The most challenging issue here relates to on-line cross-border B2C transactions. In this case, registration of the vendor in the jurisdiction of the consumer is seen as a short or medium term solution. Complex as this issue is it should be recognised that these transactions form a relatively small part of the overall picture, B2B activities being the dominant aspect of electronic commerce. To meet the

Table 7.2. **Rates of consumption taxes on Internet access provision**

	Tax rate applicable to consumption of local Internet access provision services	Tax rate applicable to consumption of local Internet access provision services
	1990	2000
Australia ¹	–	10
Austria		20
Belgium		21
Canada	0	15
Czech Republic		5
Denmark	22	25
Finland	17	22
France	18.6	20.6
Germany	0	16
Greece	16	18
Hungary		25
Iceland	25	24.5
Ireland	0	21
Italy	9	20
Japan	3	5
Korea	10	10
Luxembourg	Exoneration	15
Mexico		15
Netherlands	0	17.5
New Zealand	12.5	12.5
Norway	0	23
Poland	8	22
Portugal	17	17
Spain	12	16
Sweden	0	25
Switzerland		7.5
Turkey	10	15
United Kingdom	15	17.5
United States		

¹. As at 1 July 2000.
Source: National Delegations, 2000.

challenges of B2C the OECD will be exploring other tax collection mechanisms such as automated tax collection mechanisms in its future work programme.

Areas for further work

We are now entering a second phase of this work. After having reinforced the principles, set the basic definitions such as “place of consumption” and having drawn possible ways for tax collection mechanisms, attention will focus on implementation.

In advance of technological developments that would simplify collection of taxes, tax authorities recognised that current consumption tax systems must be maintained. For this interim period, pragmatic approaches will be necessary to implement existing mechanisms.

For example, vendors will need to verify of the customer's declared place of residence and the status (business or private customer) of the recipient. This will be essential in order to know the type of collection mechanism to be applied (*i.e.* reverse charge for B2B and registration or other mechanism for B2C). Digital certificates and on-line access to databases, as well as Trusted Third Parties and other intermediaries may have a role to play here.

Simplification has also emerged as an important theme and was identified by business as a priority concern. Consequently, in adapting the current tax systems, a fair balance should be struck between the needs of tax authorities and the interests of business and consumers. The business community

highlighted that simplification of selected elements of indirect tax regimes is key to facilitating compliance and reducing costs for governments.

In the medium term, as technology and new methods of administering taxes develop in tandem, new tax collection mechanisms should become possible and new compliance and information tools will emerge. As many of these developments will be business-driven the OECD will adopt a pro-active strategy. To help this process, a common framework, including criteria and standards within which developers may design and build systems, will be developed.

Finally, tax authorities have a responsibility to ensure that systems are workable, simple and contain sufficient safeguards against non-compliance. The global nature of e-commerce means that some aspects of tax management can no longer be carried out at the national level. Furthermore, there is a close relationship between co-operation among tax authorities and the possible implementation of alternative tax collection mechanisms or simplification measures.

In medium to longer term, the strong dynamics generated by e-commerce will have a much wider impact than the mere adaptation of the current systems. There is major potential for developing both tax systems and their administration both for conventional commerce as well as the emerging business models and the OECD will pursue these issues in tandem with policy matters.

THE NEW GST IN AUSTRALIA

Overview of the GST

The GST is broad-based and applies at a rate of 10% on the supply of most goods, services and anything else. Some supplies, like financial supplies are input taxed and others, such as exports are GST-free.

The GST is broadly similar in operation to the value-added tax system operating within the European Union and the goods and services tax systems in New Zealand and Canada. The Australian Taxation Office (ATO) administers the GST and is directly responsible for most of the collection. However, the Australian Customs Service collects the GST on certain taxable importations on behalf of the ATO.

Australian enterprises must be registered before they can include GST in the price of their supplies. Registration is compulsory for enterprises with a turnover of AUD 50 000 or more (AUD 100 000 for non-profit bodies), while enterprises with a lower level of turnover may elect to be registered for GST. Registration is accomplished by first obtaining an Australian Business Number (ABN).

Registered enterprises include GST of 10% on taxable supplies that they make. A supplier must ensure that the price charged to a recipient includes 10% GST as the supplier is liable for 1/11th of the consideration received.

Registered enterprises are entitled to claim back the GST that is included in the price they have paid for goods and services used in their business. In order to claim an input tax credit an enterprise must obtain and keep a tax invoice. A supplier must issue a tax invoice within 28 days of a request by a purchaser, although in practice tax invoices are usually issued at the time a supply is made. A tax invoice must show the supplier's ABN and certain other information depending upon the value of the supply.

Taxable importations are subject to GST but the importer, rather than the supplier, is liable for GST. In certain circumstances a "reverse charge" may be used. Exports of goods and services are generally GST-free.

Administration

Periodically, registered enterprises reconcile the GST they have charged customers and the GST included in the price of supplies they have acquired. Reconciliations are on a monthly or quarterly basis depending upon the size of the enterprise and are completed via a Business Activity Statement (BAS).

Enterprises with a turnover of AUD 1 000 000 or less may choose to account on a cash basis while larger enterprises generally account on an accruals basis.

Enterprises can both register and lodge their BAS via the Internet. Large enterprises, on a monthly reconciliation cycle, are required to lodge their BAS electronically. To ensure that electronic transactions are secure the ATO is issuing digital certificates as part of a public key encryption system.

In order to administer the GST, the ATO has formed a GST business line to compliment the existing business lines for income tax and other functions.

Transition

The transitional issues associated with the commencement of the GST were addressed by a separate piece of legislation to the legislation for the GST. The main transitional issues covered were:

- agreements spanning 1 July 2000; and
- relief for wholesale sales tax embedded in inventory on hand at 1 July 2000.

In addition, a number of specialised transitional issues were also addressed.

To assist the public with the introduction of the GST there has been an extensive communications and education program conducted in partnership with the business community and tax professionals. Information and education was, and continues to be, provided through general and industry publications, advertising and direct marketing, the media, telephone information services, the Internet, seminars, individual taxpayer visits and industry-level consultative forums.

Internally, the ATO has conducted an extensive staff training program and has introduced a quality assurance system for technical decisions and a database to capture decisions for precedent value and technical consistency.

One of the main tools of education and certainty for the community has been the process of issuing public and private tax rulings. Both types of rulings are binding upon the Commissioner of Taxation. A private ruling is issued to a specific taxpayer in relation to the factual circumstances of that taxpayer. It does not have application for any other taxpayer. A public ruling is issued to provide guidance to any taxpayer that has a factual circumstance like that described in the ruling. Public rulings are considered by a panel of representatives from inside and outside of the ATO and are generally subject to a period of public comment before being finalised.

Rulings and other information about the GST and The New Tax System can be obtained from www.taxreform.ato.gov.au.

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