

# Varying car tax by weight & the case to also consider width

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James Nix  
[james.nix@transportenvironment.org](mailto:james.nix@transportenvironment.org)

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## Taxing cars by weight

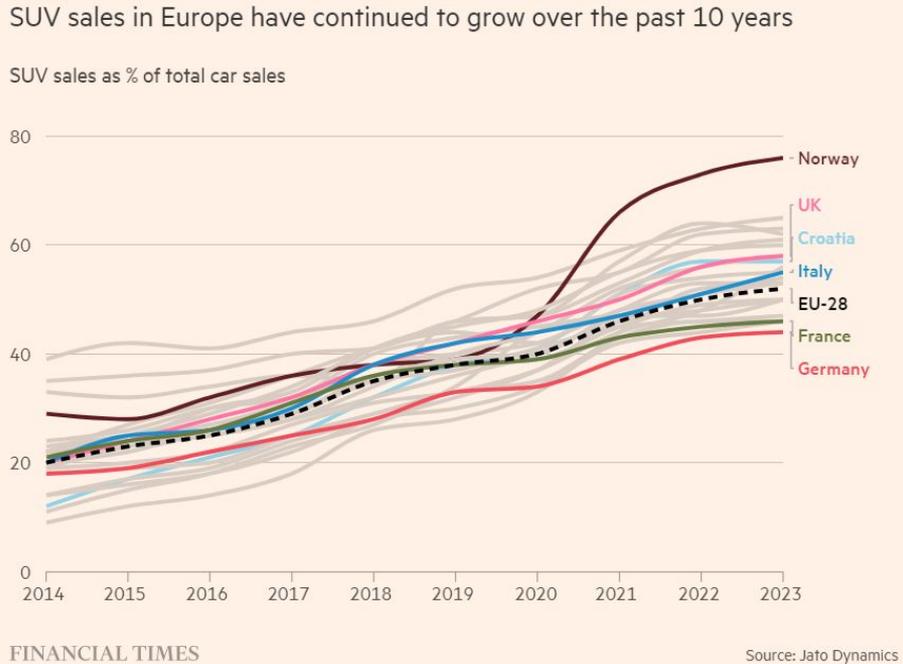
- Background / rationale
- Summary of registration & circulation weight taxes in Europe
- Recommendations on taxing weight

## Taxing cars by width

- Taxing vehicle dimensions, focusing on width



# Key light duty passenger vehicle trend: SUVisation



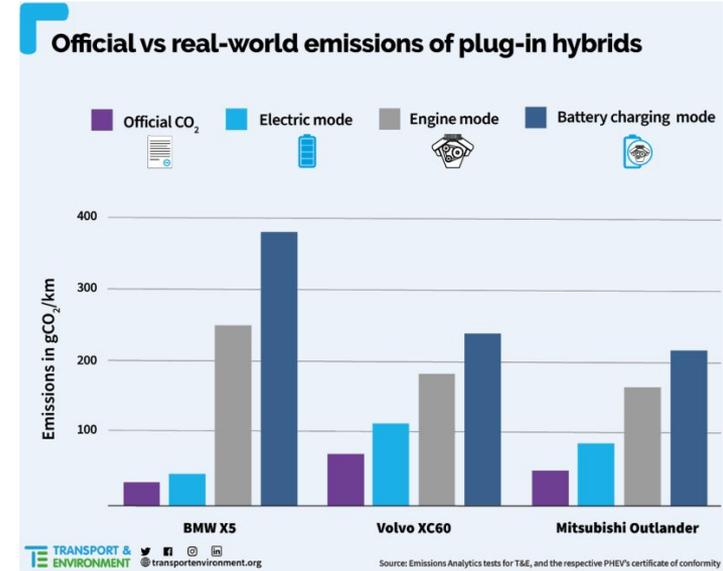
# Why tax weight?

Key **advantages** to taxing weight (e.g. in addition to CO<sub>2</sub>)

- **Discourage larger vehicle sizes** (using weight as a reasonable proxy for size\*)
- **PHEV data** on CO<sub>2</sub> is often **misleading** (which leads to under-taxation of PHEV CO<sub>2</sub>)
- **Can be applied** to electric vehicles (**EVs**)
- **Compensate** for the fall in CO<sub>2</sub>-related tax

Weight-based reforms can evolve over time to improve effectiveness as acceptance grows.

\*Electric vehicles weigh more due to battery mass; see next slide



# Higher threshold of application for electric

Comparing vehicles which are alike in size, such as:

- Peugeot 208 v. e-208 (see right)
- VW Golf v. ID.3, and
- VW Tiguan v. ID.4

Indicates a **weight difference** between ICE-only and full EV models of **400 kg approx.**

We recommend **starting EV weight taxation 300 kg higher than ICE**, reducing over time with greater battery energy efficiency.



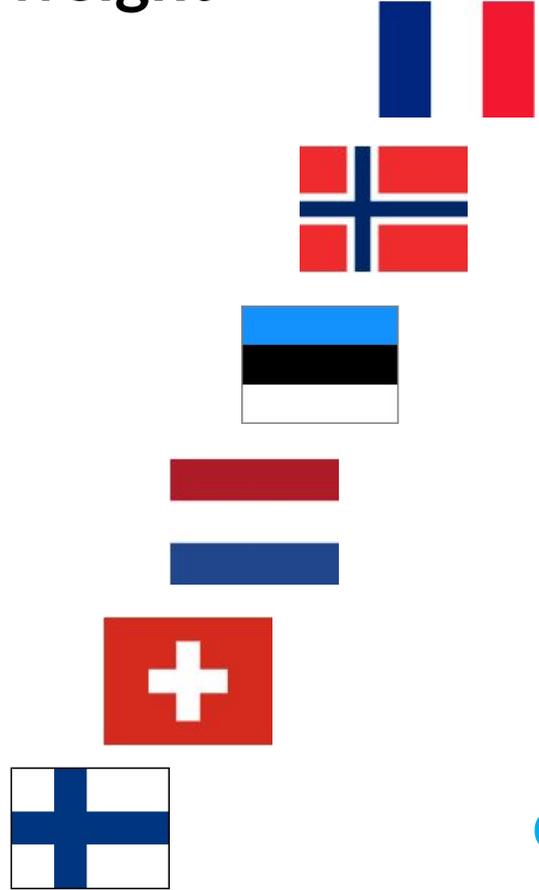
# Countries that tax cars by weight

Variation of car **registration/acquisition** tax by weight:

- France
- Norway
- Estonia (proposed for 2025)

Variation of car **circulation/ownership** tax by weight:

- the Netherlands
- Switzerland
- Finland



## Weight-based car taxes in Europe (by type & market size)

Country	Type of tax	First threshold	Applied to PHEVs	Applied to BEVs	Tax increase with weight
France	Acquisition	1,600 kg	In 2025	No	Progressive
Norway	Acquisition	500 kg	Yes	Yes	Progressive
Estonia [1]	Acquisition	2,000 kg	Yes, from 2,400 kg	Yes, from 2,400 kg	Flat
Netherlands	Ownership	1 kg	Phasing out reduced rate	Phasing out exemption	Progressive
Switzerland	Ownership	1 kg	Small reduced rate	Large reduced rate	Regressive
Finland	Ownership	100 kg [2]	Small reduced rate	Large reduced rate	Flat

[1] Proposed from 1.1.25

[2] Not applied to petrol cars



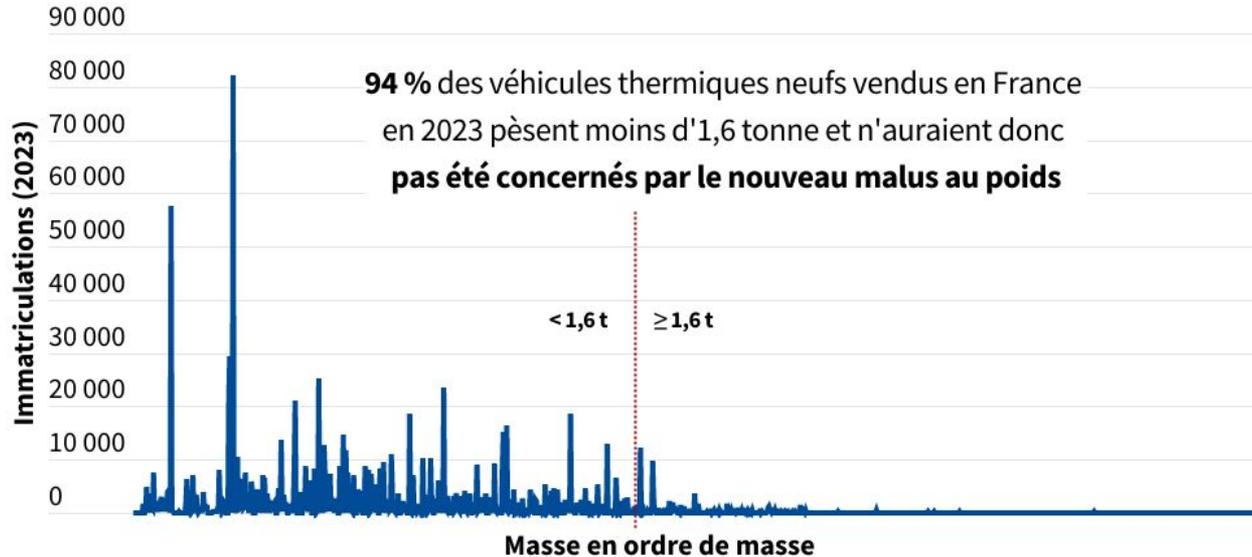
## How much per kg?

France (from 1.1.24) taxes stepwise per kg:

- €10 from 1,600 to 1,799 kg
- €15 from 1,800 to 1,899 kg
- €20 from 1,900 to 1,999 kg
- €25 from 2,000 to 2,100 kg
- €30 per kg over 2,100 kg



# French tax only covers heaviest 6% of ICE sales



Source : Analyse T&E des données d'immatriculation de voitures thermiques neuves (base SIV)

T&E advocates reducing the 1600 kg threshold to 1300 kg to better shape sales.

# Recommendations on weight tax (T&E)

- **Registration** weight tax **better shapes purchasing** (compared to circulation / annual)
- An **EV allowance** is vital to support the transition (+300 kg in the mid 2020s, reviewed over time)
- Rate should **increase with weight** (and not decrease, or be capped!)



## The good tax guide

A comparison of car taxation in Europe

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**NB:** To influence consumers' purchasing decisions, **acquisition taxes are more effective** than ownership taxes.

This is linked to myopia, i.e. consumers tend to attach **greater importance to short-term costs and benefits**, while viewing taxes in future years with uncertainty (T&E's Good Tax Guide, 2022).

# Malta taxes a vehicle dimension: length

## Tax at first registration varied by length (as well as CO2):

- The rate rises incrementally with greater length (see table)
- After 3.45m, the bands generally span 18 to 20 cm
- Calculation formula incorporates valuation, actual length, and band %
- Land Rover Defender 130 valued at €90k will pay **€1,640** ( $€90,000 * 5,358 * .0034\%$ )
- Clio valued at €25,000 will pay **€284** ( $€25,000 * 4,053 * .0028\%$ )

*Tax by length*

Lenght (mm)		Lenght * RV * Tax (%)
Lower	Upper	Rates
0	3,450	0.0020%
3,451	3,640	0.0022%
3,641	3,770	0.0024%
3,771	4,030	0.0026%
4,031	4,370	0.0028%
4,371	4,570	0.0030%
4,571	4,770	0.0032%
4,771		0.0034%



New Renault Clio 2023

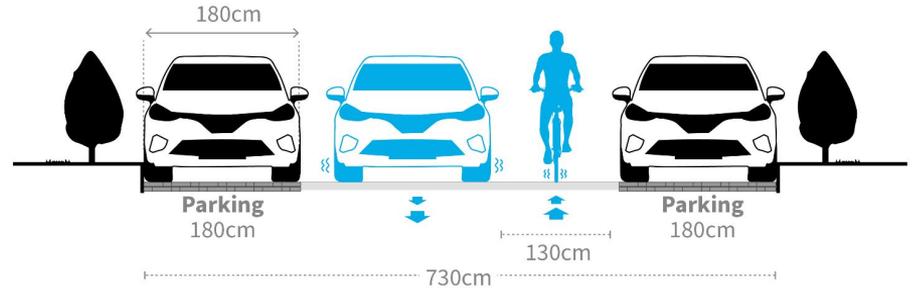


# Stronger case to tax width

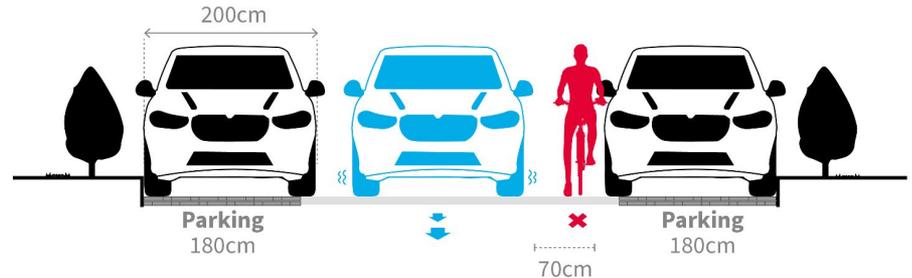
- Increasing width **crowds others out** by taking space from the footpath, the roadway - or both
- There **can be a case for 3 rows of seating** in some cars (large families), increasing length. No comparable argument regarding width.

## Wide SUVs leave too little space for other road users

Average new car width: 180cm (200cm with mirrors)



Mega SUV width: 200cm (220cm with mirrors)



# Width tax options (multi-input v. flat rate)

Width tax				<i>Amount payable under 2 width tax options</i>	
<i>Table applies the multi-input approach used to tax length in Malta</i>					
Width (mm)		Value * Width * Band %		Multi-input	Flat rate
Lower	Upper	Rates			
0	1,730	Exempt			
1,731	1,800	0.0003%	Renault Clio	135	680
1,801	1,820	0.0005%	VW 1D.3	344	790
1,821	1,850	0.0026%	Audi A5	1968	1160
1,851	1,880	0.0028%	Volvo XC 40	1982	1330
1,881	1,920	0.0030%			
1,921	1,950	0.0032%	Tesla Model Y	3074	1910
1,951	1,990	0.0033%			
1,991	2,000	0.0034%	Land Rover Defender 130	6108	2660
2,001		0.0050%	Dodge RAM	8340	3550

How 'Multi-input' is calculated: Vehicle value \* Actual width \* band %

How 'Flat rate' is calculated: Actual length minus 1730mm \* €10 per mm

Thank you



# Annex

# France: weight tax

Covering the EU's 2nd largest market, it's paid upon first registration:

- Applied from **1600 kg since 1.1.24** (6% of new sales)  
(Introduced in 2022 at 1800 kg, 1.6% of sales)
- Extension to PHEVs on 1.1.25
- EVs currently exempt but remains under review  
(in Paris EVs over 2000 kg will soon pay more to park)
- From 1.1.24, applied stepwise per kg:
  - €10 from 1,600 to 1,799 kg
  - €15 from 1,800 to 1,899 kg
  - €20 from 1,900 to 1,999 kg
  - €25 from 2,000 to 2,100 kg
  - €30 per kg over 2,100 kg
- We advocate reducing the 1600 kg threshold to 1300 kg to better shape sales



Map: Wikimedia Commons

# Norway

- Weight tax paid at first registration
- Application threshold of 500 kg

## 2 part system:

- Base rate of €1.15 (12.98 NOK) per kg over 500 kg. **Paid by all powertrain types**, i.e. incl EVs
- On top of the base rate, **a car with an ICE also pays a supplementary weight tax** as per the bands & rates of the table (see right)

*Weight tax for vehicles with an ICE (converted to €)*

Lower range	Upper range	Tax (€/kg)	Cumul. max €
0	500	0	0
500	1,200	2.56	1,792
1,200	1,400	6.37	3,066
1,400	1,500	22.55	5,321
1,500		23.15	

## Worked examples

- Renault ZOE: **€1,239** (1577 kg - 500 kg \* €1.15)
- Tesla Model Y: **€1,728** (2003 kg - 500 kg \* €1.15)
- Renault Clio (petrol): **€2,516**, base tax €780 & €1,736 ICE element [1,178 kg]
- Land Rover Defender 130: **€35,389**, base €2,519 & €32,870 ICE element [2,690 kg]

# Estonia

## Thresholds:

- 2,000 kg for ICE
- 2,400 kg for EVs

## Rate per kg:

- €4 per kg above threshold (to a max of €4,000 for ICE; €4,400 for EV)

**Worked examples** (weight tax component of the reg. charge for Porsche models shown right):

- Cayenne: €3,440 of €16,565
- Taycan: €1,920 of €2,200

## Example car tax calculations

	Model	Age	CO2/g/kg	Weight	Annual tax	Registration fee
Passenger cars	Porsche Cayenne	2019	299g	2860kg	€1064	€16,565
	Audi Q7	2019	221g	2850kg	€748	€10,285
	Honda-CRV	2019	196g	2350kg	€450	€6,365
	VW Passat	2019	150g	1990kg	€149	€2,205
	Skoda Octavia	2019	117g	1808kg	€50	€885
EVs	Nissan Leaf	2021	N/A	1530kg	€50	€300
	Tesla Model 3	2021	N/A	2139kg	€50	€300
	Porsche Taycan	2021	N/A	2880kg	€242	€2,200

Table: Estonian Finance Ministry / err.ee

# Car circulation taxes varied by weight



# The Netherlands

- Weight tax is a circulation tax, payable annually
- Applied from 1 kg, with band intervals of 100 kg from 500 kg to 3,050 kg
- Some variation by region.
- Diesel vehicles in Amsterdam:
  - Approx 1t: **€1,100 - €1,280**
  - 2.5 to ~3t: **€3,400 - €4,440**
- Lower rates applied to petrol (v. diesel)
- Reduced rate applied to PHEVs to be phased out by 2026.
- Full EVs remain exempt in 2024, but are set to pay at 25% in 2025, and the full rate from 2026.



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# Switzerland

- Circulation weight tax, paid annually
- Varies by Canton
- **Not a good precedent as the rate decreases as weight increases** (see table). The rates goes down above 1,000 kg, declines further above 2,000 kg and reduces further still above 3,000 kg (comment: this needs reform)

*Tax rates based on weight*

Threshold (kg)		Tax (CHF/kg)
Lower range	Upper range	
0	1,000	0.240
1,000	2,000	0.206
2,000	3,000	0.178
3,000		0.153

## **Worked example** (CHF converted to €)

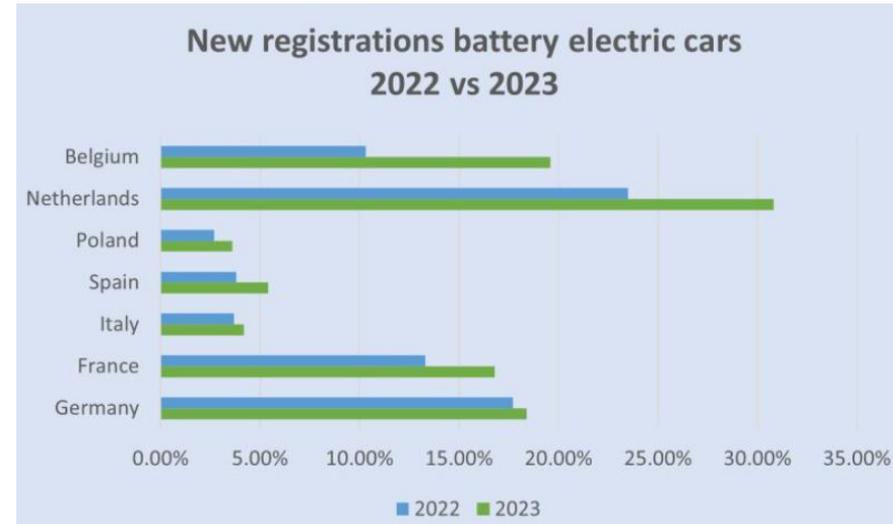
- 2,000 kg ICE: **€473**

Roughly half rate for electric

- 2,000 kg full EV: **€235**

# Company cars: boosting EVs of reasonable size - building on a Belgian idea

- Belgium is phasing out depreciation allowances on ICE and hybrid company cars
- After stepwise reductions in 2024 and 2025, **depreciation allowances will be completely removed for new ICE / hybrids from 1.1.2026**
- With this change, Belgium has doubled its EV roll-out (see chart)
- Across the EU, company car EV roll-out is lagging private sales of EVs
- To get **reasonable-sized EVs in the corporate fleet, the depreciation allowance for BEVs can be varied by weight**



Note: Wallonia's planned reform of its circulation tax (from 1.7.25) is partly weight-based.

However, it is not considered here due to its failure to have regard to the heavier weight of EVs and its likely negative impact on EV deployment.

## Une réforme fiscale automobile illogique adoptée en Wallonie

Ça y est, c'est fait : la réforme de la fiscalité automobile a été adoptée au Parlement wallon en ce début septembre. Une avancée ? Au contraire, c'est plutôt un aveu d'échec dans la capacité des autorités à accompagner la transition vers la voiture électrique.



David Leclercq | Publié le 7 sept. 2023 | ⌚ Temps de lecture : 7 min

