



Vehicle taxation as a policy instrument

Report | 27-11-2019

Vehicle taxes raised approximately €16.6 billion for the Dutch government in 2018. They consist of car and motorcycle tax (BPM), motor vehicle tax (MRB), tax on the benefit in kind of the private use of company cars and fuel duties.

The Vehicle Letter II Implementation Act states that the two main goals of vehicle taxes are:

1. to provide a stable income stream for the government from sustainable and practicable vehicle taxes;
2. to make a significant contribution to the vehicle-related air quality and climate goals by means of proportionate and targeted tax incentives.

The Netherlands Court of Audit has investigated whether and how the vehicle tax incentives contribute to these main goals.



Vehicle taxes not optimal for air quality and climate goals

We conclude that, with the exception of BPM, vehicle taxes raise a stable income stream for the government, subject to the development of gross domestic product. The stability of BPM and fuel duties, however, is under pressure because it is also government policy to significantly increase the number of electric cars. We further conclude that the current incentives provided by vehicle taxes are not optimally designed to meet the air quality and climate goals.

Vehicle taxes have many exemptions, repayment regulations and tariff reductions, many of which have a long history. Some are intended to meet the air quality and climate goals but most are not and are not conducive to the main goals of vehicle taxation. As most of the schemes have not been recently evaluated, it is uncertain whether a deliberate decision was taken to introduce the schemes regardless of the main goals of vehicle taxes and whether the schemes are still relevant.



Recommendations

We recommend that the State Secretary for Finance evaluate the special schemes and reconsider them if they are no longer relevant or are not conducive to the taxes' main goals. The implementation costs incurred by the Tax and Customs Administration to operate the schemes should also be taken in to account.

We also recommend that the regulations on the valuation and taxation of the benefit in kind of the private use of company cars be better substantiated.



Why did we investigate vehicle taxes?

The Netherlands Court of Audit decided to investigate vehicle taxes in early 2019 as part of its multiyear programme to investigate central government's revenues.

In the preliminary phase of our investigation of vehicle taxes, we received a request from the House of Representatives asking us to investigate the efficiency of the tax incentives provided for electric cars.

We honoured this request as part of a wider two-part investigation that we had already planned. To meet the House of Representatives' request for a report before the summer recess, we sent a letter on the tax incentives available for electric cars to the House at the end of June 2019 (Netherlands Court of Audit, 2019a).

The present report relates to our investigation of the tax incentives available in vehicle taxes more generally.

We will issue a report on the operation of certain tax incentives and a final opinion on vehicle taxes in general in the first half of 2020.



What methods did we apply for our investigation?

We applied mainly qualitative investigation methods to answer our questions. We studied the applicable laws, regulations and legislative histories, for instance, and analysed parliamentary papers, policy memoranda and other documents, tax data and quantitative statements. We also studied relevant literature, study reports and statistics. We obtained the quantitative material for our investigation by means of queries submitted to the Tax and Customs Administration requesting information from its databases, for instance on the MRB. We did not check the accuracy of the queries themselves and we did not carry out any financial audits for the investigation.

We held interviews with officials from the Ministry of Finance and the Tax and Customs Administration. The interviewees at the ministry worked at the Directorate General for Tax Policy in the following departments:

Tax Policy Division (Policy and Analysis Department);

International Affairs and Consumer Taxes Division (Consumer Taxes Department);

Directorate-General for the Tax and Customs Administration (Employment and Capital Income Department).

At the Tax and Customs Administration, we interviewed staff from the Implementation and Enforcement Policy Department and the Central Administrative Processes Department. We also spoke to representatives of the Ministry of Infrastructure and Water Management (Sustainable

Mobility Department), the Netherlands Environmental Assessment Agency (PBL) and the Netherlands Organisation for Applied Scientific Research (TNO).



Current status

The State Secretary for Finance has responded to the Court of Audit's investigation. The response is included in full in the report.

Attachments

› [Netherlands Court of Audit: reconsider vehicle tax exemptions, refunds and reductions](#)

Most vehicle tax exemptions, refund regulations and tariff reductions are contrary to the taxes' two main objectives: to provide ...

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See also

- › [Taxes](#)
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