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VEHICLE TAXATION *- for urban roads and schools -* **as part of luxury taxation**

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ANNUAL TAXATION on VEHICLES

Often vehicle taxes are collected like a property tax, which is rised in line with the value of the car. (cubic centimeters of the engine or horse-power of the vehicle), although the damaging power of vehicles rises with the fourth power of the axle load.

Therefore a distinction should be made between PASSENGER CARS which use the road SPACE mostly in towns and the HEAVY GOODS VEHICLES which cause the DAMAGE of the main interurban road network. One 40 ton (GVW) truck has the same damaging power like 60 000 normal passenger cars. (Acc. to AASHOO Road Test)

I. Annual Vehicle tax on HEAVY TRUCKS

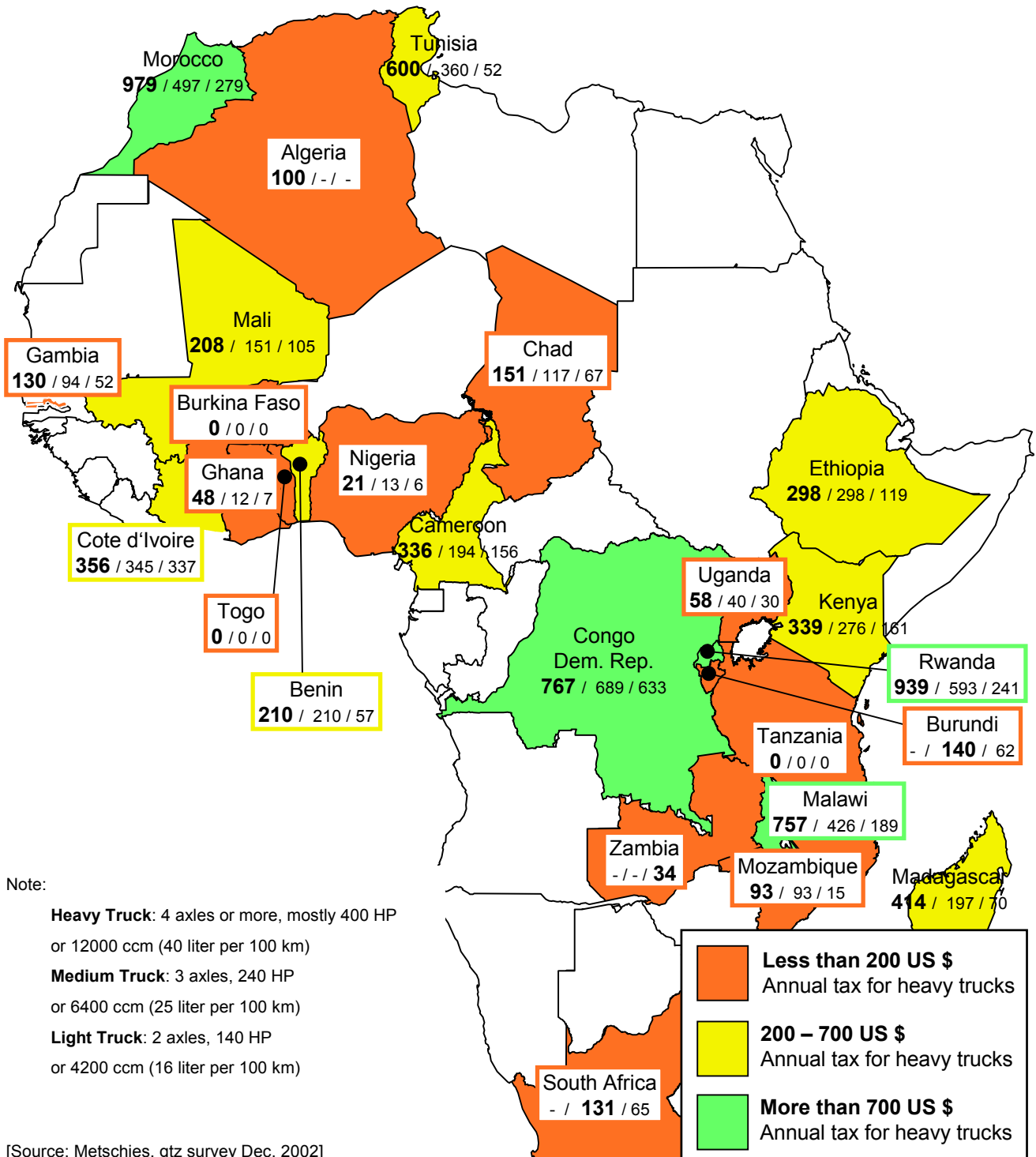
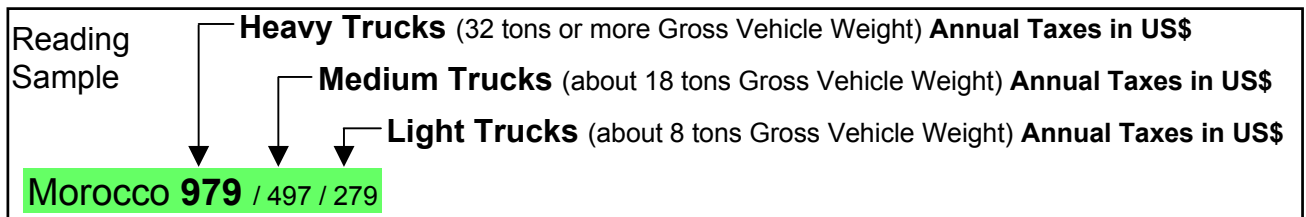
(using the maximum axle load of 10 tons) should be levied according to the damage they cause to the road. Therefore a 36 ton truck -trailer may be charged 20 times as much than a 10 ton truck and not only 3 or 4 times as it is mostly the case.

- **Up to now nearly no African country realised this fact – with the exeption of Tunesia which is charging 12 times as much for heavy trucks compared with light trucks.**
- **This restructuring of heavy vehicle taxation according to “the user- pays- the- damage –principle“ is overdue in all the African countries.**

I. Truck Taxation in Africa



Taxes on Trucks in US \$ per Year



[Source: Metschies, gtz survey Dec. 2002]



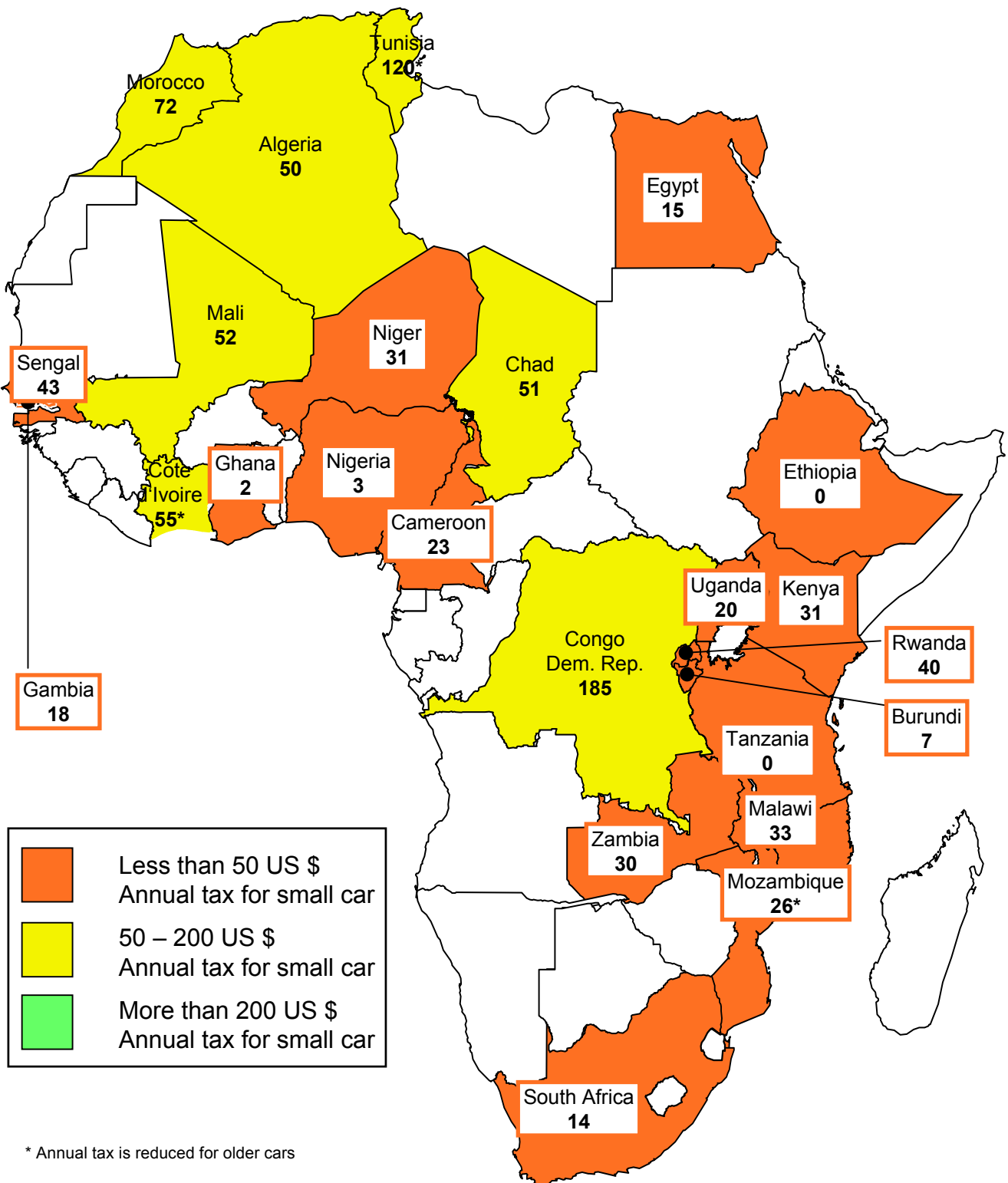
II. Annual Taxation on Passenger Cars

- **As most of the passenger cars are used in the cities anyway, taxation of passenger cars - based on the road user principle - may pay for the space they use on urban roads.**
- **But nowadays - as the GTZ study on passenger car taxation revealed – the car taxation in African countries is very low. In some countries like Ghana or Tanzania and Ethiopia it is nearly zero, while in Tunisia 120 US \$ per year (10 \$ per month) are levied.**
- **The small passenger car taxation in Africa (compared with 140 US \$ p.a. in Greece, Italy and Turkey or even 365 US \$p.a. in the Netherlands) is often less than 10 to 30 % of what is required – also in comparison with the price of the vehicle.**
- **A survey on the taxation of small passenger cars (1400 ccm) is given in the following map.**

II. Passenger Car Taxation in Africa



Taxation of Small Passenger Car (1400 ccm) in US\$ p.a.



[Source: Metschies, gtz survey Dec. 2002]

VEHICLE Taxation in African Countries



Summary on financial consequences of the Annual Taxation for Passenger Cars:

Based on a comparative study by DEXIA Bank on urban revenues in former Eastern Block countries, a GTZ-study on urban road financing in a Central Asian Republic showed also, that the maintenance of Urban Roads can indeed be financed by an annual vehicle tax, if it is earmarked for the urban roads. Moreover it may be possible to finance other social obligations of the cities as elementary schools by the same tax also.

This also is a suggestion by an UN-HABITAT publication on city financing in East Africa.

The same applies to South Africa (where 4 million passenger cars exist), if they pay a vehicle tax of 55 US\$ p.a. With that vehicle tax one could easily finance the school fees (R500 per child, cf. THE STAR /Joburg 10 June 2003, p. 1) of each of 4 million pupils.

[Measures financing the school fees would constitute a step for the „most important pro-poor policy“ as South African Education Minister Kader Asmal stated acc. to THE STAR article].

CONCLUSION

- **If annual taxes on passenger cars (in the range of 6 to 16 \$ per car per month or of 75 – 200 US \$ per year) are paid into urban tax offices, 50 % could be used for maintaining urban roads and 50% for the local urban elementary school sector**
- **Thus financing and building urban roads and schools at the same time out of this stable source of funds - as the annual passenger car taxation - may be also the best way to help the poor.**