

Environmental Taxes: Appendix

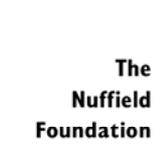
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Name	Description	Rates	Revenue ^a
Landfill tax	Introduced in 1996, at a standard rate of £7 per tonne on waste delivered to landfill sites and a lower rate of £2 per tonne applies to inactive waste (building rubble, etc). The standard rate was raised to £10 in 1999, and an annual escalation of £1 per tonne applied for five years from April 2000, leading to a level of £15 per tonne in 2004. The escalator was then raised to £3 per tonne from 2005, and £8 per tonne from 2008. An increase in the lower rate to £2.50 was also enacted in 2008. The initial tax rate was determined with reference to landfill externality estimates; subsequent increases have been designed to achieve greater behavioural change. Initially, revenues financed a 0.2 percentage point cut in employers' National Insurance contributions.	£32/tonne (standard waste), to rise to £40/tonne from April 2009. £2.50/tonne (inert waste).	2001/2: £502m 2002/3: £541m 2003/4: £607m 2004/5: £672m 2005/6: £733m 2006/7: £804m 2007/8: £877m 2008/9: £1,100m
Climate change levy	A tax on energy use by business and industry, introduced in April 2001 as part of the government's climate change programme. The tax does not apply to domestic energy use, or to energy used in the transport sector. Exemptions include fuels used in electricity generation, fuels used for non-energy purposes, and electricity generated from new renewable energy (e.g. solar and wind power). An 80% discount from the levy applies to energy-intensive sectors that negotiate climate change agreements with DEFRA. Revenues are partly used to finance energy efficiency schemes, and the remainder returned to business through an offsetting 0.3 percentage point reduction in employers' National Insurance contributions.	0.159p / kWh (gas) 0.456p / kWh (electricity) 1.018p / kg (LPG) Due to rise in line with inflation from April 2009.	2001/2: £555m 2002/3: £829m 2003/4: £832m 2004/5: £764m 2005/6: £744m 2006/7: £712m 2007/8: £688m 2008/9: £700m
Aggregates levy	Introduced in April 2002 and intended to reflect the environmental costs associated with quarrying. Applies to sand, gravel and rock subject to commercial exploitation in the UK and territorial waters, with exemptions for coal and metal ore mining, materials used to produce lime and cement, industrial spoil and waste, highway evacuation, and marine dredging. The levy is normally payable by the quarry operator. Revenues are partly used to finance a sustainability fund (to promote local environmental benefits in areas affected by quarrying), and the remainder to finance a 0.1 percentage point cut in employer NICs.	£1.95 / tonne. To rise to £2.00 / tonne in April 2009.	2002/3: £247m 2003/4: £339m 2004/5: £334m 2005/6: £326m 2006/7: £321m 2007/8: £339m 2008/9: £400m
Motor fuel differentiation	Tax differential in favour of unleaded petrol introduced in 1987 at 0.96 pence per litre, subsequently widened to 4.8 pence per litre by 1995. Initial aim was to offset the higher cost of unleaded petrol, and subsequently to provide an incentive for fuel switching. Leaded petrol was removed from normal sale in the UK market in 2000. Tax differential between petrol and diesel fuel was eliminated in November 1994 Budget, which raised the excise duty on	Petrol and diesel for most vehicles are taxed at 50.35 pence per litre. Aviation gasoline is taxed at 30.03p/l. Red diesel (mainly for non-road vehicles) is taxed at 9.29p/l.	2001/2: £21.9bn 2002/3: £22.2bn 2003/4: £22.8bn 2004/5: £23.3bn 2005/6: £23.4bn 2006/7: £23.6bn 2007/8: £24.9bn 2008/9: £25.7bn NB VAT is charged on top of fuel duty, which

	<p>diesel to equal that on unleaded petrol. This followed a 1993 report of the Quality of Urban Air Review Group, which drew attention to the rapidly-growing problem of particulates emissions from diesel vehicles in urban areas.</p> <p>Ultra-low sulphur and sulphur free petrol and diesel were taxed more lightly than regular petrol and diesel. By 2001, ULSP and ULSD had superseded petrol and diesel in sales terms and by 2007 SFD became the most sold form of diesel fuel. By 2008 sales of regular petrol and diesel were so low that the tax differentials were removed.</p> <p>Lower rates of duty apply to alternative road fuels, including biofuels, gas used as a road fuel, and bioethanol. However very little is sold – in 2007/8 25.5bn litres of diesel, 24.0bn litres of petrol, of which only 500m litres or so were biofuels^b.</p>	<p>The tax rates for various alternative fuels are:</p> <p>Biodiesel and Bioethanol: 30.35p/l</p> <p>Natural gas: 13.7p/kg</p> <p>LPG: 16.49p/kg</p>	<p>effectively raises revenues by an additional 17.5%</p>
<p>Vehicle excise duty differentiation</p>	<p>From June 1999, an annual vehicle excise duty differential was introduced to favour cars with small engines; this now applies only to vehicles registered before March 2001. For cars first registered after 1 March 2001, VED has been graduated according to the CO₂ emissions performance of the vehicle model. Charges are made in seven bands. The lowest band (A) is zero and payable for vehicles with an emissions performance of less than 101g CO₂/km, whilst the highest band (G) is payable by vehicles with an emissions performance of more than 225g CO₂/km (though the highest band G rate applies only to vehicles registered since 23 March 2006).</p> <p>In 2007, only 544 vehicles were sold in the lowest emissions band, though sales of alternative fuel and hybrid vehicles were over 16,600 in total.</p> <p>Budget 2008 proposed to increase the number of bands to 13 from April 2009 with a top rate for vehicles emitting more than 255g CO₂/km of £440. It also proposed a “showroom tax” – a VED which is different in the first year than subsequent years and which would be higher for the most polluting vehicles (up to £950 in the first year for cars in the top band M).</p>	<p><i>Vehicles registered before March 2001</i> Engine size < 1,550cc: £120pa Engine size ≥ 1,550cc: £185pa</p> <p><i>Vehicles registered in or after March 2001</i> £0 – £400 per year for vehicles registered after 23 March 2006; £0 - £210 for vehicles registered earlier.</p>	<p>2001/2: £4.3bn 2002/3: £4.3bn 2003/4: £4.7bn 2004/5: £4.7bn 2005/6: £5.0bn 2006/7: £5.1bn 2007/8: £5.4bn 2008/9: £6.1bn</p>
<p>Company car and fuel taxation</p>	<p>Company cars make up more than half of new cars sold in the UK. From 2002, the assumed income derived from provision of company cars has depended on the emissions rating of the vehicle provided. Since April 2008, cars with emissions of less than 120g CO₂/km generate a taxable benefit in kind of 10% of the list price (13% for diesel cars) whilst those with emissions of more than 235g CO₂/km derive an assumed benefit of 35% of the list price. Lower emissions vehicles will therefore attract a lower tax rate.</p>	<p>The percentage multiplier applied to the list price or the fuel scale varies from 10% – 35% for petrol cars and from 13% – 35% for diesel cars.</p>	<p>Data from HMRC for 2004/5 suggests that estimated tax liabilities are:</p> <p><i>Cars: £1,420m</i> <i>Fuel: £380m</i> <i>Vans: £30m</i></p>

	Since 2003, a similar scale has applied for fuel provided by companies, with the percentage multiplier applied to a fixed value of £14,400 (£16,900 from April 2008).		
Central London congestion charge	Introduced February 2003 by the Greater London Authority. Exemptions include taxis, buses, emergency services vehicles, and vehicles used by the registered disabled. Vehicles using gas, electric, fuel cells and bi/dual fuel sources are exempt. The charge was originally set at £5 per day, for driving within a 21-square kilometre area of central London, and was raised in July 2005. In February 2007, the zone expanded in size towards the West of London. The charge is monitored and enforced through cameras able to read vehicle registration numbers, sited at entry points to the zone, and at other locations within the zone. Annual revenues net of running costs are reinvested in London transport. The estimated effect on congestion is a reduction of around 25 – 30% relative to a pre-charge baseline.	£8/day (residents of the zone are eligible to receive a 90% discount)	<i>Estimates net of running costs</i> 2003/4: £80m 2004/5: £97m 2005/6: £122m 2006/7: £123m 2007/8: £137m

^a Up to 2007/8, revenue figures are out-turns from ONS Financial Statistics; 2008/9 figures are forecasts from Budget 2008. Figures for the Congestion Charge come from Transport for London. Figures for company car taxes are estimates for 2004/5.

^b Figures from HMRC UK Trade Info Hydrocarbon Oils bulletin, July 2008