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## ROAD TAX IN THE CZECH REPUBLIC DURING THE PERIOD 1993 – 2011

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Road tax in the Czech Republic (CR) was imposed by the Tax System Act No. 212/1992 Coll. This tax is valid from January 1<sup>st</sup> 1993 and applies to road motor vehicles and their trailers registered and operated in the CR and used for business or other self-employment purposes. The principal legislation of road tax in the CR is the Act No. 16/1993 Coll. – the Act on road tax, which was amended afterwards several times. By imposing road tax, government raise funds for maintenance and development of road infrastructure. According to the CR tax classification, the road tax belongs to the property tax group. Generally, low tax yields combined with high direct administration costs are the strongest arguments in favour of amendment or abolition of a particular tax. Road tax effectiveness in the CR is discussed by Andrlík (2012).

The paper provides a analyses of the road tax performance in the CR in connection to relevant legal amendments to the Act No. 16/1993 Coll. Data on road tax from 1993 to 2011 were used in this analysis and are available from the Ministry of Finance of the Czech Republic.

In the period from 1993 to 2011 road tax collection in the CR increased by 19.7 % (tab.1). Nevertheless, road tax share in property taxes revenue has been declining over time. While in 1993 road tax collection was the most important source of property taxes revenue, in 2011 it felt to 3<sup>rd</sup> place after real estate tax and real estate transfer tax. The average annual road tax revenue in the analysed period reached 5 060 mill. CZK.

Changes in the road tax collection over time can be largely explained by legal amendments introduced to the Act No. 16/1993 Coll. as described bellow:

**Table 1** Property taxes collection in CR 1993 – 2011, in mill. CZK

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Property taxes of it:	8 554	9 894	10 924	12 168	13 457	14 761	16 321	16 030	16 239	17 946	19 351	20 836	18 285	18 961	21 613	21 607	19 215	21 525	25 474
Road tax	4 335	4 147	3 930	4 321	4 565	4 373	5 226	5 587	5 283	5 512	5 738	5 509	5 191	5 428	5 915	6 002	4 795	5 100	5 187
Annual % change of road tax collection	-	96	95	110	106	96	120	107	95	104	104	96	94	105	109	101	80	106	102
Inheritance tax	13	55	91	97	116	146	148	122	112	86	100	100	103	124	109	115	88	87	78
Gift tax	156	389	357	296	350	427	405	413	475	61	648	818	510	604	692	345	162	138	4 279
Real estate transfer tax	616	1 645	2 768	3 464	4 488	5 677	6 271	5 439	5 834	7 171	8 025	9 461	7 494	7 788	9 774	9 950	7 809	7 453	7 362
Real estate tax	3 434	3 658	3 778	3 991	3 938	4 138	4 271	4 469	4 535	456	4 840	4 918	4 987	5 017	5 123	5 195	6 361	8 747	8 568

Source: own calculation based on data from the Czech Tax Administration data (2012a, 2012c)

**Table 2** Road tax in the CR, 1994 - 2010

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
No. of declarations	279 979	334 460	399 157	443 229	479 914	506 279	495 820	517 428	528 848	544 269	539 786	525 648	531 697	513 087	513 064	478 026	441 040
No. of tax subjects	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	810 536	809 254	816 705	820 997	828 008	828 378
Average road tax per subject CZK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6 404	6 707	7 243	7 311	5 791	6 157
Road tax yield (%)	-	100	103	98	99	100	99	100	102	98	99	99	99	102	99	97	98

Source: own calculation based on data from the Czech Tax Administration data, (2012c).

Data on tax subject number before 2005 are not provided due to their inconsistency with later ones.

- Abolishment of tax exemption for vehicles with controlled catalytic converters (vehicles meeting ecological limits defined by specific regulations ECE UN and the EU) was introduced by the Act No. 143/1996 Coll. and the Act No. 61/1998 Coll. Due to these amendments, road tax collection in 1999 increased by 19.5 %.
- The Act No. 303/2000 Coll. introduced tax reduction (25 %) for vehicles meeting the EURO 2 emission standard and tax reduction (50 %) for vehicles meeting the EURO 3 emission standard. Since this amendment came into force only in September 2000, it had postponed negative effect on tax collection and annual decline of road tax collection reached 5.4 % in 2001.
- In 2002 road tax collection increased by 4.3 % induced by the Act No. 493/2001 Coll. This was caused by the termination of tax reduction for vehicles meeting the EURO 2 emission limits.
- Further growth of road tax collection in 2003 by 4.1 % can be attributed to the Act No. 207/2002 Coll., extending road tax obligation also to vehicles over 12 tonnes weight, used for the transport of goods, besides vehicles used for business purposes.
- In 2004 and 2005 the fall of road tax collection by 3.9 % and by 5.8 % correspondingly, were observed. This change could be related to the Act No. 102/2004 Coll. according to which road tax was applied to vehicles designated for business activity and calendar months when they were in use. In addition tax rate was reduced for vehicles meeting EURO 2 (60%) and EURO 3 (66%) emission limits. The Act No. 635/2004 introduced road tax reduction for vehicles over 12 tonnes. The Czech Tax Administration (2012b) assigned decline in tax collection to permanent reduction of tax rate for vehicles meeting the EURO 2, EURO 3 and higher emission limits.
- In 2006 the Act No. 545/2005 Coll. came into force and increased tax rate for vehicles meeting EURO 2 emission limits, when 60% tax reduction was cut to only 40% reduction. Tax rate for vehicles meeting EURO 3 emission limits also increased. 66% reduction was cut to 48% tax reduction. Road tax collection in 2006 rose again by 4.6 %.
- In 2009 road tax collection decreased by 20.1 % as a consequence of imposing the amendment No. 246/2008 Coll. according to which a tax rate reduction is applied for first registration of vehicles. The average road tax collection reached the highest amount in 2008. In the following years, according to the Czech Tax Administration (2012b), road tax collection and number of tax declarations (tab.2) were affected by

unfavourable economic situation resulting from the global financial and economic crisis.

Road tax yield fluctuations over time (tab.2) can be explained by taxpayers' compliance behaviour. The average road tax yield in the observed period reached 99.45 %.

Road tax in the Czech Republic represents only a small part of the total tax revenue (0.74 % in 2010 and 1.15 % in average) and its collection provides insufficient funds for maintenance and development of road infrastructure in the Czech Republic. Road tax collection is expected to grow in the future as a result of ongoing replacement and modernization of vehicle fleet, growing number of vehicles, strengthening of environmental aspects of taxes and internalisation of costs of transport.

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