



Press release

ITALIAN TAX BURDEN ON MOTORIZATION RISEN TO €71.9 BILLION IN ITALY IN 2015: A REVISION OF THE TAXATION IS NEEDED, AS FOR ENVIRONMENT, TO FAVOR GREEN VEHICLES AND LOWER THE COSTS MET TO USE THE VEHICLE, ACCORDING TO "PAY AS YOU DRIVE" (TELEMATICS APPLIED TO TRANSPORTS)

**16% on overall tax revenue and 4.4% on GDP,
in comparison with the European average (3.4%)**

Turin, 4th July 2016 - The overall tax burden on the Italian motorization increased still further in 2015, accelerating by €71.9 billion (up by 0.5% on last year).

Face to a 5.9% increase in the total national tax revenues in comparison with 2014 - deriving from a positive consumption-based trend in both direct and indirect taxation (up by 9.1% and 2.2%, respectively) - the percentage of the revenue coming from the automotive sector on the total revenue (calculated according to a cash-basis approach) has slightly dropped, from the previous 16.8% in 2014 to 16% in 2015.

"After many years of vehicle tax increase, realized to compensate the loss in Italian expenditure power during the long economic crisis, the car market recovery couldn't help making grow this levy in 2015, by means of receipts deriving from vehicle purchases - VAT and IPT¹ - in growth by 13.6% and 11,2%, respectively - commented ANFIA President Aurelio Nervo.

The percentage of the tax receipts deriving from the automotive industry on GDP has been of 4.4%, the highest level among the Major European countries, considering an average swinging around 3.4%².

The receipts deriving from the use of the vehicle continue to be the most important item, namely 81% of the total tax revenue coming from the automotive industry, to arrive at €58.2 billion (just 0.8% less than in 2014).

We are now ready to definitely revise, in an environmental key, the whole car taxation: in the EU twenty countries (out of 28) already apply some forms of taxation according to CO₂³ emission levels, for example, in order to favor the diffusion of green vehicles and to replace the most polluting vehicles still on the road. In Europe, as an example, those

¹ Provincial Transcription Tax (IPT)

² On the basis of the most recent available data, some calculation has been made regarding the average incidence of the automotive sector tax burden on the GDP level recorded in the Five Major European markets (France, Germany, UK, Spain and Italy). Actually, the above Five Markets collect almost 80% of the total tax receipts in Europe (estimated by ACEA in €401.5 billion in EU15). Italy ranks second, after Germany, in determining this share, with a contribution of around 20% of the total.

³ Source: ACEA

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vehicles considered “new” (aged of less than one year and consequently responding to the most recent environmental regulations), represent just 5% of the whole vehicles in use. One of the major and basic drivers to attain the future targets of emission reductions consists in accelerating this process: this will also imply economic and safety-related advantages for the road traffic.

To follow the above direction, it is advisable to maintain also a favorable taxation for alternative fuels, including biofuels.

In 2015, for the second consecutive year after seven years of decline, the fuel consumption was in growth: up by 1.5%. In the same year, the average pump prices decreased meaningfully, owing to some falls of the oil price: -10.2% for petrol, -12.6% for diesel -20.2% for LPG, whereas the price of CNG stayed steady (-0.5%). Face to a strong reduction in the industrial price of fuels (price of raw materials and gross margins), we have noticed an additional growth of the tax component item (VAT and excise duty) on the final price, from the previous 60.7% to 65.5% as for petrol, from 56.5% to 62% as for diesel, from 37.2% to 42.1% as for LPG and from 18.5% to 22.4% as for CNG. Furthermore, additional increases could also occur in the years 2017-2018, in case the safeguard clauses come into effect to cover expenses and achieve the tax targets established by EU for Italy.

As for the use of the vehicle - continued President Nervo - it is necessary to focus on a re-modulation based on the ‘pay as you drive’ logic, aimed at orienting the automotive industry towards sustainable consumption models. This type of solution is already granted by telematics applied to transports, and it is boosting in our country thanks to the increase of the insurance telematics market, with a progressive reduction of the insurance costs, as well as a containment of fraud operations relating to road accidents. Consequently, we do hope that the ITS⁴ market can continue growing in the next few years, in alignment with both the mandatory step that vehicles be equipped by the e-Call system (as from 2018), and the development of the digital transformation of infrastructures, that has recently been announced by the Ministry of Infrastructure and Transport Graziano Delrio.

In brief - concluded President Nervo - the needed revision for the whole taxation (see above) is included, actually, in a plan established for the sustainable mobility and that should be shortly adopted by the Italian Government, principally focusing on the diffusion of green vehicles and also on the development of new connected car technologies and autonomous driving”.

Analyzing the distribution of the levy, calculated on the different tax points of the “contributory life-cycle” of motor vehicles, after the share of taxation deriving from the use of the motor vehicle in the current year (see above), the tax relating to the purchase of the motor vehicle ranks second (payment of VAT and IPT), equal to 10.7%, for a total of €7.7 billion.

⁴ Intelligent Transportation Systems

This latter has directly grown by **13.1%** on 2014 as a consequence of the increase recorded in new registrations of those new cars that, after six years of decline and a first sign of recovery in 2014, closed the year 2015 at 15.8% on the previous year.

Lastly, the ownership of the motor vehicle represents a share of **8.3%: €6 billion** (deriving from the ownership taxation/road tax), namely around a 1.2% decrease (down by €75 million) on 2014. Considering that the vehicles in use saw an increase by 0.7% in 2015 (for a total of over 42.6 million of motor vehicles, excluding motor cycles and motor trucks), it is quite likely that this reduction was due to a growing tax evasion, also as a consequence of the long economic crisis. To this regard, it is quite interesting to notice the recent regulation introduced, among others, by the Lombardy Region within the 2016 simplification Law and that allows to pay the road tax by directly crediting one's current bank account (RID operations), obtaining then a ten percent discount on the total due. This is, actually, an automatism that, in case of use by the remaining Italian regions, could easily contribute to contain the risk of evasion (both intentional or unintentional).

With respect to the detailed analysis, during the registration phase, in 2015, about **€6.20 billion (+13.6%)** have been paid to tax Authorities, resulting from both the **payment of VAT and all taxes relating to the vehicle acquisition** (*item 3 of the table*).

In addition to sales of new vehicles, this item has increased due to the recovery of the share of cars purchased by individuals (including leasing made by private individuals), who have paid VAT at 100%, equal to 64%, in comparison with 62.7% in 2014. The cars registered in the name of legal entities were still in decrease, at around 16.2% of the whole market in 2015, on 17.9% in 2014, while a new increase in rented cars occurred, for 19.8% of the total registrations (19.4% at the end of 2014).

Also the market of the **second-hand cars** has contributed to the increase of this expenditure item, being in growth by 5.9% in 2015 on the previous year (for a total of over 2.7 million transfers of real ownerships).

Furthermore, as from 11th December 2015 the inter-ministerial Decree 5th October 2015, No. 331 has introduced some increases in the Motorization tax fees (from €9.00 to €10.20).

Also the revenues coming from the **IPT, Provincial Tax Transcription** (*item 6*), as above said, has highlighted a forward movement, recording an increase by **11.2%**, for a total of **€1.52 billion**.

As for the items concerning the **use of the motor vehicle**, the tax revenue on **fuels** (*item 1*) has registered a decrease of 3%, due the above mentioned reasons: €35.86 billion compared to €36.96 billion in 2014. The tax levy concerning **lubricants** (*item 2*),

in 2015 recorded an increase of 2.1%, from €0.96 to €0.98 billion. This is the combined result of two factors: growth by 1.9% of fuel consumption⁵ and a very slight increase in their prices (+0.3%), according to ISTAT data.

Also VAT revenues relating to maintenance and repair of motor vehicles and to the purchase of spare parts, accessories and tires (*item 4*) have also accelerated, up by 6.8% compared to 2014, for a total value of €9.90 billion (estimate), in comparison with €9.27 billion in 2014.

The improvement of the economic landscape and also of the confidence climate have determined a recovery in the activity of maintenance works at repair shops, deferred in the moment of the economic crisis. Also the above-mentioned expansion recorded in the vehicles in use has contributed to increase the total expenditure.

In addition, the technological progress recorded in these last years has produced a lengthening of the intervals of motor vehicle maintenance, offering products, which are increasingly reliable, safe and environmentally friendly, on the one hand, and on the other hand it has made all operations become more complex. Some repair interventions, when necessary, actually become more expensive but this is not only a consequence of price increases but it is also due to the high number of hours spent for the repairing. Also the new law dispositions relating to the technical vehicle inspections have surely boomed the demand of self-repairing activity.

Actually, as from the 1st January 2015, a new procedure of technical inspection has been enforced, that should favor the end of the false inspections, realized in an approximate and simplistic way. The new procedure in force consists of an inspection made by means of a video-surveillance equipment, that has to be communicated in real-time directly to the Vehicle & Driving Administration.

This implies a series of new charges, but also more safety in issued data, impartiality of the results and definite stop to fraud since operators cannot modify negative results.

The tax item concerning **motorway tolls** (*item 5*) amounted to €1.95 billion in 2015, increasing 4.7% in comparison with 2014. Such increase was partly due to the positive trend in traffic volumes in 2015, for the second consecutive year: the end of the year was positive concerning both light vehicle traffic (+3.6%), and heavy vehicle traffic (+3.8%). In 2015, as a whole, the vehicle-kilometers covered on the motorway network amounted to €79.4 billion, in acceleration by 3.6% on 2014.

The increase in this item of expenditure has been influenced also by the increase in motorway tolls, entered into force at the beginning of 2015, with an average rise by 1.3% on 2014.

⁵ Source: Ministry of Economic Development

The revenue from insurance premiums for civil liability, theft and fire insurances (*item 8*), has showed a decrease by 5.4%, amounting to approximately €4 billion euros (4.23 in 2014).

According to ANIA Association (Italian insurance companies area), this has been the fourth consecutive year in decline as for the collection of civil liability premiums.

To the above trend has partly contributed the strong competitiveness existing among enterprises that had benefited from a long period of reduction in term of drive experience, started in 2010. The fraud occasions at the insurance companies' charge, together with all activities related to the move (including - evidently - a higher potentiality of accidents/fatalities), have maintained the civil liability premiums at such levels that are higher than those existing in the other European countries, where these situations are less frequent and also less impacting on the final insurance balance.

It is to be hoped that the new provisions introduced by the 2015 Stability Law (namely: dematerialization of the certificate of insurance risk, as from the 1st July 2015 and of the payment receipt, as from 18th October 2015; fight against the civil liability evasion by means of automatic checking points assured by telematics equipment, like Autovelox, tutors, Limited traffic zone areas, Vergilius, namely a sort of speed-level survey tutor, and others) - will be able to hinder fraud, allowing future reductions in the average premiums, thanks to the higher revenues obtained.

Taking still into consideration the Italian Association of Insurance companies (ANIA), before the introduction of the 2015 Stability Law, **car drivers that were not in line with the payment of the annual insurance premium, represented around 8.7% of the vehicles in use**, with some peaks up to 13.5% in the Southern regions of Italy.

It is also relevant to remember that the Fornero Reform (Law No. 92/2012) has introduced, as from 2013, a threshold of 40 Euros for the deduction of contributions to the National Health Service, which has caused the majority of motorists (about 18 million, those having a liability third parties below €380,00) to lose their tax concession. Furthermore, starting from 2015, it is not possible now to deduct the exceeding €40,00, due to IMU Decree (paragraph 2-bis, article 12, IMU Legislative Decree No. 102/2013, converted into Law No. 124/2013).

Lastly, as for the **parking and fines (*item 9*)**, in 2015 the amount was of €5.50 billion, with an increase by 1.9% on 2014, substantially owing to the growth of the vehicle in use number and also of the transfers.

As far as road fines are concerned, we remember that the Italian Law No.98/2013 (coming from the so-called Decree "Making of" No. 69/2013), has introduced the possibility to reduce the amount of fines included in the number of those to be paid at a reduced price (payments made by five days on direct contestation or differed notification of the fine itself). It seems that just those car users already aligned with



payments could benefit from this type of “discount”, without making more virtuous all the other car users, since some loss in receipts has been occurred.

In conclusion, we highlight that as per the Italian Highway Code at least **50% of the receipts coming from fines collected by Local Administrations is then used to improve safety-related issues**, investing consequently 25% in road maintenance, 12.5% in signaling panels and other there related equipment and the remaining 12.5% in controls on roads. However, since it does not exist any specific system to check the above investments, supposed to be inscribed in the item “balance” by the same Local Administrations, the efforts made by Carmakers in order to increase the vehicle safety standards and gradually reduce the number of road accidents and fatalities, is quite often made ineffectual by the inadequate conditions of the Italian road infrastructures, that continue to be below the European safety standards.

For more information: ANFIA Press Office

Miriam Gangi (Ms.) - m.gangi@anfia.it
Telephone: +39 011 5546502
Mobile phone: 338 7303167

ANFIA - Italian Association of the Automotive Industry - is one of the leading Italian Trade Associations, members of CONFINDUSTRIA.

Born in March 1912, over these one hundred years, ANFIA mission has always been to represent the interests of its associate members and ensure effective communication between the Italian motor vehicle industries on the one hand, and the Public Administration and Italian political bodies on the other, with regard to all technical, economic, fiscal, legal, statistical and quality-related issues referred to the automotive sector.

The Association is structured in three product-based Groups, each one chaired by a President.

Components: motor vehicle parts and components manufacturers; Car Coachbuilders and Designers: companies working in the sector of design, engineering and style of motor vehicles and/or parts and components for the automotive sector; Motor vehicles: motor vehicles manufacturers in general, including trucks, trailers, camper vans, special means of transport and/or intended for special use, such as fitting and specific equipment mounted on motor vehicles.

Associazione Nazionale Filiera Industria Automobilistica

Sedi: 10128 Torino - Corso Galileo Ferraris, 61 - Telefono +39 011 5546511 - Fax +39 011 545464 - E-mail: anfia@anfia.it -
00144 Roma - Viale Pasteur , 10 - Telefono +39 06 54221493 (4) - Fax +39 06 54221418- E-mail: anfia.roma@anfia.it
www.anfia.it

CARICO FISCALE SULLA MOTORIZZAZIONE IN ITALIA
TAX BURDEN ON MOTOR VEHICLE SECTOR
(MILIARDI DI EURO / €BILLION)

Voci di prelievo fiscale / Fiscal taxation items	2014	2015 provv	Var.% 2015/2014
1. CARBURANTI / Fuels	36,96	35,86	-3,0
2. LUBRIFICANTI / Lubricants	0,96	0,98	2,1
3. IVA - ACQUISTO AUTOVEICOLI e DIRITTI MOTORIZZAZIONE <i>Vehicles acquisitions</i>	5,46	6,20	13,6
4. IVA - MANUTENZIONE E RIPARAZIONE/ACQUISTO RICAMBI, ACCESSORI E PNEUMATICI <i>Vehicles maintenance and repairing/Acquisitions of spare parts, accessories and tyres</i>	9,27	9,90	6,8
5. PEDAGGI AUTOSTRADALI / Motorway tolls	1,86	1,95	4,7
6. IMPOSTA PROVINCIALE DI TRASCRIZIONE (IPT) <i>Registrations / Transfer acts</i>	1,37	1,52	11,2
7. POSSESSO (Bollo Auto) / Vehicles ownership	6,03	5,96	-1,2
8. PREMI ASSICURAZIONE RC, FURTO, INCENDIO <i>Insurance prime (civil liability, coverage against fire and theft)</i>	4,23	4,00	-5,4
9. ALTRO (PARCHEGGI-CONTRAVVENZIONI etc.) / OTHERS (Parking fees- <i>Fine-etc.</i>)	5,40	5,50	1,9

(A) TOTALE / Total	71,53	71,86	0,5
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(B) TOTALE ENTRATE TRIBUTARIE NAZIONALI / Domestic fiscal income	425,49	450,54	5,9
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% CARICO FISCALE / Taxation (A) SU ENTRATE TRIBUTARIE NAZIONALI on domestic fiscal income (B)	16,8	16,0
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CARICO FISCALE SULLA MOTORIZZAZIONE IN ITALIA
SECONDO IL CICLO DI VITA CONTRIBUTIVO
Tax burden on Motor vehicle sector according to vehicle contributive lifecycle
(MILIARDI EURO / €BILLION)

Voci di prelievo	2014	% sul totale	2015	VAR.% 2015/2014
A. ACQUISTO / Acquisitions	6,83	9,5	7,72	13,1
B. POSSESSO / Ownership	6,03	8,4	5,96	-1,2
C. UTILIZZO / Use	58,67	82,0	58,18	-0,8
TOTALE / Total	71,53	100,0	71,86	0,5

Elaborazione ANFIA su dati e stime ACI, AISCAT, ANIA, AUTOPROMOTEC, ISTAT, MEF, MiSE, MiT, UP e altri organismi di settore
ANFIA elaborations. Data/estimates source: ACI, AISCAT, ANIA, AUTOPROMOTEC, ISTAT, MEF, MiSE, MiT, UP and other Italian sector institutions

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