

## **Taxing vehicle use to overcome the problems of conventional transport taxes**

Alberto Gago, Xavier Labandeira, Xiral López-Otero

### **Abstract**

Road transport has traditionally been subject to a number of taxes, the purposes being to collect revenue, cover infrastructure costs, or correct externalities. Yet, over the last few years, several factors have been undermining the operation and effectiveness of such taxes: pervasive local pollution and congestion problems that are only indirectly related to type of vehicle and fuel consumption; trend towards a more energy-efficient fleet, reducing the revenue capabilities of the system; and increasing changes in mobility options. In this chapter we suggest a new approach towards transport taxation that is based on both the characteristics of the vehicle and its actual use. Taxing the real use of a vehicle is now technologically feasible and can more effectively tackle the externalities associated with road transport while maintaining revenue-raising capabilities. Given the difficulties associated with an immediate transition, the chapter also considers several alternatives for moving from the current tax situation.

**Keywords:** road transport, taxation, externalities, congestion, environment, vehicle use

### **To be published in:**

Villar-Ezcurra, M., Milne, J., Ashiabor, H., and Skou-Andersen, M. (eds) (2019) *Environmental Fiscal Challenges of Cities and Transport*. Volume XXI CIET, Edward Elgar Publishers, Cheltenham.