

26 Collection of Motor Taxation

- 26.1** A liability to pay motor tax arises when a vehicle is used in a public place. There is also a legal requirement to display a current motor tax disc on vehicles in public.¹
- 26.2** There are two separate bases for motor taxation of cars: the rate of tax on cars registered pre-July 2008 is based on engine size while the rate for cars registered from July 2008 is based on the CO₂ emissions level of the vehicle. Rates based on the weight of the vehicle apply in the case of goods vehicles. A range of other rates applies in the case of vehicles such as buses, taxis, motorcycles and tractors.
- 26.3** Some vehicles are exempt from payment of motor tax, including state-owned vehicles, diplomatic vehicles and adapted vehicles for disabled drivers. Owners of such vehicles must register their vehicle status and receive an exemption class accordingly. The requirement to display a current disc remains in place for an exempt vehicle.
- 26.4** Several bodies play a role in the collection, administration and enforcement of motor tax
- The Office of the Revenue Commissioners (Revenue) is the national vehicle registration authority and captures vehicle details at the time of payment of Vehicle Registration Tax. Only vehicles registered with Revenue can be taxed.
 - The Department of the Environment, Community and Local Government (Environment) has responsibility for motor tax policy and the related services provided by local authorities including motor tax collection.
 - The Department of Transport, Tourism and Sport (Transport) has responsibility for the collection of online motor tax. It also maintains the National Vehicle and Driver File, which records all vehicles registered in the State and facilitates collection of motor tax.
 - Local authorities are responsible for the receipt of motor tax collected through their motor tax offices. Traffic wardens enforce the legal requirement to display a motor tax disc on the windscreen of a vehicle in a public place.
 - An Garda Síochána enforces the legal requirement to have a vehicle in use taxed and to display a motor tax disc on a vehicle. They issue and process the collection of fixed charges in cases of failure to display a current motor tax disc and instigate prosecutions where fixed charges are unpaid. In addition, an Garda Síochána may instigate a prosecution where a person is found using a vehicle without having a current disc.
 - The Courts Service is responsible for the collection and processing of prosecution fines in relation to motor tax offences.
- 26.5** Motor tax is collected by twenty-nine local authorities and through Transport's online service. Amounts collected are paid into the Local Government Fund (the Fund), which is administered by Environment. In the region of €1 billion is paid into the Fund from motor tax each year.²

1 Main legislation: Roads Act 1920; Finance (Excise Duties) (Vehicles) Act 1952 (changes to rates are made by amending the Schedule to the 1952 Act in various Motor Vehicle Acts), Finance (Excise Duties) (Vehicles) (Amendment) Act 1960, and Finance (No 2) Act 1992.

2 The proceeds of the 2012 increase in motor tax rates will be paid to the Exchequer. In the past, the Exchequer also contributed to the Fund, but no Exchequer funding has been provided in 2012. The proceeds of the household charge are being paid into the Fund.

26.6 Expenditure from the Fund supports local authorities for general discretionary funding of their everyday activities, for improvement and upkeep of non-national roads and for a number of local government initiatives. The Fund also reimburses Transport for the driver and vehicle licensing costs incurred (€13 million in 2011).

26.7 Current annual rates of motor tax range from €157 to €2,258 for private cars.³ Figure 26.1 shows the number of vehicles taxed and related motor tax receipts over the five years to 2011.

Figure 26.1 Motor Tax Receipts 2007 to 2011

Year	Number of vehicles taxed at year end	Motor tax receipts ^a
	'000s	€ million
2007	2,417	941
2008	2,471	1,042
2009	2,441	1,045
2010	2,389	1,008
2011	2,397	992

Source: Department of Transport, Tourism and Sport

Note: a Receipts relate to payments for motor tax discs. Other motor tax income, such as that related to trade plates, certificates of roadworthiness, trailer licences, and public service vehicle licences, are not included.

26.8 This chapter reviews

- the systems in place to monitor evasion of motor tax
- the system in place for maintaining the register of vehicles and issuing tax renewal notices
- management of tax exemption periods
- the deterrent effect of fixed charge penalties on non-payment of motor tax.

26.9 Meetings were held with officials from Environment and an Garda Síochána to ascertain the processes involved in the collection and enforcement of motor tax. Discussions were also held with Transport in regard to online services and data maintained on the National Vehicle and Driver File. Data provided by Transport and an Garda Síochána was reviewed, analysed and compared as part of the audit.

³ The rates for other vehicles range from €24 to €4,833.

Measuring the Extent of Evasion

- 26.10** The effectiveness of the systems in place for collecting and enforcing the payment of motor tax can only be assessed if the extent of evasion is measured and tracked over time.
- 26.11** In general, the extent of evasion of motor tax can only be assessed using survey techniques. In 2001, a roadside survey was carried out. Based on the results, it was estimated that the level of persistent evasion of motor tax was just under 5%.⁴
- 26.12** There is no regular assessment of the extent of evasion in Ireland. In contrast, the Department for Transport in the United Kingdom carries out a roadside survey each year to estimate the level of vehicle owners' compliance with the requirement to pay Vehicle Excise Duty and as evidence of the effectiveness of the collection procedures in place (see Figure 26.2).⁵ The survey for 2011 found there was a tax evasion rate of about 0.7%.

Figure 26.2 Estimate of Extent of Evasion of UK Motor Tax

The Department of Transport in the United Kingdom undertakes regular surveys whereby sightings of vehicle registrations are collected at sites distributed across the country. Cameras are positioned at the roadside at these sites and automatic number plate recognition software collects details of registration numbers. Motorcycle registration numbers are collected by roadside enumerators. The plate numbers recorded are checked to establish which vehicles are taxed. Statistical analyses are then used to derive estimates of the rate of unlicensed vehicles and revenue lost from evasion.

In the 2011 UK survey, there were over one million valid sightings of registration numbers at 256 sites, which found that about 0.7% of traffic on UK roads did not have a valid tax disc. It estimated that the lost revenue from evasion in the UK in 2011/2012 could have cost around £40 million.

Source: UK Department of Transport, Vehicle Excise Duty Evasion Bulletin, Statistical Release, December 2011 and Vehicle Excise Duty Evasion Statistics : Notes and Guidance

- 26.13** While no recent national roadside survey on motor tax has been carried out in Ireland, Transport has analysed data for vehicles that traversed the M50 barrier free toll on four separate days during 2010 and 2011. These vehicles were checked against data held on the National Vehicle and Driver File. Figure 26.3 summarises the findings from that review.

⁴ Survey of motor tax, motor insurance and NCT compliance 2001, undertaken jointly by Environment, National Roads Authority and an Garda Síochána.

⁵ Biannual basis from 2012.

Figure 26.3 Motor Tax survey results (at M50 toll) 2010 and 2011 (selected dates)

Sample date	Vehicles registered ^a	Motor tax expired		
		≤ 1 month	> 1 month	Total
7 July 2010	70,111	3.9%	6.0%	9.9%
24 September 2010	63,989	2.9%	4.8%	7.7%
31 March 2011	66,007	1.7%	5.0%	6.7%
23 June 2011	69,108	1.7%	5.0%	6.7%

Source: Department of Transport, Tourism and Sport

Note: a Excludes unregistered vehicles (e.g. vehicles not registered in the State) and misreads traversing the toll.

26.14 The analysis by Transport found that

- Over 7% of vehicles travelling on the M50 on the sampled dates did not have current motor tax.
- When vehicles where the tax had expired within one month of the date of travel are excluded, the apparent rate of evasion was about 5%.
- Just under half of the vehicles identified as not having a valid tax disc on the sampled dates were taxed three months later. Payment covered the period of travel in less than half of these cases.

26.15 An evasion rate of 5% would equate to an under collection of motor tax in the region of €50 million per annum, based on sums collected in 2011. It would also represent an evasion rate seven times greater than that estimated in the UK.

Collection

26.16 When vehicles are registered with Revenue, the vehicle details are transferred to Transport for input onto the National Vehicle and Driver File (NVDF).⁶ The purpose for which the vehicle will be used, which determines the motor tax class, is not input at this stage but is recorded when the vehicle owner first taxes the vehicle. As the NVDF is the central source of information for facilitating the collection and enforcement of motor tax, it needs to be kept up to date.

26.17 The NVDF contains records of 5.8 million vehicles. At April 2012, 5.1 million of these had a vehicle status of 'current', with the remainder classified as scrapped or exported.⁷ Of the 5.1 million vehicles with a status of 'current', 2.5 million were taxed as at the end of March 2012. The actual status of the remaining 2.6 million vehicles categorised as 'current' is unclear.

⁶ The NVDF also holds data on the 2.6 million persons who hold driving licences and learner permits.

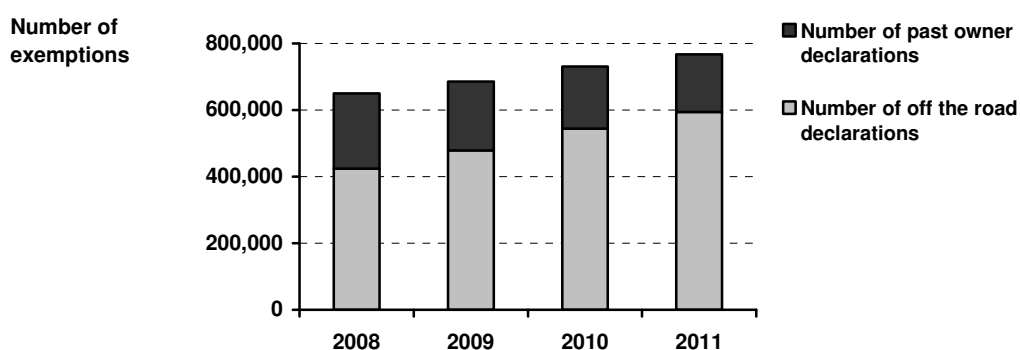
⁷ Vehicle classifications also include written off and 'end of life'. End of life vehicles are passenger cars and light commercial vehicles which are scrapped in accordance with the Waste Management (End of Life) Regulations 2006.

- 26.18** The Accounting Officer of Transport stated that the 'current' status indicator changes where a vehicle is formally notified as scrapped or exported. He stated that of the 2.6 million untaxed 'current' vehicles, 1.8 million transferred in 1998 from an earlier computer system and some 0.5 million of these have had no motor tax activity in the intervening 14-year period. Further analyses of the 2.6 million records also reveal that nearly 1 million vehicles are over 20 years old strongly suggesting that these are unlikely to be circulating on the roads and have, in fact, been scrapped.
- 26.19** There are just under 170,000 vehicles on the NVDF that have never been registered for motor tax. Just under 30% of these were registered with Revenue prior to 2000. In addition, there are some 800,000 vehicles on the NVDF that have not been taxed since January 2001. These could potentially represent a significant amount of unpaid motor tax.
- 26.20** The Accounting Officer of Transport stated that analysis of the 170,000 'never-taxed' vehicles suggest that a high percentage of these are agricultural or other specialised vehicles that are not normally used in public but which are required to be registered. Passenger car type vehicles and vans account for about 70,000. Given that the data extends back to 1993 when the Revenue Commissioners became the registration authority, this is considered a reasonable number of vehicles to retain untaxed status given the likelihood of events after registration such as accidents and vintage rebuilds.
- 26.21** Transport issue renewal and reminder notices as follows
- renewal notices issue to vehicle owners one month prior to motor tax becoming due for renewal
 - approximately six weeks after the tax has expired a final reminder issues to each vehicle owner who fails to renew motor tax
 - a notice issues to new vehicle owners approximately six weeks after the vehicle has been first registered, if the tax has not been paid by them
 - in the case of a vehicle that has never been taxed, but where a change of ownership is registered, a tax notice is issued to the new owner immediately.
- 26.22** In the five years to 2010, over 21 million renewal notices issued. Data provided by Transport indicates that in just over 17 million of these, the taxpayer renewed the tax within six weeks after the tax was due. Final reminders issued to just under four million vehicle owners. There was no response to 2.4 million or 60% of these within the following two months. In the case of no response to a final reminder, Transport takes no further action and only issues further renewal notices if the vehicle is taxed again.
- 26.23** Regular follow up of those who do not renew their motor tax should improve compliance and also assist in updating the national database by identifying those with legitimate reasons for non-payment.
- 26.24** The Accounting Officer of Environment indicated that it was her Department's intention to consolidate motor tax legislation. In this context, options to require owners to notify the current status of vehicles are being considered.

Motor Tax Exemptions

- 26.25** Arrears of motor tax become due one month after the tax renewal date. A person can have their liability to arrears cancelled for two reasons. The first is where the vehicle was not in use in a public place and a declaration of non-use (off-the-road declaration) is completed.⁸ This declaration must be witnessed by a member of an Garda Síochána. The second reason is where there is a change of ownership and the arrears relate to the previous owner. In these cases, the new owner makes a declaration to that effect. A Garda witness to that declaration is not required. No action is taken to collect the arrears from the previous owner. It is an offence to make a false declaration in relation to motor tax.
- 26.26** The number of motor tax gap exemptions for the years 2008 to 2011 is detailed in Figure 26.4, and indicates an 18% increase in the total number of such declarations in 2011 over 2008.

Figure 26.4 Motor Tax Exemptions by type 2008 to 2011



Source: Department of Transport, Tourism and Sport

- 26.27** The number of Garda-witnessed off-the-road declarations increased by 40% over the period 2008 to 2011. Exemptions relating to a change of ownership decreased by 24% since 2008, and accounted for 23% of all exemptions in 2011.
- 26.28** Transport commissioned data analysis exercises to review exemption declarations witnessed by an Garda Síochána over the 15 month period ending July 2010 and the 12 month period ending October 2011.⁹
- 26.29** The analyses show that over those periods, more than 1.1 million off-the-road exemption gaps were declared. The total value of the exemptions were estimated at over €226 million. The analyses noted that 21% of these gaps, with a value of just under €47 million coincided with a change of vehicle ownership. In these cases, declarations are made that the vehicle was off the road whilst in the present ownership, and in addition, immediately prior to this declaration there were arrears of motor tax that related to the past owner.
- 26.30** The largest number of declarations made was for gaps of one month, totalling just under 330,000 declarations at a value of just under €17 million. In monetary terms, the largest value relates to gaps of 13 to 24 months, which is valued at €33 million over the total 27 month period.

⁸ This is a self-declaration by a vehicle owner that their vehicle was not in use and as a result there was no liability to motor tax.

⁹ Data analysis provided by a service provider on behalf of the Department of Transport, Tourism and Sport.

- 26.31** There is no system in place to verify the validity of off-the-road declarations. Where there is a change of ownership, there are no procedures in place to collect any arrears from previous owners. The fact that one fifth of a sample of off-the-road declarations included a period of arrears relating to a previous owner, may be indicative of some abuse of the system. Given the significant sums involved, it is important that adequate systems are in place to monitor these declarations.
- 26.32** The Accounting Officer of Environment stated that measures to improve the procedures for the collection of motor tax include the drafting of a 'gapping' Bill to change the system of making off-the-road declarations. Under the proposals, unless an off-the-road declaration is made in advance of the gap period, the owner, when next presenting for payment for tax, will be liable for arrears. It is expected that the Bill will also contain transitional arrangements to encourage owners to tax vehicles which are currently untaxed.
- 26.33** The Accounting Officer of Transport stated that for the purposes of determining evasion levels associated with off-the-road declarations, allowance should be made for legitimate gaps. Analyses of M50 toll data suggest that on average 50% of gaps could be considered to be legitimate and on that basis he said that the total level of evasion related to off-the-road declarations over the 27 month period could be €113 million, equating to around €50 million over a 12 month period. He stated that motor tax in the UK is based on a system of continuous licensing where vehicles not in use must be declared off-road in advance through completion of a statutory notification. He said that prior to the introduction of this system, evasion levels in the UK were in the region of 5%.

Enforcement

- 26.34** All vehicle owners including exempt vehicles are required to display a current motor tax disc on a vehicle used in a public place. When a vehicle is found in a public place and is not displaying a current disc, a fixed charge notice may be issued by a Garda or a traffic warden.¹⁰ Checks by an Garda Síochána on the display of a disc are carried out during routine garda activity and traffic checkpoints. Details of the total number of compliance checks carried out are not available.
- 26.35** The fixed charge penalty for the non-display of a current disc is currently €60. On receipt of a fixed charge notice, a person is required to pay the charge within 28 days. If the charge is not paid during that period, the charge increases by 50% with a further 28 days to pay the higher amount. If the charge remains unpaid after this time, an Garda Síochána may initiate a prosecution. However, there are no procedures in place to ensure that the motor tax due, including any arrears, is paid.
- 26.36** For this examination, an Garda Síochána provided details of over 240,000 fixed charge notices issued for failure to display a motor tax disc in the period 2008 to 2011. These fixed charge notices related to just over 185,000 vehicles. The details provided indicated that around 40% of the fixed penalty charges (97,000) had not been paid.
- 26.37** An Garda Síochána records for the 185,000 vehicles for which fixed charge notices issued between 2008 and 2011 were compared with data on the NVDF. Some 40,000 (or 22%) of those 185,000 vehicles had paid no motor tax between the period to which the fixed charge notice related and April 2012. These include around 1,000 vehicles that had never paid motor tax.

¹⁰ This examination does not cover traffic wardens other than those included in an Garda Síochána statistics, i.e. Dublin traffic wardens.

- 26.38** The remaining 145,000 vehicles (78%) had renewed their tax disc at some stage following the issue of the fixed charge notice. A review of these indicated that at least 52,000 vehicle owners had declared an exemption gap that included the period for which the fixed charge notice was issued. Around 35,000 had declared an off-the-road gap while 17,000 declared a gap related to a change of ownership.
- 26.39** The implication is that the owners of at least 35,000 vehicles which were observed in a public place at the time of the issue of the fixed charge notice may have also subsequently made a false declaration that the vehicle was off the road at that time.
- 26.40** The Accounting Officer of an Garda Síochána pointed out that the fact that 78% of those who receive fixed charge notices do subsequently pay motor tax was a clear indication that such notices act as an effective deterrent. He also stated that he was aware that legal advice was being sought by Transport as to whether motor offences could be included in the contract between an Garda Síochána and the private service provider that provides safety camera vehicles to detect speeding offences. Given the experience with speeding offences, any such change is likely to significantly increase the level of motor tax compliance. However, it would impact on the current deployment of safety camera vehicles and their original purpose (to reduce the number of road traffic accidents involving fatalities and serious injuries).
- 26.41** The Accounting Officer of Environment stated that there is currently no notification procedure between the Courts Service and her Department in relation to fines imposed for driving without tax. Accordingly, the Department has not been notified of any false off-the-road declarations that may have been identified. The Accounting Officer of an Garda Síochána said that, since 2010, proceedings had commenced in 160 cases in relation to the offence of making a false motor tax declaration.

Conclusions and Recommendations

- 26.42** The overall effectiveness of the motor tax collection system can only be assessed where the level of evasion is measured and tracked over time. Reviews of traffic on the M50 suggest that 95% of vehicles on the road are up to date with their tax. A 5% evasion rate equates to around €50 million in lost revenue per annum and compares unfavourably with the UK estimated rate of less than 1%. Practice in the UK suggests that there are means of estimating the level of evasion.

Recommendation 26.1: Environment and Transport should ensure that they have reliable and cost effective systems in place to estimate and monitor the level of evasion of motor tax. Given the proposed legislative changes, it is important that a sound baseline level of evasion is established prior to the introduction of proposed new procedures.

Accounting Officers' Response: Agreed in part. Our Departments will continue to work closely to ensure that the systems in place for the collection and enforcement of motor tax are appropriate to ensure optimum revenue yield, and will consider options in relation to the measurement of evasion. Transport intends to consult with the Driver and Vehicle Licensing Agency in the UK in relation to the measurement of evasion and the impact of the system of continuous licensing.

- 26.43** Over the five year period to 2011, just over €5 billion has been collected in motor tax. Transport's register of vehicles contains some 2.6 million vehicles categorised as 'current' but which are not taxed. There are some 170,000 vehicles on the register which have never been taxed, and 800,000 which have not been taxed in over ten years.

Recommendation 26.2: Transport should review the NVDF and ensure it is maintained up to date. As there could be significant unpaid motor tax relating to the vehicles which have never been taxed or have not been taxed for some time, the reasons for non-payment should be identified and any tax due sought.

Accounting Officers' Responses

Transport: Agreed in part. It is essential to separate vehicles which have potential motor tax liability from those which are scrapped or otherwise put out of use. In that regard, transitional arrangements proposed for the 'gapping' Bill to encourage owners to declare the correct status of vehicles will be of benefit. Owners who do not avail of this facility will be penalised. To complement these arrangements, it is proposed to re-designate vehicles for which no response is received as 'inactive' and archive the data over time. The regulatory requirement for owners to notify Transport of vehicle scrapping and the formal arrangements with motor insurers whereby write-offs are notified electronically are already contributing to a more accurate database. The Department plans to build on this.

Environment: Agreed in part. More robust measures to ensure notification of current vehicle status for scrapped and exported vehicles will be addressed in the context of proposed consolidation legislation to be brought forward in 2013.

- 26.44** Over the period 2006 to 2010, 2.4 million final reminders issued which were not responded to within two months of issue. No follow up action was carried out to ascertain if motor tax was subsequently paid on these vehicles.

Recommendation 26.3: Environment and Transport should review procedures to ensure there is adequate follow up of those who do not renew their tax.

Accounting Officers' Responses

Transport: Agreed. The motor tax renewal notice service is a paper-based system and options for follow-up are limited. The next stage of the enforcement process is dependent on detection of the vehicle in use aided by electronic data and in this respect, data on non-tax compliant vehicles is provided to an Garda Síochána for use with their automated number plate recognition system. It is also proposed to formally utilise data sharing from cameras as an anti-evasion measure and a legal basis for this has been requested in the context of proposed consolidated motor tax legislation.

Environment: Agreed. The Department will review procedures, in conjunction with the Department of Transport. The proposed 'gapping' legislation will address this issue to a significant degree.

- 26.45** Motor exemption gaps have increased by 18% since 2008. A review of some 1.1 million declared exemption gaps calculated the related motor tax value at €226 million. There is no system in place to verify how much of this figure is legitimate. Where a change of ownership had taken place and arrears are due by the previous owner, there is no procedure to collect those arrears.

Recommendation 26.4: Environment and Transport should consider the scope for a more robust system to deal with situations where vehicles are off the road and to collect arrears from previous owners.

Accounting Officers' Responses

Environment: Agreed. While it is accepted that there is a significant level of abuse of the current system, a certain proportion of the declarations made will be for genuine reasons. Provisions around change of ownership are not contained in the 'gapping' Bill but it is intended to address the matter in the context of consolidation legislation.

Transport: Agreed. The 'gapping' Bill currently being prepared proposes to provide a system similar to that in operation in the UK. The proposed change should facilitate more assertive enforcement both 'on the ground' and through electronic means.

- 26.46** If fixed charges are to prove to be an effective deterrent, they should result in motor tax due being paid and payment into the future being kept up to date. However, one in five vehicle owners issued with fixed charge notices between 2008 and 2011 still had not paid motor tax, and of those that had paid, at least one in four declared the vehicle to be off the road for the period during which they were fined. This indicates that the system for the imposition of fixed charge notices is not changing behaviour in a significant number of cases. The integrity of the off-the-road declaration system is also undermined. Furthermore, around 40% did not pay the fixed charge penalty.

Recommendation 26.5: Environment, Transport and an Garda Síochána should review the effectiveness of fixed charge notices as a deterrent and try to devise better procedures to ensure that tax is paid when a charge is imposed.

Accounting Officers' Response: Agreed in part. The proposed legislation will contain enhanced penalty provisions. The Departments will together explore the feasibility of mechanisms for notification of fixed penalty charges to Transport.