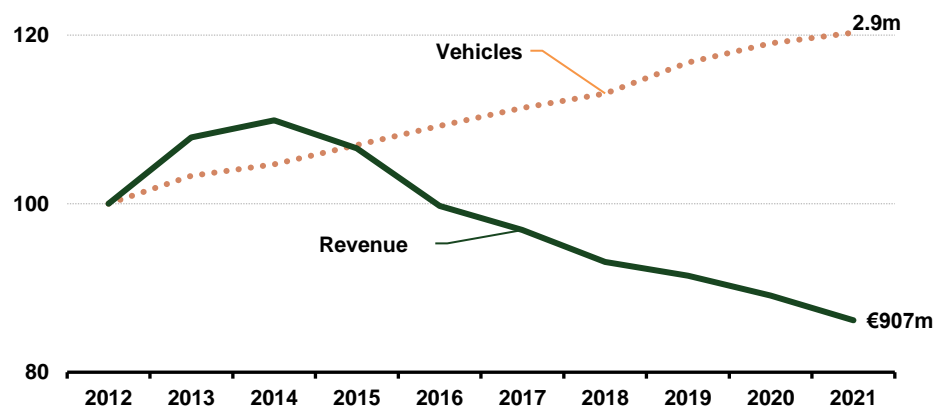


18 Motor tax receipts

- 18.1** A vehicle used in a public place in Ireland is liable to motor tax.¹ In general, the amount of motor tax charged for a vehicle is graduated, based on either the vehicle's design CO₂ emission level, or the size of its engine capacity (see Annex 18A).² There is a flat rate motor tax charge of €120 a year for a fully electric vehicle.
- 18.2** Motor tax can be paid online or in a motor tax office. In 2021, a total of €907 million in tax was collected, of which 86% was paid online.
- 18.3** The Department of Transport (the Department) and the local authorities are responsible for the administration and collection of motor tax.
- The Department is responsible for motor tax policy and legislation, online motor tax services and managing the national vehicle and driver file (NVDF) — a database containing details of registered vehicles and their owners as well as licensed drivers in the country.
 - The local authorities are responsible for operating the motor tax offices.³
- 18.4** The financial transactions for motor tax are managed by the Department through the motor tax account. The Department holds a bank account to allow for the collection and allocation of motor tax, and transfers that income to the Central Fund of the Exchequer.
- 18.5** While the number of vehicles taxed has been increasing, the revenue collected has fallen significantly from almost €1.2 billion in 2014 to around €907 million in 2021 (see Figure 18.1).

Figure 18.1 Index of number of vehicles taxed at year end, and motor tax revenue collected, 2012 to 2021 (2012 = 100)



¹ Certain vehicles are exempt from paying motor tax. These include vehicles exempted under the Disabled Drivers and Disabled Passengers (Tax Concessions) Regulations 1994 (SI 353/1994).

² Commercial vehicles are assessed on the unladen weight of the vehicle i.e. the weight when it isn't carrying a load.

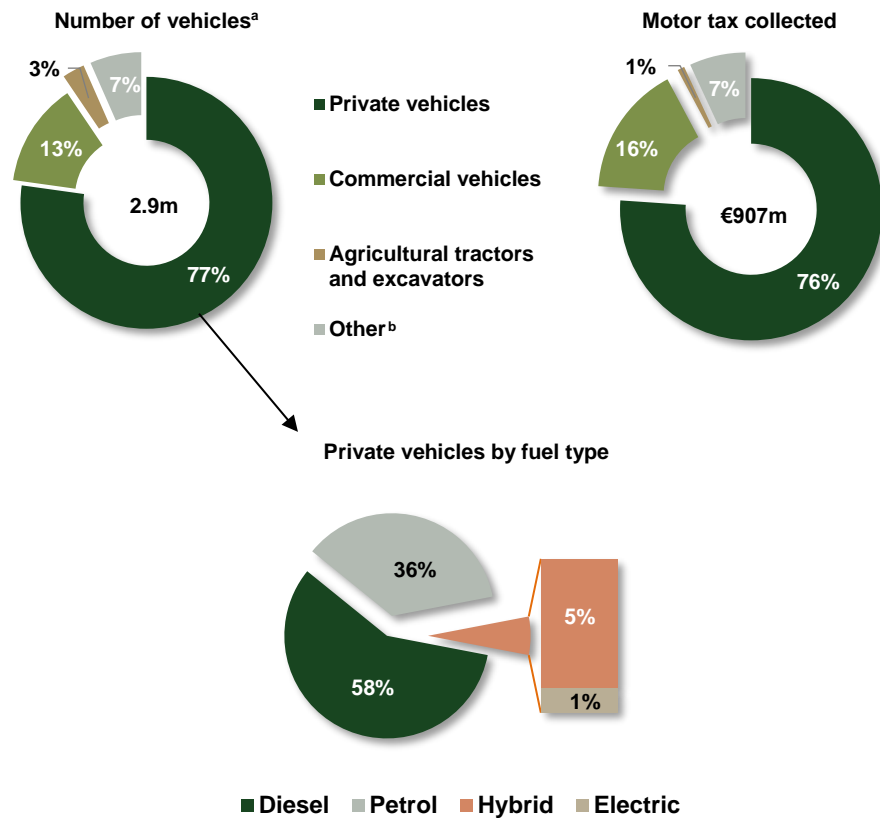
³ Motor tax offices are designated in 42 locations across 26 local authorities.

Source: Department of Transport

18.6 This report examines the administration and collection of motor tax, and the extent to which the Department has implemented the recommendations contained in a previous report.¹

18.7 The analysis presented in this report is based on data extracted from the NVDF by the Department of Transport. The report focuses in the main on motor tax collected in respect of private (non-commercial) vehicles, which accounted for around 77% of the vehicles on Irish roads in 2021, and for 76% of the motor tax income (see Figure 18.2).

Figure 18.2 Vehicle population and motor tax income by vehicle type, 2021



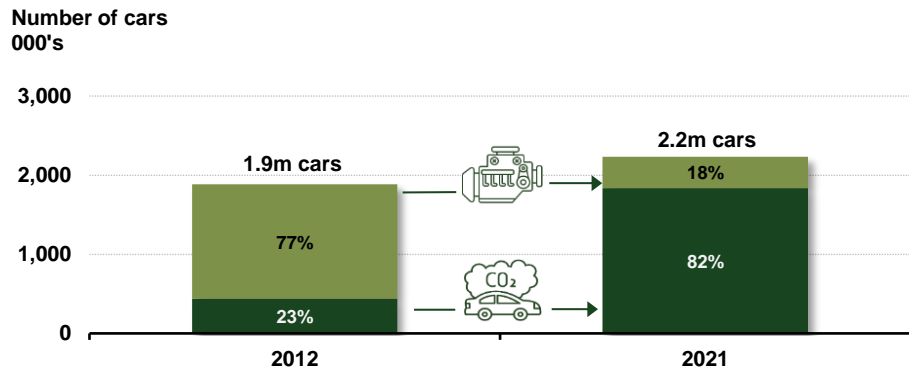
Source: Department of Transport

- Notes:
- a Almost 3.1 million vehicles were taxed at some point during 2021. Of these, around 2.9 million were taxed as at 31 December 2021.
 - b Other vehicles comprise a variety of vehicles that include vintage vehicles, motorcycles, taxis and caravans (see Annex 18B). This category also includes motor tax arrears of €45 million for all vehicles.

Private vehicles motor tax income

18.8 In 2021, motor tax income from private vehicles was almost €691 million. For the majority of private cars, the motor tax rate was calculated on the basis of the vehicle's CO₂ emission levels, a significant change when compared to 2012 (see Figure 18.3).

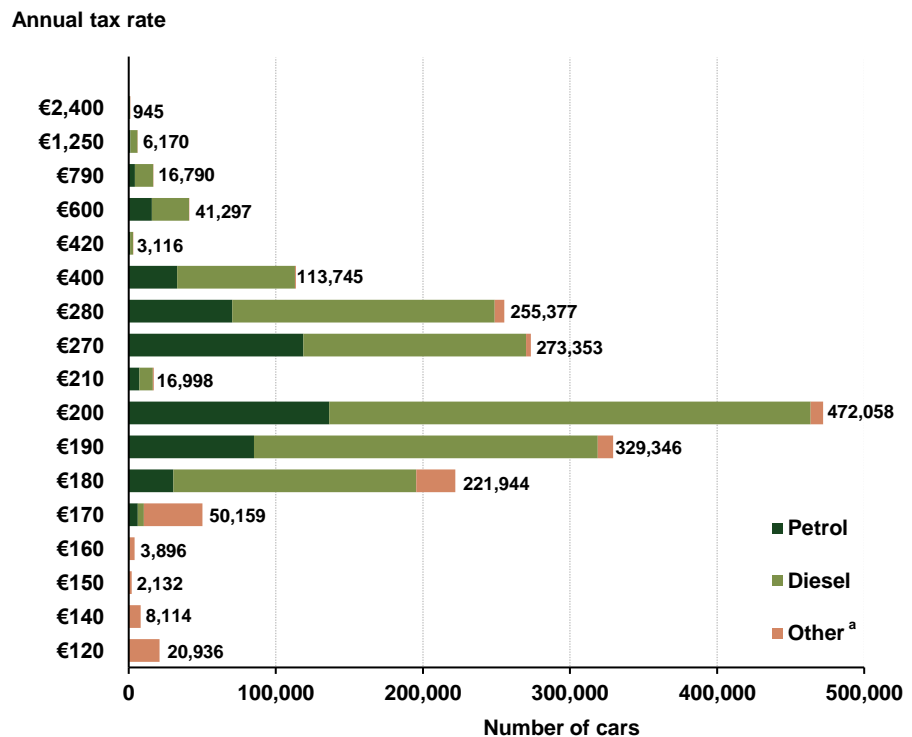
Figure 18.3 Basis of assessment for private cars, 2012 compared to 2021



Source: Department of Transport

18.9 As shown in Figure 18.4, around 60% (1.1 million) of private cars taxed on a CO₂ emission basis in 2021 were in the lowest CO₂ emission bands attracting lower rates of motor tax (ranging from €120 to €200).

Figure 18.4 CO₂ emission bands by fuel type for private cars, 2021



Source: Department of Transport

Note: ^a Other includes petrol/electric (77,357), petrol/plug in hybrid (23,012), electric (20,950), ethanol/petrol (5,560), diesel/electric (3,558), diesel/ plug in hybrid (651), petrol and gas (339) and other (9).

Other motor tax income

- 18.10** Just over 385,000 commercial vehicles were taxed as of 31 December 2021 contributing a total of €146 million in motor tax income. The motor tax assessment for commercial vehicles is based on unladen weight i.e. the weight when it isn't carrying a load.
- 18.11** Almost 274,000 vehicles taxed during 2021 were not classified as private or commercial vehicles (see Annex 18B). These agricultural and other vehicles contributed around €25 million to motor tax receipts in 2021. Certain vehicles such as emergency vehicles, diplomatic vehicles and vehicles used by disabled drivers or passengers are exempt from motor tax.¹

Motor tax arrears

- 18.12** For second hand vehicles that had been taxed before, motor tax arrears become due from the beginning of the month after sale. For brand new or imported vehicles, motor tax arrears become due from the beginning of the month after registration. Monthly arrears are charged at one tenth of the annual rate.² Arrears paid in 2021 were around €45 million.

Legal case

- 18.13** In October 2015, the Court of Appeal ruled that the weight of a semi-trailer should not be considered when assessing the weight of an articulated vehicle.³ On foot of this ruling, an action was subsequently lodged in the High Court seeking a refund of historic rates of motor tax paid. The claim is for just over €3 million but the action may lead to similar claims to follow. The case has yet to come before the court.

¹ Owners of such vehicles are obliged to obtain and display a disc if the vehicle is used in a public space.

² Finance (No. 2) Act, 1992 as amended by the Non-Use of Motor Vehicles Act 2013.

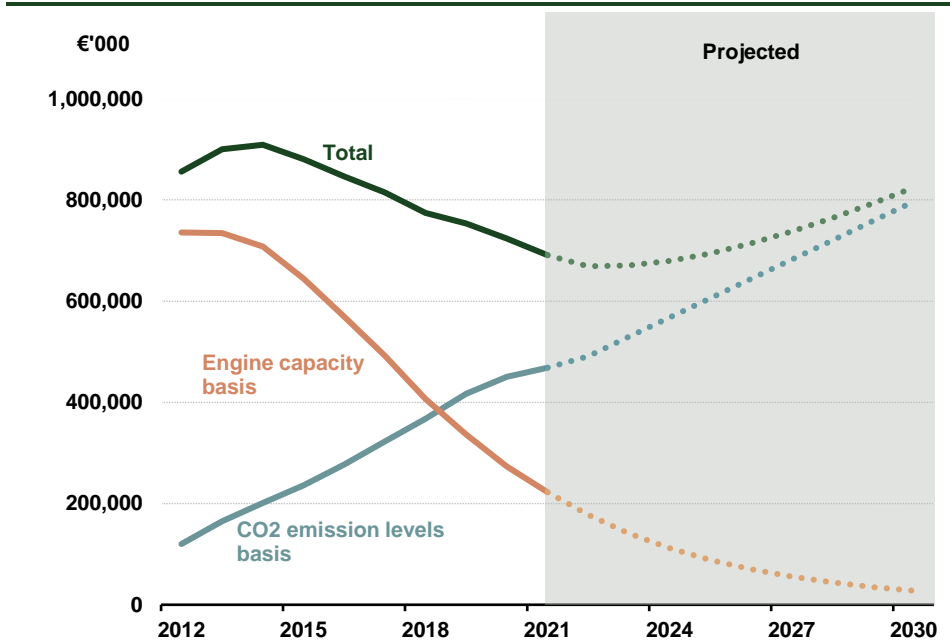
³ Prior to the Court of Appeals ruling, for articulated vehicles, the unladen weight was considered the weight of the tractor unit plus the weight of the heaviest semi-trailer to be used during the period of the licence. Amending legislation (Motor Vehicles (Duties and Licences) Act 2015) was passed in December 2015.

⁴ The Worldwide Harmonised Light Vehicle Tests Procedure replaced the New European Driving Cycle. These procedures are designed to assess the emission levels of car engines and fuel economy in passenger cars.

Forecast motor tax income

- 18.14** Forecasts of future motor tax income prepared by the Department predict that the decline in motor tax income from private vehicles will level off in 2023. Thereafter motor tax income is predicted to increase year on year back to 2017 levels by 2030 (see Figure 18.5).
- 18.15** The Department stated that the forecast figures are based on the assumptions that the average trend in the last five years broadly continues and that there will be no change in motor tax policy. However, the outcomes may be impacted by factors not modelled including but not limited to
- overall economic performance
 - the introduction of the Worldwide Harmonised Light Vehicle Tests Procedures (WLTP) for vehicles registered on or after 1 January 2021⁴
 - the ongoing impact of Covid-19 and Brexit on the economy
 - changes in car buying behaviour, in particular the further rollout of Government policies and incentives to encourage faster take up of electric vehicles.

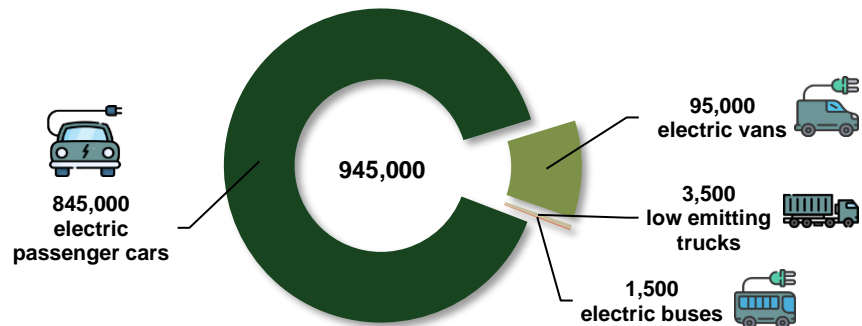
Figure 18.5 Total private vehicles motor tax income 2012 to 2021, and projected income 2022 to 2030



Source: Department of Transport

Impact of electric vehicle targets on tax base

- 18.16** Based on the past five years' growth in the number of electric vehicles, the Department's projection is that the number of electric vehicles will increase from around 21,000 in 2021 to around 416,000 by 2030. The projected income from motor tax indicated in Figure 18.5 incorporates this projected trend. The forecast does not incorporate the target take up of electric vehicles envisaged under the Government's Climate Action Plan 2021.
- 18.17** The programme for government 2020 has committed to an average 7% per annum reduction in overall greenhouse gas emissions from 2021 to 2030 (a 51% reduction over the decade) to achieving net zero emissions by 2050. The Climate Action Plan 2021 sets out planned actions to achieving this target. One of the actions includes increasing the number of electric vehicles and low emitting vehicles on the road to 945,000 by 2030 (see Figure 18.6).

Figure 18.6 Target electric and low emitting vehicles by 2030

Source: Climate action plan, 2021

1 This estimate is based on an extra 429,000 EV's by 2030 in addition to the 416,000 included in the projections at an average reduction in motor tax paid of €136.

2 The number of motor tax transactions greatly exceeds the number of vehicles, as most vehicles can be taxed for a period of three, six or twelve months.

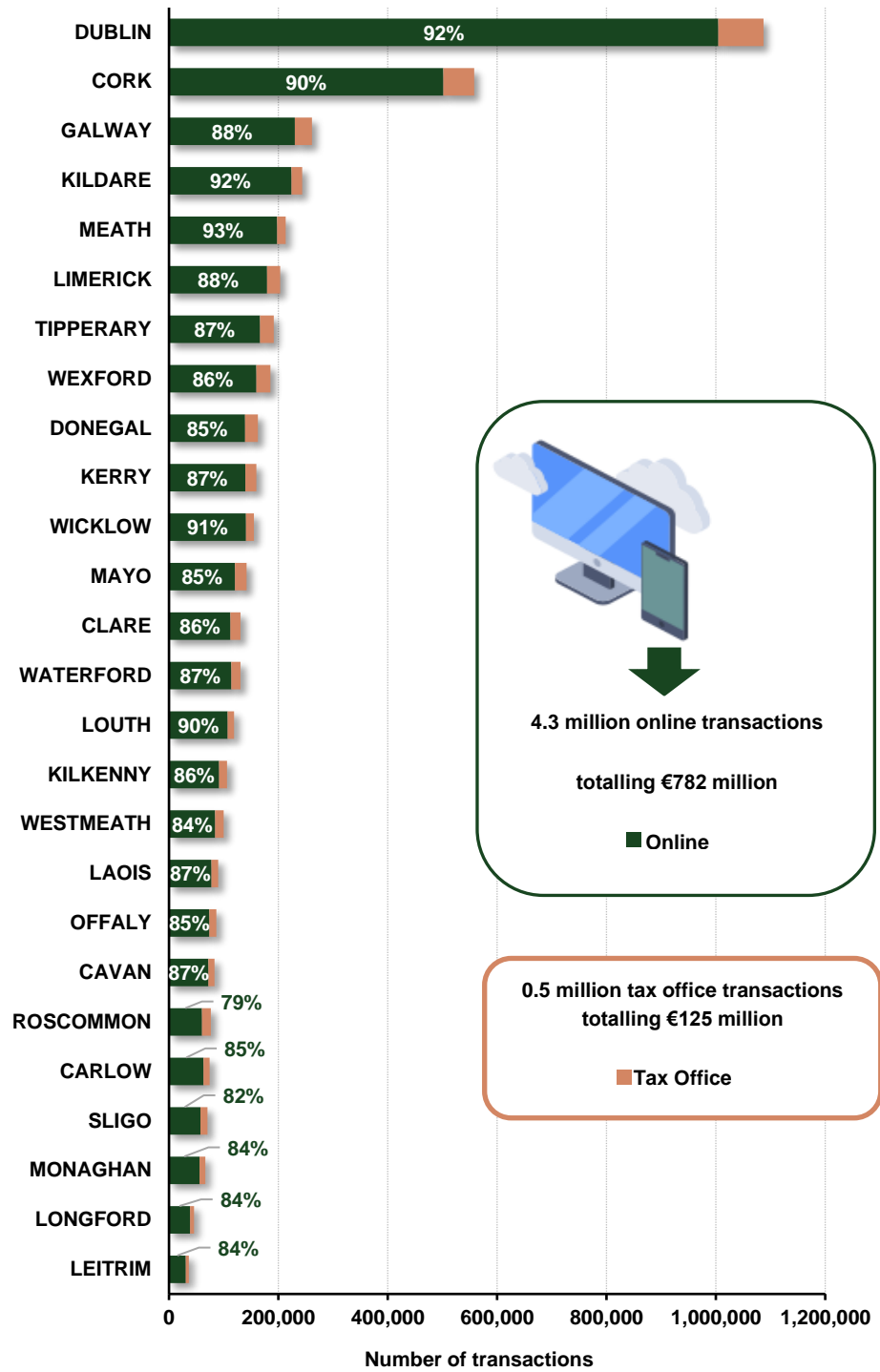
3 Motor tax renewal currently cannot be completed online for island vehicles, school buses and large public service vehicles. First time payment of motor tax cannot be completed online for commercial vehicles, motor caravans, exempt State owned vehicle, exempt emergency vehicles, diplomatic vehicles, rescue vehicles and youth community buses. Tax class changes from exempt to private and from private to vintage cannot be completed online.

- 18.18** The Department stated that a key factor in the actual outturn in future motor tax receipts will be the extent of growth in electric vehicles on the road. If the climate action plan target for electric passenger vehicles is reached, the Department estimates, that this could result in a reduction of around €58 million in the projected motor tax income for 2030.¹

Motor tax payments

- 18.19** Motor tax can be paid either online or in a local motor tax office. In 2021, there were almost 4.8 million payment transactions, in respect of all vehicles, of which around 89% were completed online (see Figure 18.7).^{2,3} This is a significant change since 2012 when only half of the motor tax transactions were completed online.
- 18.20** The year on year increases in online transactions since 2012 were reasonably steady with the largest increases occurring in 2014 and 2020 — 8% and 9% respectively. The increase in 2014 was partly due to the introduction of online renewal for light commercial vehicles and the 2020 increase was partly due to the COVID 19 pandemic.

Figure 18.7 Number of transactions online by county, 2021

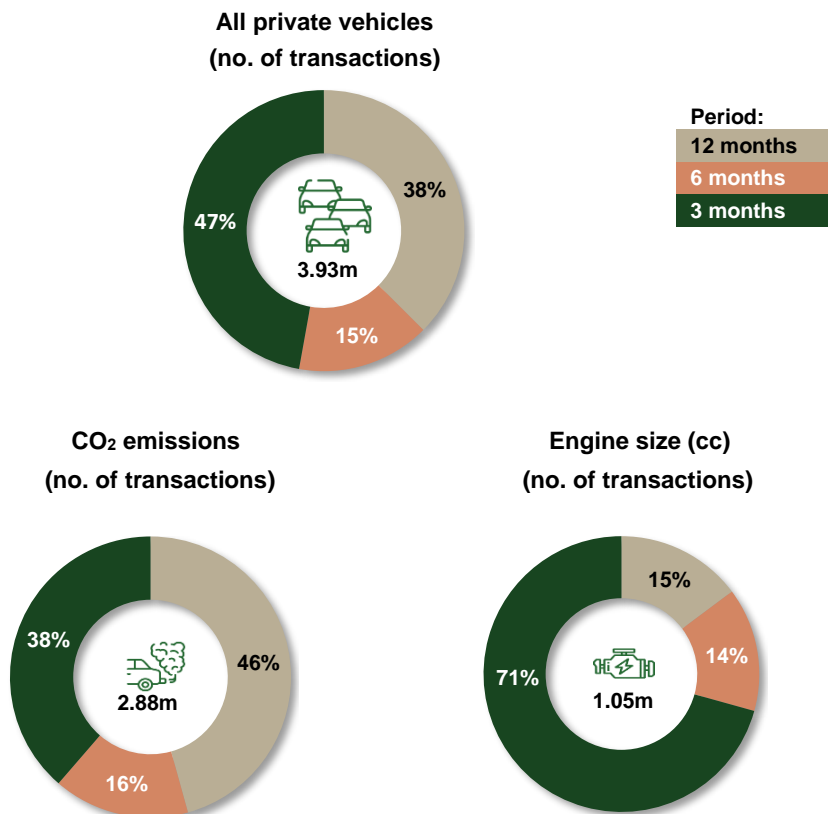


Source: Department of Transport

Frequency of payment

- 18.21** Vehicles can be taxed for periods of three, six or 12 months. Almost two-thirds of private vehicle tax transactions were for periods of three or six months in 2021.
- 18.22** In addition, there is a marked difference in the use of three and six-month taxation with the owners of vehicles taxed on engine capacity being significantly more likely to tax for the shorter periods (see Figure 18.8).¹ The average renewal period for private vehicles taxed on the basis of engine capacity is just over six months compared to just over nine months for those taxed on the basis of CO₂ emission levels.

Figure 18.8 Private vehicle motor tax by duration of renewal, 2021



Source: Department of Transport

¹ An additional charge of 11% – 13% is applied for paying for quarterly or half-yearly periods. For all vehicle types, there is an additional cost for the payment of arrears, with the monthly rate based on one-tenth of the annual rate.

² The National Car Test (NCT) is a compulsory vehicle inspection programme. The primary aim of this programme which is required under the EU Directive 2014/45, is to improve road safety and enhance environmental protection by reducing harmful emissions in Ireland.

- 18.23** Taxing vehicles for shorter periods is more expensive for taxpayers and results in extra receipts to the Exchequer. In 2021, these extra receipts were estimated to be worth over €32.7 million — €16.2 million from cars taxed on the basis of CO₂ emission levels and €16.5 million for cars taxed on engine capacity. However, the Department stated that renewal for shorter periods also gives rise to higher operational costs for the Department and the motor tax offices.
- 18.24** Possible reasons for taxpayers choosing to tax an older vehicle for less than a year noted by the Department include affordability and vehicle reliability (for example the potential to fail the National Car Test).²

Administration and operational costs

- 18.25** Motor tax receipts are lodged to the motor tax fund, and subsequently transferred to the Central Fund. The administration and operational costs incurred in running the motor tax system are not charged to the motor tax fund. Instead, the related expenses are incurred by the Department and by the local authorities. As a result, the full costs of collecting the tax are difficult to identify.
- 18.26** The Department has not separately identified the costs that relate to motor tax collection. The costs incurred by the Department are charged to Vote 31 Transport, and are reflected in the annual appropriation account under subhead B.5. In 2021, the total costs incurred in respect of the subhead amounted to around €22 million, but this includes costs not associated with the collection of motor tax such as driver licencing services. Departmental pay costs associated with the operation of the motor tax system are not included in this subhead.
- 18.27** The costs of running motor tax offices incurred by the local authorities are reflected in their annual financial statements. These annual financial statements are amalgamated and published by the Department of Housing, Local Government and Heritage.
- 18.28** The most recently published amalgamated financial statements for the local authorities is for year end 31 December 2020. These report that the total cost of running the motor tax service at local authority level for that year was €29.5 million — down by almost 40% from €48.7 million in 2012.

Motor tax offices internal control weaknesses

- 18.29** Motor tax offices are subject to annual audit by the Local Government Audit Service (LGAS). Any findings from this work which the auditor considers should be reported is included in the motor tax office audit management letter to the relevant local authority.
- 18.30** LGAS management letters containing issues that relate to the operation of the motor tax service are copied to the Department. In the past, the management letters have covered a broad range of issues, many of which are outside the immediate control of the Department. Examples of the issues raised include the absence of standardised procedures manuals in motor tax offices, delays by local authorities in paying over motor tax receipts to the Department, and concerns about the level of blank tax disc stocks.
- 18.31** The Department stated that it is endeavouring to address actions identified that are in its direct control for example reducing the tendency for over-ordering of tax disc stock and development of a policy manual.

Implementation of recommendations

- 18.32** A previous report on the administration and collection of motor tax was completed in December 2016. The examination reviewed the trends in motor tax receipts, the costs of collection and the effectiveness of controls in ensuring compliance with motor tax regulations. The report made seven recommendations addressed at the time to both the Department and the Department of Local Government, Heritage and Housing — all of which were accepted.
- 18.33** This examination sought to establish the progress the Department has made in implementing the recommendations. As shown in Figure 18.9, as of August 2022, one recommendation had been implemented, three were in the process of being implemented and three had not been implemented.

Figure 18.9 Progress implementing recommendations at August 2022

Summary recommendation	Implementation status ^a
1 Establish the overall cost of the motor tax system and the factors influencing that cost.	●
2 Analyse the factors influencing taxpayer behaviour, to inform the planning of the provision of services in future years.	●
3 Establish the factors influencing the decision of a customer to use online or physical payment methods.	●
4 Evaluate the potential to use IT solutions to reduce the cost of operating the motor tax system.	●
5 Evaluate the methods of assessing motor tax compliance rates in Ireland and commence regular periodic monitoring of the rate of compliance with motor tax regulations.	●
6 Enhance the validation of owner identifying data stored on the NVDF to ensure that the data quality is fit for purpose.	●
7 Instigate a process of regular data analysis to inform the development of motor tax policy and the enforcement of motor tax regulations.	●

Source: Analysis by the Office of the Comptroller and Auditor General

Note: a Implementation status key:

- **Implemented** — the Department has implemented the recommendation actions.
- **Work in progress** — the Department has started work, including planning, to implement the recommendation actions.
- **Not implemented** — the Department has not implemented the recommendation actions and no work has commenced on implementing the recommendation actions.

Accounting Officer's views

18.34 The Accounting Officer stated that progress on implementing the recommendations has been made where feasible. The views of the Accounting Officer on the implementation status for the six recommendations that are currently in progress or are yet to be implemented are set out below.

- ***Establish the overall cost of the motor tax system***

The Department of Transport reports on the costs of its functions within the wider motor tax system, where possible to separate these out from other services or functions of the Department. While this recommendation has not been implemented in full, the Department of Transport has implemented it to the extent possible for its motor tax functions. The Department of Transport is not responsible for reporting on the cost of the motor tax offices network.

- ***Analyse the factors influencing taxpayer behaviour***

The Department has not undertaken a specific analysis of the reasons why vehicle owners choose to renew quarterly, half-yearly or annually. However, from interactions with vehicle owners, representations to the Minister and other customer contacts, the reasons for doing so relate to cost, timing of NCT checks and uncertainty around future tax changes, among other factors. The Department's view is that this recommendation is being partially implemented, through this ongoing feedback.

- ***Evaluate the potential to use IT solutions to reduce the cost of operating the motor tax system***

The Department introduced electronic motor tax renewal notices resulting in savings of around €3 million per year. In addition, the range of motor tax categories eligible for online motor tax was broadened, the online service was made more adaptable for mobile devices, and payment security facilities online were enhanced. Any further enhancements to the online service to enable for example additional vehicle owners use the service would primarily require legislative change, and in effect would not be driven by an IT solution.

- ***Evaluate the methods of assessing motor tax compliance rates***

Measurement of tax non-compliance is challenging, given the illicit and usually unrecorded nature of non-compliant activity. With the evolving nature of data protection measures and the issues around use of data for any purpose other than which the data is being gathered (e.g. toll data), it is not clear that any methods exist to allow for accurate evaluation of this nature, without requiring possible legislation and a fuller consideration of the likely data sharing requirements.

- ***Enhance the validation of owner-identifying data on the NVDF***

Vehicle owner identity provisions are included in Part 3 of the Road Traffic and Roads Bill 2021. This legislation is currently passing through the Houses of the Oireachtas.

- ***Instigate a process of regular data analysis to inform the development of motor tax policy and the enforcement of motor tax regulations***

The Department is in the process of establishing a dedicated data analytics function. One of the objectives of this function will be deriving further analytical value from datasets such as the NVDF.

Conclusions

- 18.35** Although the number of vehicles taxed has increased by almost a half a million between 2012 and 2021, motor tax income has declined significantly, from almost €1.2 billion in 2014 to around €907 million in 2021. Private vehicles accounted for 76% (€691 million) of the total receipts in 2021.
- 18.36** Newer vehicles are generally taxed on the basis of their CO₂ emission levels. As vehicle designs have improved in that regard, replacement of vehicles has resulted in a significant drop in the average motor tax paid. As vehicles currently in the fleet are replaced by electric models, this drop in the average tax paid is likely to continue.
- 18.37** The Department has projected, based on current trends in vehicle ownership and there being no change in motor tax policy, that motor tax income from private vehicles will stop falling in 2023, and increase to just over 2017 levels by 2030 (€824 million). However, if the Government target of 845,000 electric vehicles by 2030 is met, the Department estimates that this could see a reduction in the projected motor tax take for 2030 of around €58 million.
- 18.38** The majority (89%) of the 4.8 million motor tax payments, for all vehicles, in 2021 were completed online. This represents a significant change since 2012 when only half of motor tax payments were being made online.
- 18.39** The 2021 costs incurred by the Department in respect of motor tax collection were charged to Vote 31 Transport subhead B.5. However, the subhead charges also includes costs not associated with the collection of motor tax such as driver licencing services. Furthermore, the subhead charges do not include Departmental pay costs associated with the collection of motor tax. The Department has not undertaken an exercise to identify the total costs that relate to motor tax collection.
- 18.40** The costs of running motor tax offices incurred by the local authorities are reflected in their annual financial statements. These annual financial statements are amalgamated and published by the Department of Housing, Local Government and Heritage. For year end 31 December 2020, the reported total cost of running the motor tax service at local authority level was €29.5 million. This has reduced significantly since 2012.
- 18.41** As previously recommended, better and more integrated information is required regarding the costs of collecting motor tax.
- 18.42** Responsibility for implementation of seven recommendations made in 2016 now rests with the Department of Transport. Although previously agreed, as of August 2022, the Department has implemented just one of the recommendations; three were in the process of being implemented; and three had not been implemented.

Annex 18A Motor tax rates 2021

Engine Capacity		CO2 Emissions							
Cars registered before 30 June 2008 ^a		Cars registered from 1 July 2008 to end 31 December 2020 (NEDC value) ^b			Cars registered from 1 January 2021 (WLTP value) ^b				
Engine capacity (cc)	Annual rate €	Band	CO2g/km	Annual Rate €	Band	CO2g/km	Rate €		
			From	To		From	To		
Electric vehicles	120	A0	0	0	120	A	0	0	120
0 – 1,000	199	A1	1	80	170	A1	1	50	140
1,001 – 1,100	299	A2	81	100	180	A2	51	80	150
1,101 – 1,200	330	A3	101	110	190	A3	81	90	160
1,201 – 1,300	358	A4	111	120	200	A4	91	100	170
1,301 – 1,400	385	B1	121	130	270	A5	101	110	180
1,401 – 1,500	413	B2	131	140	280	A6	111	120	190
1,501 – 1,600	514	C	141	155	400	B1	121	130	200
1,601 – 1,700	544	D	156	170	600	B2	131	140	210
1,701 – 1,800	636	E	171	190	790	C1	141	150	270
1,801 – 1,900	673	F	191	225	1,250	C2	151	160	280
1,901 – 2,000	710	G	more than 225	2,400		D	161	170	420
2,001 – 2,100	906					E	171	190	600
2,101 – 2,200	951					F1	191	200	790
2,201 – 2,300	994					F2	201	225	1,250
2,301 – 2,400	1,034					G	more than 225	2,400	
2,401 – 2,500	1,080								
2,501 – 2,600	1,294								
2,601 – 2,700	1,345								
2,701 – 2,800	1,391								
2,801 – 2,900	1,443								
2,901 – 3,000	1,494								
3,001 or more	1,809								

Source: Department of Transport

- Notes:
- Private vehicles first registered between 1 January 2008 and 30 June 2008 initially had their motor tax charged on the basis of engine capacity. These vehicles were switched to CO2 basis on next renewal (post 1 July 2008) where it was financially beneficial. This tax band stays with those vehicles until end of life even if motor tax rates change.
 - The New European Driving Cycle (NEDC) was originally designed to assess the emission levels of car engines and fuel economy in passenger cars. This was replaced by the Worldwide Harmonised Light Vehicle Tests Procedure (WLTP).

Annex 18B Motor tax rates for agricultural tractor/excavator and other vehicles 2021

Classification	Annual tax rate €	Number of vehicles
Agricultural tractor/excavator	102	82,972
Vintage/veteran	26 to 56	54,680
Cycle	35 to 88	45,924
Exempt vehicles	—	31,851
Motor caravan	102	16,181
Taxi	95	15,267
Large public service	154 to 403	11,090
Mobile machine	333	4,994
Forklift	102	2,511
Limousine	95	1,619
Hackney	95	1,197
Hearse	102	970
School bus	95	779
Youth community	154 to 403	769
General haulage	333	691
Island vehicle	102	667
Dumper	102	618
Tricycle	35 to 88	369
Cycle and sidecar	35 to 88	343
Emergency rescue vehicle	—	182
Off road dumper	885	28
Total		273,702

Source: Department of Transport