

METAMORPHOSES OF THE ENVIRONMENTAL STAMP IN ROMANIA

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Abstract

Romania's alignment to European standards is a difficult process with many legislative changes, with direct impact on taxpayers. The necessity of collecting substantial revenues to the State budget, which provide vital economic growth of the Romanian State, loses the substance when we are talking about taxes levied in relation to taxpayer. The environmental stamp, otherwise a controversial tax, represent for the State another way to earn revenue in advance, "as a loan", because in the end it's forced to repay the amounts concerned taxpayers, under the effect of a final and irrevocable court decision. The effects of the legislative changes bring every time complaints both from taxpayers, because they can demand repayment of the environmental stamp only during the period of prescription, as well as on the part of public servants who are grappling with a large volume of work, with the possibility of overcoming the term to handle requests. An equitable solution in solving these distortions would be the inclusion of the environmental stamp within the tax on means of transport, tax that is paid annually by vehicle owners. At the moment the level of the environmental stamp is calculated depending on the CO2 emissions, exhaust emissions and the age of the vehicle. Tax on means of transport is calculated based on engine capacity, an amount determined by CO2 emissions multiplying with each group of 200 cc or fraction on it. Therefore the unification of the two taxes would create a balance for all categories of vehicles.

Keywords: environmental stamp, registration tax, tax on means of transport, taxpayer

Clasificare JEL : H230, H260

1. Introduction

Taxation is unquestionably an inopportune for any taxpayer, no matter how fiscal civic prove it. In addition it becomes a burden and cause of public discontent when it goes too far or when its management is wrong with the declared intension of the public powers and accepted by vote by taxpayers [1]. Taxation should be equitable for all taxpayers, so that it doesn't give unfair advantages to some at the expense of others. Also, the tax laws of a country should not allow citizens to evade tax payment in another member state [2]. However, the existence of different tax systems, by applying discriminatory tax treatments, either to determine taxpayers to evade paying taxes or pay dearly for their needs. At E.U. level there are no rules on the registration of motor vehicles and traffic fees, which determine the member states decide whether to charge or not and in what amount, in a non-discriminatory manner.

2. The route of the environmental stamp in Romania

The annual work of each nation represents the original fund by which draw their basic needs and comfort of life, which they consume every year and always consist of either the immediate product of a work or in what buy this product from other nations [3]. In the present context we question if it's necessary to measure inequalities relating to various forms of environmental stamp or to accept with stoicism the legislation in force. The appearance of the environmental stamp in Romania is not accidental, since ensuring environment protection in order to improve air quality has been a requirement imposed by the European Union. Therefore in 2006, according to the Law no. 343/2006 [4] the Romanian State has introduced a special tax for cars and vehicles, charged upon first registration in Romania. Two years later, according to the Government's Emergency Ordinance no. 50/2008, the obligation to pay duty extended to reinstatement of a motor vehicle in traffic after stoping a waiver or exemptions [5]. Through this Ordinance, special tax for cars and motor vehicles changes its name into pollution tax for motor vehicles. At the same time appears the possibility of refund this tax under art. 11, thus: the levy resulting as the difference between the amount paid by the taxpayer during the period 1 January 2007 to 30 July 2008 by way of a special tax for cars and vehicles, and quantum resulting from the application of the present provisions concerning pollution tax for motor vehicles shall be refunded on

the basis of the procedure specified in the implementing rules of this Emergency Ordinance. The changes that occurred were caused to the infringement procedure initiated by the European Commission against the Romanian state

on the grounds that the formula for calculating the tax advantage the local market of vehicles and disadvantage buying second-hand vehicle from European Union [6]. Moreover, under art. 110 of the Treaty on the Functioning of the European Union, no member State shall impose, directly or indirectly, on the products of other member states any internal taxes higher than those applied, directly or indirectly, similar national products [5]. As the tax is more neutral, causes less distortion and excess load is reduced [8].

In order to eliminate negative impacts generated by charging for pollution tax emissions, Romania complies with the recommendations imposed by the European Commission and adopting a new piece of legislation, by Government Emergency Ordinance no. 9/2013 and introduce a new fee called environmental tax. Through this ordinance, the obligation of payment of environmental tax intervenes only once, as follows [9]:

- a. when registering in the competent authority records, by law, to acquire ownership of a vehicle by the first owner from Romania and the award of a certificate of registration and registration number;
- b. on the reintroduction in the national vehicle park of a vehicle, if, at the time of his removal from the national vehicle park, was returned to the owner the residual value of the tax, in accordance with the provisions of article 7;
- c. during transcription of ownership of the vehicle used and for which no tax was paid for special tax for cars and vehicles, pollution vehicle tax or tax for emissions from motor vehicles, according to legal regulations in force at the time of registration;
- d. during transcription of ownership of the vehicle used in a situation where restitution was ordered or registry by courts without the special tax for cars and motor vehicles, pollution vehicle tax or tax for emissions from motor vehicles.

In these terms we face the double taxation effect because a vehicle what was once registered in an EU member state and is re-enrolled in Romania, is again subject to taxation, which is contrary to art. 9 of Law no. 83/2012, whereby the contracting parties undertakes to cooperate in the direction of economic policy that fosters the proper functioning of the European and Monetary Union and economic growth through a convergence of increased competitiveness, by promoting workforce, strengthening public finances sustainability and growth financial stability [10]. In this sense, Romania approved a common order of the Minister of the Environment and Climate Change and to the Minister of the Public Finance, whereby the environmental stamp can repay to taxpayers who paid the fee at registration of a vehicle, but also in the case of final and irrevocable court decisions. According to the common order no. 490/407 of 29 March 2013 approving the Procedure for refunding the amounts stipulated in art. 7, 9 and 12 of the Government Emergency Ordinance no. 9/2013 on environmental stamp, reimbursement is possible in these cases [11]:

- amounts resulting as a difference between the pollution vehicle tax / special tax for cars and motor vehicle / tax for emissions from motor vehicle and environmental stamp;
- amounts representing the residual value of the environmental stamp;
- amounts representing tax differences resulting from challenging it;
- amounts established by the courts through the final and irrevocable decisions, as well as cash expenses set by these courts and any other expenses incurred as a result of compulsory enforcement;
- amounts paid for the pollution vehicle tax / special tax for cars and motor vehicle / tax for emissions from motor vehicle and environmental stamp which have not been registered.

The deadline for solving applications for refund of amounts owed to taxpayers is 45 days from the date of their registration to the tax authorities, according to art. 70 of the Fiscal Code Procedure [12]. If additional information is required, the deadline is extended to the period between the date of the request and receipt of files requested. In addition to the provisions described in this procedure, was issue the Ordinance no. 40/2015 [13], whereby the taxpayers who paid environmental stamp may require refund in the statute of limitation [14] based on a request to the tax authorities. The amounts and interest owed to the taxpayer are paid over a period of five calendar years, in annual installments, according to the schedule set by the tax authorities. Also, art. 15 of this Ordinance refers to stimulating the purchasing of non-polluting vehicles, hybrid or pure electric, for which it offers an “ecoticket” worth 20.000 lei for pure electric vehicle and 5.000 lei for a new hybrid electric vehicle with external power source, which generates a quantity of CO₂ less than 50g/km. Although it encourages the purchase of less polluting vehicles and national fleet renewal, distortion occurs of the amount of tax paid on purchasing a standard or second hand vehicle and non-polluting ones.

Revenues in Romania from pollution vehicle tax / special tax for cars and vehicles / tax for emissions from motor vehicle / environmental stamp are as follows:

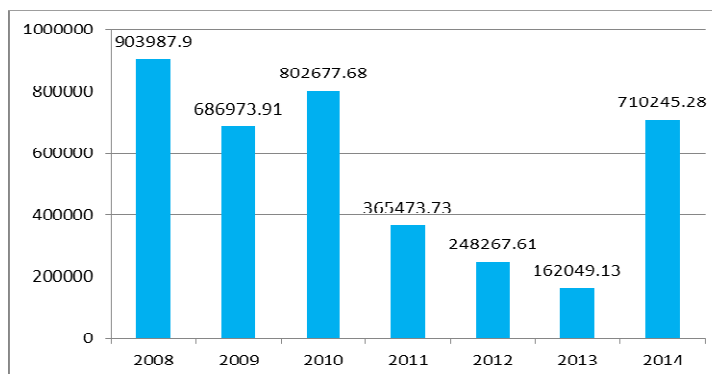


Figure no. 1 **Environmental stamp revenues for the Environment Fund in 2008 - 2014**

Source: Report on the use of the Environment Fund in 2013 - 2014 [15]

Metamorphoses environmental stamp in Romania led to the State budget revenues during the period 2008 to 2014 of the 3.5 billion lei net amount (the amounts refunded to taxpayers were removed). Another important aspect is that the State also collects amounts from the tax on means of transport [16], according to art. 261 of the Law no. 571/2003, as follows:

1. any person who owns a vehicle that must be licensed / registered in Romania, owes an annual tax on means of transport, except where otherwise provided in this chapter;
2. the fee stipulated under par. (1) hereinafter called the tax on means of transport is paid to the local budgets of the administrative-territorial unit where the person has his residence, office or place of business, as the case;
3. if a vehicle is subject to a finance lease, the entire duration of its, the tax on means of transport is due by the tenant;
4. if the contract of leasing ends otherwise than by reaching maturity, the tax on means of transport is due by the lessor;
5. until the first incorporation / registration in Romania within the meaning of this title, the vehicle is considered merchandise. After the first incorporation / registration the vehicle, within the meaning of this title, can no longer be considered merchandise and for this it is due to tax on means of transport.

Therefore, in case of purchase a vehicle, the taxpayer has to pay for become its owner, but also for its use.

Table no. 1 **Fees paid on the purchase of a vehicle**

Indicators	Environmental stamp	Tax on means of transport
Cilindrical capacity	1796 cc	n/a*
Pollution norm	Euro 5	n/a
Age of vehicle	4 – 5 years	n/a
CO2 emissions (grams CO2/km)	155 g /km	n/a
Vehicle type	Vehicle with spark-ignition engine	n/a
Rate reduction %	3%	n/a
Cars with capacity between 1601 cc and 2000 cc including	n/a	1796 cc** (8.98 * 18 lei = 161.64 lei)
Full payment by March 31 (10% discount)	n/a	16.16 lei
Total	813.56 lei	161.64 lei***

* not applicable.

** tax on means of transport is calculated depending on its cilindrical capacity by multiplying each group of 200 cc or part thereof the corresponding amount, according to art. 26, paragraph (2) of Law no. 571/2003.

*** suppose that the vehicle was purchased after March 31

Source: own calculations

Therefore, according to the data in the table no. 1, purchasing a used vehicle will be paid 975.2 lei. In these conditions, unification of the two taxes can be difficult, because the proceeds from environmental stamp flows into the Environment Fund budget and the tax on means of transport flows into the local budget.

An equitable solution for new car owners it could be the introduction of payment in instalments (monthly, quarterly, semester) of environmental stamp. Also, if full payment might introduce a discount of 10% of the environmental stamp, to stimulate collecting the total amount of tax. For example, if we choose to pay on instalment

environmental stamp, the tax burden would be reduced considerably for vehicle owners. In this case, we have the following installments:

Table no. 2 Contributions paid by the taxpayer

Installments	Environmental stamp	Tax on means of transport
Monthly	67.79 lei	n/a*
Quarterly	203.38 lei	n/a
Semester	406.77 lei	58.32 lei**
Integral (10% discount)	732.20 lei	145.47 lei***
Total including discount	877.67 lei	

* not applicable

** tax on means of transport shall be paid annually, in two equal installments until March 31 and September 30 inclusive, according cu art. 265, paragraph (1) of Law no. 571/2003.

*** suppose the tax on means of transport was made until March 31

Source: own calculations

In these conditions the tax burden would be reduce to 97.53 lei if full payment of both taxes. Also, if the tax on means of transport may pay monthly, then the rate of 81.26 lei (environmental stamp and tax on means of transport) it would be much easier paid by taxpayers and the State would be an advantage in that it would increase the level of collection of taxes with a higher frequency, thereby reducing the number of debtors.

3. The European Union Taxation

At European Union level, member states can or cannot charge levy registration or circulation taxes, taking into account the recommendations of the European Commission, in order to avoid double taxation. Thus, of the 28 EU member states, only Bulgaria, Czech Republic, Estonia, Germany, Luxembourg, Sweden and England does not apply taxes, just applying VAT to those transactions. Among the countries that practice the biggest taxes it counts Hungary, which apply a rate of 27% VAT, plus a registration tax based on the cylinder capacity of the engine and exhaust emissions. Romania apply a VAT rate of 24% and a registration tax based on the cylinder capacity of the engine and CO2 emissions. Croatia (VAT 25%), Malta (27%), the Netherlands VAT (VAT 21%) and Slovenia (VAT 20%) apply a registration tax based on the price of the vehicle and gas emissions. Lithuania applies a VAT rate of 21% and registration tax ammounting by 14.48 Eur, regardless of cylinder capacity of the engine, price or CO2 emissions.

Table No. 3 Motor vehicle taxation: taxes on acquisition

Country	VAT	Registration tax
Bulgaria	20%	None
Czech Republic	21%	None
Germany	19%	None
Estonia	20%	None
Luxembourg	17%	None
Sweden	25%	None
United Kingdom	20%	None
Austria	20%	Based on CO2 emissions, Not more than 32% + bonus/malus
Belgium	21%	Based on cc + age, CO2 emissions (Wallonia) CO2 + Euro standards + fuel + age (Flanders)
Cyprus	19%	Based on CO2 emissions
Denmark	25%	105% of DKK 180 80500 +% on the remainder
Spain	21%	Based on CO2 emissions From 2.9% (121-159g/km) to 14.75% (200g/km or more)
Finland	24%	Based on price + CO2 emissions, Min. 5%, max. 50%
France	20%	Based on CO2 emissions From € 150 (131 to 135g/km) to € 8000 (above 200g/km)
Greece	23%	Based on cc + Subramanian emissions, 5%-50% Luxury tax up to 40%
Croatia	25%	Based on price + CO2 emissions
Hungary	27%	Based on cc + Subramanian emissions
Ireland	23%	Based on CO2 emissions, 14 to 36%

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Italy	22%	Based on kilowatt/weight/seats
Lithuania	21%	€ 14.48
Latvia	21%	Based on CO2 emissions
Malta	17%	Based on CO2 emissions, price, vehicle length
The Netherlands	21%	Based on price + CO2 emissions
Poland	23%	Based on cc, 1.9%-11.6%
Portugal	23%	Based on cc + CO2 emissions
Romania	24%	Based on cc + CO2 emissions + Subramanian
Slovenia	20%	Based on price + CO2 emissions
Slovakia	20%	Based on kilowatt

Source: www.acea.be/uploads/publications/EU_Summary_2015.pdf [17]

Regarding taxation of passenger cars in the Czech Republic, Estonia, France, Lithuania, Poland and Slovakia there shall be no charge. Also, in commercial vehicles, most EU Member States calculate this tax only on weight such as in: Austria, Greece, Hungary, Ireland, Latvia, The Netherlands and Slovakia. In Romania, car taxation is done depending on engine capacity and for the commercial vehicle is done depending on weight and axles.

Table no. 4 Car taxation in EU28

Country	Passenger Cars	Commercial Vehicles
Czech Republic	None	Weight, axles
Estonia	None	Weight, axles suspension
France	None	Weight, axles suspension
Lithuania	None	Weight, axles suspension
Poland	None	Weight, axles
Slovakia	None	Weight, axles
Austria	Kilowatt	Weight
Bulgaria	Kilowatt	Weight, axles
Hungary	Kilowatt	Weight
Italy	Kilowatt, CO2 emissions	Weight, axles suspension
Belgium	Cylinder capacity	Weight, axles
Malta	Cylinder capacity	Not available
Romania	Cylinder capacity	Weight, axles
Slovenia	Cylinder capacity	Weight
Portugalia	Cylinder capacity, CO2 emissions	Weight, axles suspension
United kingdom	Cylinder capacity, CO2 emissions	Weight, axles, exhaust emissions
Greece	Cylinder capacity, CO2 emissions	Weight
Latvia	Cylinder capacity, weight, kilowatt	Weight
Cyprus	CO2 emissions	Not available
Germany	CO2 emissions	Weight, noise, exhaust emissions
Croatia	CO2 emissions	Not available
Ireland	CO2 emissions	Weight
Luxembourg	CO2 emissions	Weight, axles
The Netherlands	CO2 emissions, weight	Weight
Sweden	CO2 emissions, weight	Weight, noise, exhaust emissions
Finland	CO2 emissions, weight * days	Weight * days
Denmark	Fuel consumption, weight	Fuel consumption, weight
Spain	Horsepower	Payload

Source: www.acea.be/uploads/publications/EU_Summary_2015.pdf [18]

Considering refistration fees, VAT and taxes on vehicles, we can analyze the number of registrations of new cars purchased in the European Union.

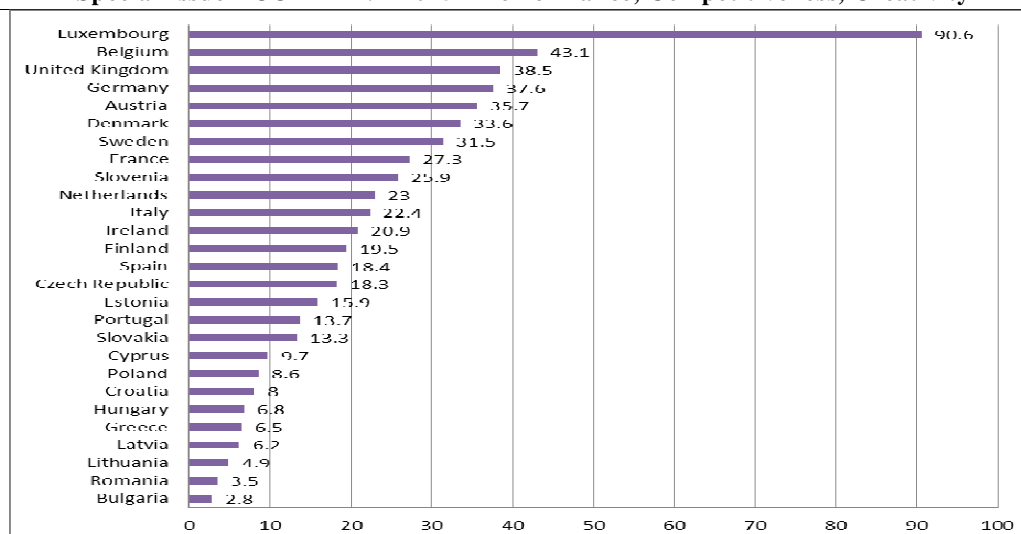


Figure no. 2 Number of new cars per 1.000 inhabitants in 2014

Source: <http://www.acea.be/statistics/article/per-capita-new-car-registrations> [19]

Thus, in 2014, at European Union level, were registered on average 25 new cars per 1.000 inhabitants. Luxembourg grew 90.6 new vehicles per 1.000 inhabitants, ranking the first located in the E.U., followed by Belgium (43.1), United Kingdom (38.5) and Germany (37.6). Conversely, Romania grew by only 3.5 new vehicles registered in 2014, ranking the second lowest in E.U.. Also, pollution standards imposed by the European Union on CO₂ emissions from new vehicles have had a positive impact. Thus, in Romania CO₂ emissions of new cars sold in 2014 were an average of 128.3 g/km, compared to the average in the E.U., which was 123.4 g/km, down from 2013 by 2.9 g/km.

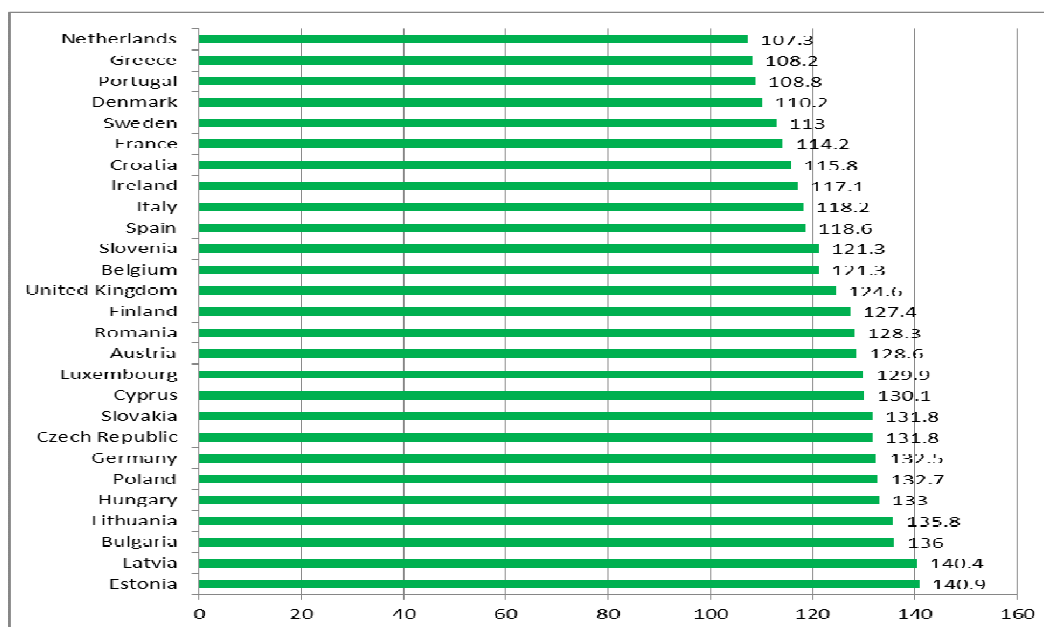


Figure no. 3 Average emissions of new passenger cars in 2014

Source: <http://www.acea.be/statistics/tag/category/co2-emissions-trends> [20]

It should be noted that the Member States with low levels of CO₂/km in acquiring the new cars in 2014, such as: Ireland (117.1 g CO₂/km), Portugal (108.8 g CO₂/km), Greece (108.2 g CO₂/km), Croatia (115.8 g CO₂/km), etc., taxation is considering these CO₂ emissions. However, in countries such as Belgium (121.3 g CO₂/km), Denmark (110.2 g CO₂/km), Spain (118.6 g CO₂/km), France (114.2 g CO₂/km) and Slovenia (121.3 g CO₂/km) has registered a low CO₂ emissions, below the E.U. average (123.4 g CO₂/km), considering that taxation in these countries do not

take into account CO2 emissions. This can be explained by the “Scrappage” program more efficient, were customers are encouraged to buy cleaner vehicles.

4. Conclusions

In order to eliminate tax barriers in terms of registration tax, the European Union should propose removal of these duties, thus removing the distortions created and facilitating the free movement of goods purchased within the Union. The current disadvantages of the taxes determine the taxpayer to focus on states who applies taxes much lower or not at all, thus preventing the healthy functioning of the internal market. Environmental stamp could be introduced or replaced by the tax on means of transport, because a vehicle traded it's pollute permanently not just at the transfer of ownership. The advantages of such a tax, levied annually, would stimulate domestic vehicle market. The existence of installments monthly, quarterly or half-yearly payment of environmental stamp it could be an advantage for taxpayers and for the State. The introduction of further cuts to pay full environmental stamp (for example 10% discount) could reduce the tax burden among taxpayers in, thus discouraging vehicle registration in other EU member states that do not levy such taxes.

If is essential to identify effectient redistributions, where exist, the desire to denounce in each inequality the sign of a memorable ineffective, to whom a somewhat mythical voluntarism would end, sometimes it can make us give up to pay the taxes required to finance some fiscal transfers that, if not put an end to unreal inequalities, at least allows the improvement in a certain measure to the very real inequalities of the living conditions [21].

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