



## Press Release

### **THE TAXATION CHARGED ON MOTOR VEHICLES IN ITALY DURING 2018 EXCEEDED 76 BILLION EURO (+1.5%)**

**The total tax liability on the Italian automotive industry continued to rise compared to the previous year, reaching 15.8% of domestic tax income and 4.3% of national GDP, against a European average of 3.1%. Even though we are one of the most taxed sectors in the country we are facing the risk of further persecution under review in the 2020 Budget, a year which is crucial for the smooth transition to electrified mobility**

*Turin, November 21<sup>st</sup>, 2019* - The overall tax liability on the Italian motor industry increased again in 2018, reaching **76.3 billion euro**, an increase of 1.5% compared to the previous year<sup>1</sup>.

Against an increase of 3.6% in total national tax revenues compared to 2017 - reflecting an upward trend both in indirect taxes (+3.7%), based on consumption, and in direct taxes (+3.5%) - the proportion of tax revenue from the automotive sector out of total revenue calculated on a cash basis remains slightly lower (15.8%) than in the previous three years, when it remained stable at 16%.

*"Over 76 billion euro worth of tax revenue from the automotive sector in 2018 marks a new high - this was in spite of it being the first year of decline (-3.1%) in the new car market after enjoying four consecutive years of growth, albeit with a gradual slowing down in the growth rates over those years - commented Paolo Scudieri, President of ANFIA. Revenue from the purchase of motor vehicles - VAT and IPT<sup>2</sup> - grew by +0.4% and +2.1% respectively compared to 2017 figures and this was on the back of a drop in the total number of new vehicles registered (-3.1%) and a +4.7% increase in used cars during 2018.*

*The percentage of tax revenue resulting from our sector as a percentage of GDP was 4.3%, the highest among the major European countries, given that the average was around 3.1%<sup>3</sup>.*

*The amount of revenue generated from buying and owning a motor vehicle rose by +0.7% for new purchases, totalling 9.4 billion Euro, and by +4.6% for ownership,*

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<sup>1</sup> The tax liability on motor vehicles for 2017 has been adjusted upwards from the preliminary statement (74.4 billion euro) announced last year due to an upward adjustment of the tax revenue on fuels and the revenue from vehicle ownership tax (stamp duty).

<sup>2</sup> Provincial Transcription Tax.

<sup>3</sup> Based on the latest data available, the average tax impact of the automotive sector has been calculated on the GDP of the main European countries (France, Germany, Spain, UK and Italy). The 5 major markets, in fact, represent about 77% of the total revenue of the sector in Europe (estimated by ACEA at 428 billion Euros in the EU15). Italy ranked third after Germany and France (the latter being just above Italy) with a contribution close to 20% of the total.

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*totalling 6.8 billion Euro. However, it is the revenue from using a vehicle that remains the largest contributor as usual, accounting for 78.7% of the total revenue received, an income that was worth 60.1 billion Euro and an increase of +1.3% compared to 2017. These figures represent a high level of taxation, as in the case of fuel (36.7 billion euro, up +2.1%) as well as the amount of VAT paid for maintenance and repairs, purchase of spare parts, accessories and tyres (10.7 billion euro, up +2.5%).*

*There is no doubt that the automotive industry is one of the most heavily taxed sectors in our country, and yet there is still a risk of further tax increases over the coming year - continues Scudieri. The draft Budget for 2020 includes an increase in taxation on company cars as a fringe benefit which, for example, even if it is based on new technology or emission bands, is simply a new tax that will be paid by both employees and companies. This is a new tax which, in our opinion, will certainly have counter-productive effects in terms of the environment because it will affect the part of the market which encourages the renewal of the circulating stock the most, as well as having a recessionary effect on GDP due its direct impact on new sales and domestic production. Carrying out this policy would mean taking a huge step backward in terms of moving further away from European standards. Owners of company cars in Italy are already heavily penalised in terms of tax deductions and stamp duty exemptions (40% deductible for VAT compared to 100% in other major European markets). It is no coincidence that in European countries where corporate car taxation is more advantageous, the average age of the fleet is considerably lower and zero or low-emission technologies are more widespread, given that the corporate fleet is the main channel for placing these cars on the market. It is for this reason - concludes the President - that ANFIA, together with other associations within the sector, including Confindustria and trade unions, calls for the withdrawal of measures relating to fringe benefits and instead support the introduction of activities to support the challenging transitional period towards new forms of sustainable mobility, without causing negative effects on the market".*

In the analysis concerning the distribution of levies calculated for the various tax periods of the "contribution life cycle" of motor vehicles, and after taxes deriving from the use of the vehicle during the year, the share of contributions made at the time of purchasing motor vehicles (payment of VAT and IPT), equaled 12.4%, and totaled 9.4 billion euro, remained in second place. This item had a slight increase of 0.7% compared to 2017 (when it was up 6.2%), due to the decrease in registrations of new cars: -3.1% compared to 2017 volumes.

Lastly, vehicle ownership accounted for 8.9% of the total revenue: €6.8 billion from "car tax", an increase of +4.6% (approximately an additional €300 million) compared to 2017. This trend has also been seen in previous years and can be traced back to the growth in the number of vehicles on the road (+1.3% in 2018) as well as the introduction

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of greater controls to reduce tax evasion. In this regard, we recall that from 1st January 2017, the Region of Lombardy introduced<sup>4</sup> the possibility to pay the tax due by debiting a current account using RID and obtaining a 10% discount on the total amount due. The **Stability Law 2018 introduced the possibility of extending this to all regions and the right to apply discount on the stamp duty if payment is made by bank direct debit. To date, only the region Lombardia has activated the service.**

Relating to the detailed analysis conducted in 2018, around **7.62 billion Euro (+0.4%)** was paid when **vehicles were first registered**, for both VAT and road tax charges (*item 3 in the table*).

Several factors that have influenced this amount concerning revenue. As already mentioned, in 2018 the new car market shrank by -3.1% to just over 1.91 million units with a drop of over 60,000 vehicles, while the used car market reported a significant increase (+4.7%), accompanied, however, by a fall of -5.1% in the average car price.

Sales mix of new cars sold, saw a slightly healthier picture in the number of cars that were bought by private individuals (55.2% in 2018, against 54.9% in 2017) who paid full VAT (100%) along with the share of both rental cars (22.7% in 2018, against 21.9% in 2017) and leased cars (3.4% in 2018 against 3.2% in 2017). There was however a clear drop in the number of cars registered to companies (-9.7% in 2018) as well as in its respective market (18.4% in 2018 compared to 19.8% in 2017), taxis numbers also fell (-14.3%).

Lastly, the final average price to consumers for new cars increased by +1.9% in 2018<sup>5</sup>. This was mainly due to the availability of more technology, higher safety standards and more options offered on most models.

As previously mentioned, revenue from TPI (*item 6*) grew with an increase of +2.1% to a total of **€1.83 billion**.

It is expected that payments of VAT and motor vehicle taxes will close 2019 in line with, or slightly up on 2018. In the first 10 months of the current year, sales of new cars were largely equal to the same period in 2018 and although, indeed, the used car market is down (-5%), the average number of used cars in stock has increased. The sales mix is further evidence to support this assessment, which shows an increase (from 54.1% to 55.5%) in the number of cars bought by private individuals and rental companies (from 23.7% to 24.5%) in the period from January to October 2019, against a contraction in the number of cars registered to companies, leasing companies and taxis (from 22.2% to 19.9%).

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<sup>4</sup> By means of the Simplification Law 2016.

<sup>5</sup> Source: Eurostat.

The outcome at the end of 2019 will depend, however on the actual closure of the market, final average prices and, above all on any further fluctuations in the sales mix. These fluctuations will also be influenced by the turmoil that will be generated by the announcements of new taxes contained in the 2020 budget package.

Among the contributory items relating to the use of cars, tax revenue on fuels (*item 1*) increased by +2.1% in 2018, totalling €36.74 billion compared with €35.99 billion<sup>6</sup> in 2017.

In 2018, total fuel consumption in Italy fell, except for diesel (+1.2%). The biggest drops were in the consumption of natural gas (-3.6%) and LPG (-3.2%), closely followed by petrol (-2.1%). Total volumes remained in line with those of 2017 with 42.9 billion litres sold. In the year under review, average pump prices, except for methane which remained constant, increased in comparison to 2017: +4.6% for gasoline, +7.5% for diesel and +6.2% for LPG.

Against an increase in the industrial price of fuels (price of raw materials and gross margin), the impact of tax components (VAT and excise duties) on the final price, with no changes in excise duties and VAT compared to last year, decreased from 65.7% to 63.6% for petrol, 62.6% to 59.5% for diesel and from 41.3% to 39.9% for LPG, while for methane there was no change (18.5%).

Given the unmoved demand for fuel, the increased cost of raw materials had a significant impact on the final price at the pumps, generating an increase in VAT revenue (the tax component of excise duties remained unchanged).

If we look at the first six months of 2019, we can see that overall fuel consumption continued to decrease compared to the same period in 2018 (-0.8%), with a more marked decrease in petrol (-1.3%), followed by diesel (-0.7%) and LPG (-0.1%). Overall, fuel consumption in 2019 has so far generated €17.85 billion in tax revenue, more than €104 million less than in the same period in 2018. This has been mainly due to the reduction in the average price of petrol and LPG at the pumps (both -1.1%), which has not been offset by the increase in the price of diesel (+1.7%).

Tax revenue from lubricants (*item 2*) remained stable in 2018 at €1.01 billion. A trend due to the combination of a slowdown in consumption<sup>7</sup> (-0,9%), compared to the slight growth recorded in the previous three years, as well as a slight increase in price (+0.7%), according to ISTAT data.

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<sup>6</sup> The figure for 2017 has been modified with respect to the preliminary year-end figure of 34.93 billion euro communicated last year to make it consistent, and therefore comparable with the 2018 figure. Since 2018, the sample of complainants of the Ministry of Economic Development has been expanded and as a result the quantities of petrol and diesel put on the market have increased. Volumes that were previously, for various reasons, overlooked in part.

<sup>7</sup> Source: Ministry of Economic Development.

As the fleet ages, VAT revenue for the maintenance and repair of motor vehicles, along with the purchase of spare parts, accessories and tyres will increase (item 4). It closed 2018 at +2.5% with a total estimated value of €10.94 billion, compared with €10.67 billion in 2017.

In 2018, Italians spent €32.1 billion on maintenance and repairs of cars<sup>8</sup>. Compared to 2017, when expense totalled 30.9 billion, there was a 3.7% growth. This result, in addition to the increased number of vehicles on the road and their increasing age, has resulted in a rise in the use of car repair shops in Italy (+1.2%), and an average increase of +1.2% in prices for both maintenance and repairs. For the fifth year in a row, expenditure on maintenance and repair of cars in Italy continued to grow in 2018, following a drop in the two years 2012-2013. The activity of maintenance and repairs of vehicles have become more and more important: in a market where, technological innovations and the use of on-board electronics are increasing, activities and repairs that take place daily in the workshops are constantly evolving and require continuous updating for the mechanics, called upon to ensure the best possible service.

Tax revenues from maintenance and repair activities also includes tax revenue from the pre-screening and overhaul of motor vehicles. It should be noted that from 1st January 2015, the new revision procedures came into force which, with the intention of putting an end to false inspections, require that they be carried out by means of video surveillance and communicated in real time to the Department of Motor Vehicles. This involves additional costs, but also increased data security, impartiality of results and prevents fraud. It is therefore impossible for operators to change any negative outcomes from the revision. Not only that: since January 2017, certain innovations regarding the control of revisions have resulted in mandatory voluntary measures so far. The Stability Law 2017 sets out, for garages, the obligation to check, during the car overhaul phase that the owner of the vehicle is up to date with their payment of tax and that there are no administrative penalties on it. If this is not the case, the vehicle will be unable to be driven until the tax has been paid in full: only then will it be possible to request a new motor vehicle inspection.

Finally, from January 2018 onwards, dealers are required to record the number of kilometres covered by vehicles and post them on the "Driver's Portal" database (a website of the Ministry of Transport) to perform checks and uncover any attempts at mileage fraud.

Taxation relating to motorway tolls (*item 5*) totalled €2.16 billion in 2018, up +2.5% on 2017. This increase was due to both the increase in the number of million-km travelled (84 billion, with a slight increase, +0.4%) and the increase in motorway toll charges.

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<sup>8</sup> Source: Autopromotec Observatory.

As far as the current year is concerned, in the first eight months of 2019 the value of the vehicles-km travelled increased to almost 57.3 billion, up by +0.5% compared to the first eight months of 2018 (+0.1% for light vehicles and +2% for the heavy vehicles). Revenue also increased in the period from January to August 2019.

Income from **insurance premiums for third party liability, fire and theft (item 8)** increased by +1.6%, to a total of **3.91 billion euro** (3.85 billion in 2017).

This result is due to a rise of +0.6% in third-party motor liability, the first increase since the cuts reported in the period from 2012 to 2017, as well as an increase of +5.9% in road vehicle compensation (fire, theft and collision insurance), which confirms the upward trend in the period from 2015 to 2017 boosted by the recovery in sales of new cars from 2014. The slight rise in third-party motor liability insurance is the combined effect of an increase of approximately +1.2% in the number of insured vehicles and the negative change in average premiums, based on the quarterly IVASS<sup>9</sup> figures for passenger cars, confirming a reduction of -1.5% on an annual basis in the second quarter of 2019. It should be noted that the progressive reductions in average premiums in recent years, thanks to higher revenues were also made possible by the new anti-fraud measures introduced by Decree-Law No. 1 of 2012 (Liberalisation Decree), which was converted into law by Law No. 27/2012, the implementing measure for which was then issued by IVASS in May 2015: making the displaying of insurance certificates obsolete along with payment confirmation, but **combating evasion of motor insurance using automatic controls carried out by telematic devices** (speed cameras, tutors, accesses to Limited Traffic Areas and others devices). The delivery of policies with 'bonus reduction clauses' stemming from the installation of black boxes is also having an impact on reducing insurance premiums.

Furthermore, according to ANIA, **vehicles (both two and four-wheeled) that were in circulation and not compliant with insurance premium payments in 2017, represented approximately 6.3% of all vehicles on the road, peaking at 13.5% in Southern Italy.**

Finally, **car parking and road fines (item 9)** were worth **€5.30 billion in 2018**, representing a fall of -6.2% compared with 2017. This decrease was due to a drop in revenue from fines, resulting from a higher proportion of non-payers as well as the deletion of files, which occurred several times over the last two years. As for parking, on the other hand, it is estimated that revenue increased due to both the growth in the number of vehicles on the road and the increase in the cost of the service. The NIC ISTAT index for parking showed a slight increase in prices in 2018: +0.7%.

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<sup>9</sup> Insurance Supervision Institute.

With reference to fines, we remind you that Law no. 98/2013, which changed the so-called "Doing" Decree no. 69/2013, introduced the possibility of a 30% reduction in the total amount of the fine for payments made within 5 days of the issue of the notice or the deferred notification of the fine. It seems that this type of "discount", in fact, has only benefited motorists who already pay, without making the others more virtuous, given that there has been a loss in revenue<sup>10</sup>.

A study by the CGIA of Mestre shows an increase of +81% in road fines over the last 10 years, together with a rising percentage of drivers delaying payments: in 2016 it dropped from 52% to 39% thanks in part to the scrapping of files. For 2019, even though from 1st January the two-year adjustment of the penalties provided for by art.195 of the Highway Code has taken place, a further drop in revenue is expected, supported by the approval of the Scrapping Regulation.

To get an idea of the amount received as a result of fines, we would like to quote a study by ImpresaLavoro, carried out based on Istat and Siope<sup>11</sup> data, that over the last two years (2017-2018) Italian municipalities have collected €2.95 billion of extra-tax revenue from households for fines, penalties and surcharges. The municipal coffers had a total revenue of €1.340 billion in 2018 and €1.609 billion in 2017.

Finally, it should be remembered that the **Highway Code states that at least 50% of the proceeds of fines collected from local authorities is to be used to improve road safety**, investing 25% in road maintenance, 12.5% in signage and 12.5% in roadside checks.

We close with a hint of a further sting that will soon fall on the shoulders of Italian motorists. The Fiscal Decree published on 26th October, states that from **January 2020** courses held in driving schools will no longer be treated as those held in schools and will therefore be subject to 22% VAT, with an obvious increase in course costs for students. This issue arose from the change in the tax system established by a resolution of the Inland Revenue, based on a ruling of the Court of Justice of the European Union last March. The Court also ruled that the recovery of VAT should apply to the previous five tax years (from 2014). Fortunately, the Fiscal Decree has sanctioned at least the non-retroactivity of this rule: those who have taken driving lessons in the last 5 years will not have to pay the difference in unpaid VAT.

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<sup>10</sup> From 1st January 2017, as laid down in the Interministerial Decree of 20/12/2016, the increase in consumer price index for households sanctioned by ISTAT results in an increase of +0.1% in administrative penalties under the Highway Code, which has resulted in an increase of only +0.1% for penalties over 500 euro.

<sup>11</sup> Information system of the Ministry of Finance on the activities of public bodies.



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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

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### CARICO FISCALE SULLA MOTORIZZAZIONE IN ITALIA

FISCAL TAXATION ON MOTOR VEHICLE SECTOR  
(MILIARDI DI EURO)

Voci di prelievo fiscale / Fiscal taxation items	2017 def	2018	Var.% 2018/2017	Perché?
1. CARBURANTI / Fuels	35,99	36,74	2,1 ↑	Aumento costo materia prima → aumento prezzi finali alla pompa
2. LUBRIFICANTI / Lubricants	1,01	1,01	0,0 →	Rallentamento consumi e aumento prezzi minimo
3. IVA - ACQUISTO AUTOVEICOLI e DIRITTI MOTORIZZAZIONE Vehicles acquisitions	7,59	7,62	0,4 ↑	Riduzione delle immatricolazioni del nuovo e aumento quota privati Aumento prezzo finale di vendita del nuovo
4. IVA - MANUTENZIONE E RIPARAZIONE/ACQUISTO RICAMBI, ACCESSORI E PNEUMATICI Vehicles maintenance and repairing/Acquisitions of spare parts, accessories and tyres	10,67	10,94	2,5 ↑	Aumento degli interventi in officina Aumento prezzi dei servizi di assistenza Aumento del parco circolante e sua anzianità
5. PEDAGGI AUTOSTRADALI / Motorway tolls	2,11	2,16	2,5 ↑	Aumento importi pedaggi Aumento km percorsi
6. IMPOSTA PROVINCIALE DI TRASCRIZIONE (IPT) Registrations / Transfer acts	1,80	1,83	2,1 ↑	Aumento mercato auto usate
7. POSSESSO (Bollo Auto) / Vehicles ownership	6,48	6,78	4,7 ↑	Aumento parco circolante e maggiori controlli contro evasione
8. PREMI ASSICURAZIONE RC, FURTO, INCENDIO Insurance prime (civil liability, coverage against fire and theft)	3,85	3,91	1,6 ↑	Aumento del parco circolante assicurato
9. ALTRO (PARCHEGGI-CONTRAVVENZIONI etc)/ OTHERS (Parking fees- Fine-etc.)	5,65	5,30	-6,2 ↓	Cala il gettito da contravvenzioni, nonostante l'incremento del numero delle multe emesse: - elevata quota di automobilisti non paganti - rottamazione delle cartelle
<b>(A) TOTALE / Total</b>	<b>75,14</b>	<b>76,29</b>	<b>1,5 ↑</b>	
<b>(B) TOTALE ENTRATE TRIBUTARIE NAZIONALI / Domestic fiscal income</b>	<b>465,58</b>	<b>482,31</b>	<b>3,6 ↑</b>	Aumento delle imposte dirette e indirette
<b>% CARICO FISCALE / Taxation (A) SU ENTRATE TRIBUTARIE NAZIONALI on domestic fiscal income (B)</b>	<b>16,1</b>	<b>15,8</b>		

### CARICO FISCALE SULLA MOTORIZZAZIONE IN ITALIA

SECONDO IL CICLO DI VITA CONTRIBUTIVO  
(MILIARDI EURO)

Voci di prelievo	2017	2018	% sul totale	VAR.% 2018/2017
A. ACQUISTO	9,39	9,45	12,4	0,7 ↑
B. POSSESSO	6,48	6,78	8,9	4,6 ↑
C. UTILIZZO	59,28	60,06	78,7	1,3 ↑
<b>TOTALE</b>	<b>75,14</b>	<b>76,29</b>	<b>100,0</b>	<b>1,5 ↑</b>

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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