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Weather

Bucharest, Romania



Mostly Cloudy 6°C, Wind:
W 5 km/h
Humidity: 100%

Exchange Rates

EUR	3.6249
USD	2.4687
GBP	4.8581
CAD	2.4721

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'Environment' tax – hide-and-seeK

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Well, we no longer have the first registration tax for vehicles. Not that the tax itself has ceased to exist. It's just that it has a new name, one that has little to do with reality. It is now called the environment tax.

A car is not a luxury item but a necessity. That is how the saying goes in the West, and it has been so for several decades now. In Romania, that saying is not that easily accepted by the authorities, a car still being considered a luxury item, not unlike coffee... The authorities, instead of finding a formula to tax the high capacity luxury cars (the ones that have filled the streets of the large cities, thanks to the newly rich that are eager to exhibit their look), hurt the common citizen. A tax for cars of any type, even for the small capacity ones, an 'environment' tax that hurts the local producers.

The first registration tax introduced by the Tariceanu Government has been in force in the absence of the European Commission's approval, the Commission warning that it would notify the European judicial bodies since the tax is allegedly discriminatory.

Photo of the Week



**Settimanale
di attualità
e commenti**

Daily Cartoon



Nine O'Clock

Supplements

2006 - a year expected with



first page, 1/1 format, low resolution, aprox 1.24 MB, PDF

Presented at the time as an act that would support environment protection and would contribute to the renewal of the car park (one of the oldest car parks in Europe) by allocating funds for the 'junk' program, the law in itself made some sense. A smaller tax for the new cars (thus stimulating the sale of recent generation vehicles) and a larger tax for the second-hand cars. Prime Minister Tariceanu claimed at the time that Romania should not become Europe's vehicle junkyard. Even in that form, the tax stirred up discontent. Most of the Romanians have low incomes and buying a car implies considerable financial efforts. A used car bought from the West could be more convenient than a brand new locally produced one.

But Brussels disagreed. Under the pressure of the European Commission, the logic of the first registration (environment) tax has been radically changed. The tax is several times higher for new cars and lower for old cars (except in the case of the ones with outdated pollution standards). The main argument (rejected one year ago by the Romanian authorities), has been adopted en-fanfare now and is presented as a saving solution. They say that despite having low pollution emissions, the new car will pollute for a longer period (around 20 years). While a car that is several years old will have a shorter lifespan, hence it would pollute less, and subsequently it will have a lower tax level.

The Romanian officials, whether they like it or not, back the new way of presenting the environment tax. Obviously the tax has nothing to do with the environment. It could very well be that the older car has a shorter lifespan, but the discussion is to no avail if its pollution emissions are several times larger than those of a new car. We are not the only ones that have noticed the erroneous way in which the issue is tackled. Several newspapers and one TV network have launched a true campaign against the new tax. The old tax was challenged in the court of law, a citizen winning the trial against the Romanian state two months ago. Others prepare to follow suit, aiming for a refund of the money that they had paid on the basis of the old calculation methodology. As for the new tax formula, it is strongly contested on all levels. The Democrat-Liberal Party proposes a simple motion against the new formula. Other parties have also expressed

great hopes



their opposition and the chances of a Government order to be approved by the Parliament are dwindling by the day. Thus, a question is on everybody's lips: if the order is rejected by the Parliament, what would happen next? The tax's old formula can no longer work, being rejected by the European Commission with Romania risking penalties and obviously having to return the paid taxes. Will another calculation be needed?

Regarding the way in which the new 'environment' tax's calculation method has been conceived, it is said that it allegedly serves the interests of dealers that import foreign vehicles, especially second-hand vehicles. One of the central dailies has brought direct charges against Premier Calin Popescu Tariceanu himself, claiming that he allegedly backs one or several companies of the mentioned type. Yesterday the PM has announced that he will sue the newspaper that levied those accusations. Irrespective of the mechanisms that have driven the officials towards the current formula, it is certain that the tax displeases a lot of citizens. And not only them. Local producers speak about a possible 15 to 20 per cent drop in their sales in 2008 and about the abetting of second-hand car imports. The representative of a local car producer has stated that Romania could become a vehicle junkyard. In that case, where is the support offered to local industry? If we fail to protect the environment with the new tax, we are not supporting local producers either.

Others are talking about the European Commission rejecting the new tax, even in its latest form, arguing that it continues to be discriminatory. And the ones saying this are not supporting the tax either, for other reasons.

Anyhow, by July 1, the date when the tax is supposed to come into force in its latest form, there would still be many individuals proposing modifications or voicing their opposition. From the economically interested ones to the regular citizens affected by the fact that the acquisition of a car is getting more and more expensive. To top it all off, the devaluation of the national currency in relation to the EUR leads to higher credit costs and to larger expenses for the buyers.

In conclusion, let me express my

bewilderment. We are taxing new or newly bought cars. What about the old cars that fill the streets with smoke, what about the lorries that darken the national roads? Shouldn't those be taxed more in order to compel their owners to fall in line with the new pollution standards?

by Victor Lupu