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**Congestion pricing in Finland**

**Current system**

Finland is one of those few countries in Europe that don’t have any kind of road user charges. We don´t have congestion charging, bridge charges, tunnel fees or vignette for heavy goods vehicles (HGV). We do have so called normal taxes: car tax, annual vehicle tax, motive force tax and fuel tax.

*Car tax* is a one-off tax levied in connection with the first registration for road use of a new car or motorcycle purchased in Finland or a second-hand car or motorcycle imported into Finland.[[1]](#footnote-1) The amount of tax is based on the value of the car: it is determined according to the consumer price of the car in Finland. In connection with the 2008 tax reform the flat tax rate was replaced by a tiered system to reflect the car’s carbon dioxide emission performance. The emissions-based tax regime was further tightened in 2012. Average emission levels of new cars have fallen by more than one-third since the introduction of the new tax rules.

*Vehicle tax* and *vehicle motive force tax* are taxes related to the availability of the vehicle for road use. The base tax component of the vehicle tax is levied on all passenger cars and vans in regular road use in Finland; in addition the motive force tax is levied on passenger cars, vans and lorries that are powered by other than petrol engines. Both these taxes are levied for each day that the vehicles are registered for regular road use. As it stands the base tax component of the vehicle tax has some incentive effect for consumers to shift to lower emissions vehicles through the tiered emissions regulations. The incentive effect of the base tax complements the corresponding mechanism built into the car tax.

Based on the idea of directly taxing vehicle use, *fuel tax* has a long history of fiscal motivation, but in recent years energy and environmental regulation have come to figure ever more prominently. Fuel tax is based on the energy content of each fuel and its lifetime carbon dioxide emissions and local emissions, which is why the per-litre taxes on biofuels and biogas are lower than those levied on fossil fuels. Fuels that work in diesel engines attract a lower tax than petrol products. This has been in order to prevent the costs of diesel-powered goods transport from escalating.

 **Congestion charging and kilometre taxation have been studied two times**

There is not much congestion in Finland, mainly at the metropolitan area of Helsinki. The Ministry of Transport and Communications has made two congestion charging studies (2009 and 2011).

Both studies clearly showed that a transport system including congestion charging helps achieve the objectives set for the Helsinki region transport system better than a transport system without congestion charging. Congestion charging would reduce greenhouse gas emissions and other air-polluting emissions, improve transport safety, increase public transportation etc.

However, congestion charging is a highly political question and the decision to implement congestion charging at the Helsinki metropolitan area has not been made. Discussion is still going on.

Helsinki Region Transport (HRT) published last year a [long-term transport strategy](https://www.hsl.fi/sites/default/files/uploads/2015-03-03-hlj_2015-raportti.pdf) (English abstract on p.13), in which they proposed economic steering as a policy tool. Economic steering is the same thing as congestion charging, but it sounds much better than the feared word: congestion charging. HRT will start a new congestion charging study in May. It should be finished spring 2016. Depending on the results and political will, a decision of congestion charging (to apply or not to apply) will be made probably at the end of year 2016.

**Kilometre taxation is also studied**

The Ministry of Transport and Communication has also studied the impacts that would result from an overhaul of passenger car taxation so that taxes would be based exclusively on car use. In practice this would mean substituting fixed taxes (the motor car tax and annual vehicle tax) with taxes based on kilometres driven. Read the report here.

The kilometre tax would be a more flexible transport policy tool than the current tax system. It would also better serve the achievement of transport and environmental policy objectives than the existing tax regime. On the other hand the kilometre-based system would be less cost effective.

1. Car tax is not levied on heavy goods vehicles or on buses or coaches; nor on taxis, caravans and motor homes, emergency vehicles, ambulances, hearses and veterinary vehicles; nor on mope­ds and lightweight ATVs. [↑](#footnote-ref-1)