Why should we pay people to take their bike?

Fiscal and Financial Incentives for Cycling

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Today we focus on:

• A. Fiscal Incentives:
  1. Cycling
  2. Public Transport
  3. Motorised Transport
  4. Fossil fuel subsidies
  5. Mode neutral solutions

• B. Financial Incentives for E-Cycling
"Don't tell me what you value, show me your budget, and I'll tell you what you value."

Joe Biden, former U.S. Vice-President

A. Fiscal incentives
A. Fiscal Incentives
Where are we today?

1. Car dominant in commuting
   > Environment and space problems
   > Health problems: air quality, inactivity
A. Fiscal Incentives

Where are we today?

2. 50% of new cars in the EU = company cars
   
   Why? Advantageous fiscal systems

3. Few fiscal incentives for active modes of transport like cycling
A. Fiscal Incentives

1. Cycling

Best practices: Belgium

• **Tax-free reimbursement**: € 0.23/km
  (ex.: 18km x 20d = 83€ per month)

• **Tax-free provision** of company bikes for employees

• **120% deductible for companies**: costs for bikes + cycling infrastructure

**ECF recommends**: Follow this example!
A. Fiscal Incentives

1. Cycling

Best practices: Belgium

Data speaks for itself:

• cycling to work increased **substantially, by 21%** between 2005 and 2014
• **8% of the workforce** received a cycling allowance in 2013
• a company introducing the allowance **can increase cycling to work by 34%**
A. Fiscal Incentives
1. Cycling

Best practices: UK Loan Scheme

• Employers lend bicycles free of tax to their employees.
• Employee can buy the bike at the end of the lending phase.
A. Fiscal Incentives
1. Cycling

Best practices: UK Loan Scheme
• To date: over 600,000 participants; growth in participation since beginning
• ECF recommends: Follow this example
A. Fiscal Incentives

2. Public Transport

• Possibilities for **tax-free reimbursement** of costs in many countries

• **ECF recommends:** Allow for combination with fiscal incentives for cycling
A. Fiscal Incentives

3. Motorised Transport

Worst Practice Example: Germany

• only 12% of a company car’s price subject to income tax, includes possibility to provide free fuel
• 60% of company cars in new registrations
• direct fiscal loss: 23 billion €
A. Fiscal Incentives

3. Motorised transport

Better examples: UK, The Netherlands, Denmark

- stricter tax rules (25% of car’s price is taxable income)
  ➔ **decrease in company car registrations** & less CO₂ emissions
  ➔ **ECF recommends:** yearly taxable benefit company cars at **50% of list price** (real value)
A. Fiscal Incentives

4. Fossil fuel subsidies

• OECD + IEA estimate: **373 – 617 bn US-$ annually** (76 countries)
• transport sector: regulated fuel prices, fuel tax exemptions...

• **Good practice examples:**
  • **Mexico:** fossil fuel support down to 0.4% of GDP in 2016 (from 1.0% in 2014)
  • **Indonesia:** fossil fuel subsidies down to 2.43 bn US-$ in 2017 (from 22.57 bn US-$ in 2012)
A. Fiscal Incentives
5. Mode-Neutral Solutions

- „Mobility Budget“: Tax-free mobility allowance as alternative to company car
- BE pilot project: **clear shift to sustainable commuting**
- **ECF recommends**: Experiment and implement!
A. Fiscal Incentives Recommendations

• **More** fiscal incentives for cycling + sustainable mobility
• **Less** incentives for individual car use, **including fuel subsidies**

→ **A cost-efficient and sustainable mobility tax shift is possible.**
When the government thinks about electric vehicles it thinks cars. They cost an enormous amount of money, they don’t solve congestion problems, and they need a huge amount of infrastructure for charging, whereas ebikes don’t: they just require a three pin socket.

In: The Guardian, 16 Sep 2017

B. Financial Incentives for E-Cycling
B. Financial incentives for e-cycling: Where are we today?

Mismatch in e-mobility funding:

• Money goes to electric cars despite limited benefits

• small/no budgets for e-bikes despite big benefits
B. Financial Incentives for E-Cycling: Best Practice

Austria

• **Balanced e-mobility** policy
• **Purchase subsidies during market uptake**
• **Result:** Today 3rd highest per capita e-bike sales in EU despite only average cycling levels
B. Financial Incentives for E-Cycling: Other examples

- **Sweden** subsidizes 25% of e-bike price, max. 1000 €

- **France** subsidizes 20% of e-bike price, max. 200 €; there are also numerous local subsidies, e.g.
  - **City of Paris** subsidizes 33% of the e-bike price, max. 400 €
B. Financial Incentives for E-Cycling: Recommendations

• purchase subsidies:
  • generalised in market uptake phase
  • targeted in mature markets (e.g. e-cargo bikes)

• another possibility: reduced or 0% VAT on e-bike sales
B. Financial Incentives for E-Cycling: Recommendations

• **balanced** e-mobility promotion strategies:
  • research funding **for all modes of transport**
  • include **e-cycling infrastructure** (secure parking, charging)
What to do next?

• We need a **fiscal and financial level playing field** between different modes of transport.

• We need **more incentives for bikes** and/or **less for cars and fuel**

• We have some **best practice examples** on track but **far from enough**.