

Estonia Moves Forward with Revisions to Controversial Car Tax Law

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Tallinn, Estonia

On 1 July the Estonian Parliament's Finance Committee held an extraordinary session to discuss amendments to the car tax law, originally vetoed by President Alar Karis on 12 June due to constitutional concerns. The committee, led by Chairwoman Anneli Akkermann, prepared a revised bill for re-submission to the Riigikogu (Estonian Parliament), aiming for it to potentially take effect from 1 January next year.

Committee Deliberations

During the committee's session, representatives from the President's Office, the Ministry of Social Affairs, and the Ministry of Finance presented their perspectives. Akkermann stated that the committee decided to take time to thoroughly analyse the President's objections before making substantive decisions. "The committee will reconvene just before the full assembly meeting to formulate procedural decisions," she noted.

Akkermann emphasized that no immediate decisions were made during the session, allowing members time to deliberate before an extraordinary session is likely called to include the issue on the agenda. The committee will then decide whether to endorse the bill in its original form or propose modifications.

Legislative Revisions and Timelines

Members of Parliament have generally shown support for revisiting the bill, indicating that the committee will address the President's concerns and amend the law accordingly. "It appears that the bill will return to the Finance Committee for revisions in light of the President's remarks," Akkermann said, expressing hope that the amendments would be finalized by summer.

The controversial car tax law, passed by the Riigikogu on 12 June, faced rejection from the President on 25 June. President Karis highlighted that the law's provisions on vehicle tax ex-

emptions for disabled individuals were discriminatory. Specifically, the law exempted vehicles adapted for disabled use but did not offer the same exemption for vehicles used by disabled persons that required no modifications.

Structure and Impact of the Car Tax Law

The proposed law introduces a two-part motor vehicle tax: an annual tax for vehicles registered in the traffic register and a registration fee for new vehicle registrations. Exemptions apply to emergency vehicles, vehicles adapted for disabled use, and diplomatic vehicles per international agreements. The law is expected to generate approximately 200 EUR million annually for the state budget.

Parliamentary Response and Next Steps

On 15 July, the Riigikogu decided against adopting the unchanged bill, meaning it will undergo revisions. None of the members supported the unchanged bill, with 93 voting against it and four abstaining. The deadline for submitting amendments is set for 19 July.

The Finance Committee, along with the Constitutional Committee, had already recommended changes to the bill. During the debate, members of the opposition strongly criticized the proposed tax, raising concerns about its fairness and implementation.

As Estonia grapples with finalizing this significant piece of legislation, the outcome will be closely watched, particularly regarding how it balances fiscal needs with principles of equality and fairness. The Finance Committee's next steps will be crucial in shaping the final form of the car tax law, with potential implementation as early as January 2025.