

Tax Reform in the Cypriot Road Transport Sector

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Executive Summary

The road transport sector contributes a significant fraction of government tax revenue in many countries, including Cyprus. Most revenue comes from excise taxes on vehicles and fuel and from road (circulation) tax. There is currently a need to modernize the tax system in order to provide a steady stream of revenue and to abide by environmental taxation principles increasingly being applied in Europe and elsewhere. We discuss the theoretical justification for transport sector taxation and the shortcomings of the current system and propose reforms aimed at achieving the twin goals of revenue stability and pollution reduction with minimal market distortion.