

Financial and tax incentives for electric vehicles in Latvia and elsewhere in EU 3/2/2022



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Latvia is committed to reducing its CO₂ emissions. One of the objectives is to cut emissions from road vehicles. This can be done by minimising the overall use of transport and by encouraging the use of vehicles with low or zero CO₂ emissions. This article explores what incentives are available for buying and using electric vehicles (EVs) in Latvia and other member states.

Latvia

There are a number of incentives and benefits for EVs and their owners:

- EVs are exempt from vehicle running tax.
- The rate of company car tax is reduced to EUR 10 a month;
- An EV's first-time registration, as well as registration when special number plates are received for the first time, is free of charge.
- EVs fitted with those number plates may use bus lanes.
- EVs may be parked free of charge in Liepaja municipal parking lots and Riga parking lots managed by Riga Traffic, except for the underground parking at 5a Kr. Valdemara iela.
- EVs are exempt from the entry fee to the administrative territory of Jurmala.

In Latvia 2,215 EVs and 491 hybrid vehicles (electricity and diesel/petrol) were registered by 1 January 2022. The number of EVs/hybrids in Latvia has almost doubled since the beginning of 2020. EVs currently represent 0.3% of **all vehicles registered in Latvia** (Source: **CSDD**).

Latvia has ambitious goals for cutting road vehicle CO₂ emissions. To encourage the use of EVs and hybrids, a state aid scheme of EUR 10 million for residential EV and hybrid purchases has been approved and will soon be operational. Individuals will be offered an incentive of EUR 4,500 to buy a new EV and EUR 2,250 for a second-hand EV or a new hybrid. This incentive is available for vehicles that have their base model selling for up to EUR 60,000 (excluding VAT). The incentive for a second-hand EV is available if it has been registered in Latvia for up to six months and its selling price is at least EUR 5,500 (excluding VAT). When you buy an EV or a hybrid, there is a further incentive of EUR 1,000 if you turn in your old vehicle with an internal combustion engine for recycling. **This state aid is expected to reach 3,800 EVs and hybrids.**

Other EU countries

The European Automotive Manufacturers Association has collected data on the market share of EVs sold:

- Latvia 2.7%
- Estonia 1.8%

- Lithuania 1.1%
- Sweden 32.2%
- Netherlands 25%
- Finland 18.1%
- Denmark 16.4%
- Germany 13.5%
- Portugal 13.5%

There are 17 member states that offer a financial incentive for EV purchases. Ten countries offer a tax reduction for buying and using EVs.

Estonia does not offer any financial or tax incentives for EV purchases.

Sweden offers a reduced running tax on vehicles with low and zero emissions. There is no other tax incentive but the government offers a financial incentive of up to ~ EUR 6,772 (SEK 70,000).

Finland offers a minimum rate of tax on the registration of zero-emission vehicles and a minimum running tax. There is a further income tax deduction and the charging of EVs at work is free of tax. A financial incentive of EUR 2,000 is available to households.

Denmark allows 40% off the vehicle registration cost (Denmark charges a substantial vehicle registration fee equal to 25–150% of the acquisition cost) and a further reduction of up to ~ EUR 22,000 on the registration fee. This incentive will be gradually reduced. Since road tax depends on CO₂ emissions, this is minimal for a zero-emission vehicle. Denmark does not offer a grant to buy EVs.

Germany offers a road tax exemption up to 31 December 2030 on EVs purchased before 2026. Businesses have a 50–75% vehicle tax reduction. There is an incentive of up to EUR 9,000 to buy an EV and up to EUR 6,750 for a hybrid.

In summary, these incentives vary considerably in level and type from country to country. Higher EV purchase volumes can be achieved by offering a combination of financial and tax incentives.