Household transport consumption inequalities and redistributive effects of taxes: A repeated cross-sectional evaluation for France, Denmark and Cyprus

We evaluate household transport consumption inequalities in France, Denmark and Cyprus, investigate their temporal dynamics, and estimate the redistributive effects of taxes on different commodity categories. Using household-level data from repeated cross-sections of expenditure surveys spanning long periods, the paper applies a decomposition of the Gini index by expenditure component. The results highlight the effect of the social diffusion of the car. The relative contribution of vehicle use items (e.g. fuels, maintenance and repair, parking, and registration) to total expenditure inequality has decreased overtime, thus reflecting the increasingly widespread use of cars. Moreover, fuel taxes have become regressive, while the progressive character of taxes on the remaining car use commodities has weakened with time. Taxes on transport goods and services as a whole are progressive. However, this result is principally due to the progressivity of taxes on car purchases, a progressivity stronger by far in Denmark where these taxes are so high that car purchase costs can be afforded only by those with high incomes. These findings underline the necessity of taking into account equity issues when designing policies to attenuate the environmental impact of cars. Increasing car use costs, notably fuel prices, through an increase of uniform taxes would be particularly inequitable.