

## The impact of tank tourism on fuel sales and tax revenue in South Tyrol

**In 2013, tank tourism from South Tyrol to Austria accounted for a sales volume of 5.24 million liters of petrol and 6.6 million liters of diesel. This corresponds to a share of 5.8 percent of petrol sales and 2.8 percent of total diesel sales. With South Tyrol accounting for nine tenths of fuel tax revenues, the resulting tax losses for the country amount to a total of 10.3 million euros.**

Fuel tourism mainly affects communities near the Austrian border. The influence of the Austrian fuel price on the refueling behavior of South Tyroleans is still relevant for people who need up to 20 minutes to get to the border, after this time frame the influence decreases drastically. When the driving time to the boarder is more than 60 minutes, the influence of the Austrian fuel price is zero.

**A 10 percent reduction in the price of fuel in South Tyrol would have the following effects:** Tank tourism would be reduced from a total of 11.84 million to 7.06 million liters of fuel<sup>1</sup>. The reduction in tank tourism would generate additional tax revenue of 3.42 million euros for the province. Furthermore, the price reduction will increase the general demand for fuel, which would lead to additional revenues of 16.81 million euros. However, this would be offset by a loss of revenue due to the price reduction of 47.8 million euros. The loss of revenue due to a reduction in the price of fuel would therefore far exceed the additional revenue

(47.8 million euros losses compared to 20.23 million euros profits).

**The special case of cross-border truck traffic:** The majority of cross-border truck traffic would still fill up in Austria with a 10 percent price reduction in Italy. The reason is that a difference of just a few cents is decisive for the choice of the filling station, because of the precise cost calculations by transport companies. In order to archive that a part of the truck traffic that crosses the Brenner, refuels in South Tyrol, the fuel price would have to be at least at the same level as in Austria.

**Effects of a reduction in price on the Austrian level:** If the Italian fuel price were reduced to the Austrian level, around 65 million liters of diesel would be fueled by cross-border truck traffic in South Tyrol. In addition, this reduction of the Italian fuel price would eliminate car tank tourism and further increase South Tyrolean demand. However, the tax losses (-79.6 million euros) caused by the price reduction would also exceed the additional revenue (63.4 million euros) of the country. A reduction of the fuel price to the Austrian level would thus reduce the South Tyrolean provincial budget by 16.1 million euros per year.

### Conclusions

On the basis of these results, the following conclusions can be drawn:

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<sup>1</sup> The calculations are based on the actual values for 2013.

- In 2013, a year with a relatively high price difference between Italy and Austria, tank tourism in South Tyrol accounted for 5.8 percent of total petrol and 2.8 percent of total diesel sales. The resulting 10.3 million euros in tax losses are thus relatively small in relation to the country's total fuel tax revenue of 280.29 million euros (calculated as nine tenths of the excise duty and VAT for petrol and diesel in 2013, including internal petrol stations).
- A reduction in fuel prices in South Tyrol does not lead to the desired result from an economic point of view. Although fuel tourism will be reduced, the additional revenue generated by reduced fuel tourism will in no way compensate for the resulting tax shortfalls.
- The price reductions, which currently apply to South Tyrolean municipalities close to the border, would not be useful if extended to all municipalities. The Austrian price plays only a minor role for the refueling behavior of inhabitants of communities with a distance of more than 20 minutes of driving time to the border. Up to 60 minutes driving time to the border, the influence disappears completely.
- Trucks that cross South Tyrol only for transit reasons would, if prices were reduced in Italy, still mainly fill up in Austria, as a difference of just a few cents is decisive for the choice of filling station. In order that cross-border truck traffic would refuel in South Tyrol, the South Tyrolean fuel price would have to be equal or lower than in Austria.
- If the fuel price were reduced to the Austrian level, cross-border truck traffic would refuel in South Tyrol and therefore generate additional tax revenues. The price reduction would also lead to the disappearance of car tank tourism.
- In theory, a consistent fuel tax would make sense in the EU. Only in this way the conditions of competition would be the same for all and tax dumping could be prevented.