

Exceptional Rates of Vehicle Excise Duty for certain Heavy Goods Vehicles

Who is likely to be affected?

The owners and operators of any heavy goods vehicle (HGV) for which the existing rate of vehicle excise duty (VED) does not reach the mandatory EU minimum tax rate.

General description of the proposal

Legislation will be introduced in Finance Bill 2011 to apply higher exceptional rates of VED solely to the categories of HGV for which an existing rate is below the mandatory EU minimum tax rate.

Policy objective

This measure is required to ensure that the UK VED rates remain consistent with EU regulations on minimum rates of taxation. The objective is to affect the least number of HGVs necessary to maintain compliance. The intended outcome is that HGV owners should see a highly transparent application of higher rates, limited to the categories of HGV for which existing UK rates are too low.

Development of this measure

- This measure was first announced in the 2009 Pre-Budget Report.
- Design work was built upon discussions with industry associations.
- This measure was confirmed in the June Budget.

Detailed proposal

Operative date

The measure will have effect on and after 1 April 2011.

From this date, vehicle licences for the categories of HGV where existing UK VED rates are too low will have a higher exceptional rate applied to the taking out of a licence.

Current law

Part 8 of Schedule 1 to the Vehicle Excise and Registration Act 1994 (VERA) specifies the annual rates of VED that are applied to goods vehicles on the taking out of a vehicle licence under section 1 of that Act.

Proposed revisions

It is proposed that Part 8 of Schedule 1 to VERA be amended in Finance Bill 2011 to specify the conditions under which exceptional rates of VED will apply to the following categories of HGV:

Vehicle type	Weight	Scope
2-axled rigid HGV	15,000kg	Standard and reduced pollution HGVs
3-axled rigid HGV	21,000kg	Reduced pollution HGVs only
	23,000 - 25,999kg	
4 or more axled rigid HGV	27,000kg	
2-axled articulated HGV with 1 or more axled semi-trailer	25,000kg	Standard and reduced pollution HGVs
	25,001-27,999kg	Reduced pollution HGVs only
2-axled articulated HGV with 2 or more axled semi-trailer	28,000kg	Standard and reduced pollution HGVs
	31,000kg	Reduced pollution HGVs only
3-axled articulated HGV with 2 or more axled semi-trailer	36,000kg	
3-axled combined transport HGV with 3 or more axled semi-trailer	41,001-43,999kg	

Summary of impacts

Exchequer impact (£m)	2010-11	2011-12	2012-13	2013-14	2014-15
	Negligible	Negligible	Negligible	Negligible	Negligible
	This costing is based on the Office for Budget Responsibility's June Budget forecast.				
Economic impact	The measure is not expected to have significant economic impacts.				
Impact on individuals and households	This measure affects tax rates paid by businesses, rather than individuals and households. HGVs in private ownership which are not put to commercial use are treated for VED under the £165 Private HGV tax class. The Private HGV tax class is not affected by exceptional rates of VED.				
Equalities impacts	It is assessed that there are no equalities impacts. All affected HGV owners have equal opportunity to avoid a higher exceptional rate by choosing to forego some of their HGV's payload capability.				

Impact on business including third sector	<p>The introduction of higher exceptional rates of VED for HGVs is expected to affect no more than 12,000 vehicles operated by haulage businesses.</p> <p>The actual number will be less than this, based on limiting the application of exceptional rates to HGVs that do not feature road-friendly suspension. Current data does not disaggregate between suspension types.</p> <p>The majority of HGVs (around 10,700) will see increases of no more than £38.</p>
Impact on public sector	<p>The Driver and Vehicle Licensing Agency is bearing the cost of the systems changes, of up to £3 million, required to introduce the required new VED rate bandings.</p>
Other impacts	<p>No other impacts have been identified.</p>

Monitoring and evaluation

HGV owners can elect to reduce the legal maximum weight their vehicle can carry. This is called downplating and is used to reduce the amount of VED that is payable on a HGV. This procedure is available to the owners of HGVs in the exceptional rates categories detailed above.

The vehicle licensing record will be monitored for the total number of HGVs treated for exceptional rates in 2011.

Further advice

If you have any questions about this change, please contact Gary Baker on 01792 788587 (email: gary.baker@dvla.gsi.gov.uk).

1 VED: rates for certain goods vehicles without road-friendly suspension

- (1) Part 8 of Schedule 1 to VERA 1994 (rates for goods vehicles) is amended as follows.
- (2) In—
 - (a) paragraph 9(1) (rigid vehicles exceeding 3,500 kilograms revenue weight in case of which pollution requirements are not satisfied), and
 - (b) paragraph 9A(2) (rigid vehicles exceeding that weight in case of which pollution requirements are satisfied),after “(3) insert “and paragraph 11D”.
- (3) In—
 - (a) paragraph 11(1) (tractive units exceeding 3,500 kilograms revenue weight in case of which pollution requirements are not satisfied), and
 - (b) paragraph 11A(2) (tractive units exceeding that weight in case of which pollution requirements are satisfied),for “paragraph 11C” substitute “paragraphs 11C and 11D”.
- (4) In paragraph 11C(2) (tractive units between 41,000 and 44,000 kilograms revenue weight, with 3 or more axles and used for conveyance of semi-trailers with 3 or more axles and usable on public road in accordance with law immediately before 21 March 2000), for “The” substitute “Subject to paragraph 11D, the”.
- (5) After paragraph 11C insert—

“Certain vehicles without road-friendly suspension

- 11D (1) This paragraph applies to goods vehicles which do not have road-friendly suspension.
- (2) A goods vehicle does not have road-friendly suspension if any driving axle of the vehicle has neither—
 - (a) an air suspension (that is, a suspension system in which at least 75 per cent of the spring effect is caused by an air spring), nor
 - (b) a suspension which is regarded as being equivalent to an air suspension for the purposes under Annex II of Council Directive 96/53/EC.
 - (3) The annual rate of vehicle excise duty applicable to a rigid goods vehicle to which this paragraph applies and which has—
 - (a) a revenue weight of 15,000 kilograms, and
 - (b) two axles,is £238.

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- (4) The annual rate of vehicle excise duty applicable to a rigid goods vehicle to which this paragraph applies and which—
- (a) is a vehicle with respect to which the reduced pollution requirements are satisfied,
 - (b) has a revenue weight of 21,000 kilograms, and
 - (c) has three axles,
- is £193.
- (5) The annual rate of vehicle excise duty applicable to a rigid goods vehicle to which this paragraph applies and which—
- (a) is a vehicle with respect to which the reduced pollution requirements are satisfied,
 - (b) has a revenue weight of not less than 23,000 kilograms but less than 26,000 kilograms, and
 - (c) has three axles,
- is £299.
- (6) The annual rate of vehicle excise duty applicable to a rigid goods vehicle to which this paragraph applies and which—
- (a) is a vehicle with respect to which the reduced pollution requirements are satisfied,
 - (b) has a revenue weight of 27,000 kilograms, and
 - (c) has four or more axles,
- is £314.
- (7) The annual rate of vehicle excise duty applicable to a tractive unit to which this paragraph applies and which has two axles and either—
- (a) has a revenue weight of 25,000 kilograms, or
 - (b) is a vehicle with respect to which the reduced pollution requirements are satisfied and has a revenue weight exceeding 25,000 kilograms but less than 28,000 kilograms,
- is £266.
- (8) The annual rate of vehicle excise duty applicable to a tractive unit to which this paragraph applies and which—
- (a) has a revenue weight of 28,000 kilograms,
 - (b) has two axles, and
 - (c) is to draw semi-trailers with two or more axles,
- is £177.
- (9) The annual rate of vehicle excise duty applicable to a tractive unit to which this paragraph applies and which—
- (a) is a vehicle with respect to which the reduced pollution requirements are satisfied,
 - (b) has a revenue weight of 31,000 kilograms,
 - (c) has two axles, and
 - (d) is to draw semi-trailers with two or more axles,
- is £403.
- (10) The annual rate of vehicle excise duty applicable to a tractive unit to which this paragraph applies and which—
- (a) is a vehicle with respect to which the reduced pollution requirements are satisfied,

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- (b) has a revenue weight of 36,000 kilograms,
 - (c) has three axles, and
 - (d) is to draw semi-trailers with two or more axles,is £394.
 - (11) The annual rate of vehicle excise duty applicable to a vehicle to which paragraph 11C and this paragraph apply and which—
 - (a) is a vehicle with respect to which the reduced pollution requirements are satisfied, and
 - (b) has a revenue weight less than 44,000 kilograms, andis £464.
 - (12) This paragraph does not apply to a vehicle for which the annual rate of duty is determined under paragraph 9(2) or 11(2).”
- (6) The amendments made by this section have effect in relation to licences taken out on or after 1 April 2011.

DRAFT EXPLANATORY NOTE

VED: RATES FOR CERTAIN GOODS VEHICLES WITHOUT ROAD-FRIENDLY SUSPENSION

SUMMARY

1. This clause provides for the introduction of higher rates of vehicle excise duty for certain heavy goods vehicles by amendment of the Vehicle Excise and Registration Act 1994 (VERA). Changes to the rates take effect in relation to vehicle licences taken out on or after 1 April 2011.

DETAILS OF THE CLAUSE

2. Subsection (2), (3) and (4) amend Part 8 of Schedule 1 to VERA, to insert references to new paragraph 11D, whereby rates for goods vehicles are determined by reference to tables following paragraphs 9(1), 9A(2), 11(1) and 11A(2) subject to the provisions of paragraph 11D.
3. Subsection (5) introduces new paragraph 11D to Part 8 of Schedule 1 to VERA. Paragraph 11D specifies the categories of heavy goods vehicle without road-friendly suspension to which higher rates of vehicle excise duty will apply, and the rates for these.

BACKGROUND NOTE

4. Vehicles over 3,500 kilogrammes in weight and which carry goods are subject to vehicle excise duty under Part 8 of Schedule 1 to VERA.
5. Vehicle excise duty for goods vehicles is set according to vehicle weight, the number of vehicle axles and the pollution emissions level. Factors tending to increase the rate are a higher weight, fewer axles and higher emissions. This arrangement reflects the relative contribution to pollution levels and impact on roads infrastructure.
6. EU minimum rates of taxation for goods vehicles weighing between 12 and 44 tonnes are applicable to all EU member states, including the UK. Factors affecting the minimum rate for a vehicle are its weight, number of axles and type of suspension. For member states outside of the Euro (€) the application of these minimums is based on the exchange rate published in the *Official Journal of the European Union* on the first working day of October.

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7. In the light of the movements in exchange rates the UK is introducing higher rates of vehicle excise duty for certain categories of heavy goods vehicle without air suspension or equivalent. This ensures consistency with EU law on minimum rates of taxation.
8. If you have any questions about this change or comments on the legislation, please contact Gary Baker on 01792 788587 (email: gary.baker@dvla.gsi.gov.uk).