BVRLA
Promoting Responsible Road Transport

The Rt Hon Philip Hammond MP
Chancellor of the Exchequer
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Dear Chancellor,

Autumn Budget 2017

On behalf of the vehicle rental and leasing sector I wish to outline the priorities for our sector ahead of your next Budget. The BVRLA represents over 900 firms that collectively own and operate over 4.8 million vehicles across the UK that together help to support over 317,000 jobs.

While 2017 has started positively for our sector, global headwinds and uncertainty are starting to impact business confidence and are reflected in a reduction in future UK growth forecasts. We see the Autumn Budget as an ideal opportunity to deliver a positive and bolder economic message. Our sector stands ready to work with the Government in delivering greater stability and developing an automotive sector that supports the UK economy, the environment and our local communities.

New car sales continue to fall as businesses and consumers put off commitment to major spending decisions. Successive Budget announcements have seen the overall tax take from the business motoring sector rise sharply and it is clear that they are now having a negative impact on average car CO_2 emissions, which have risen year-on-year.

Chancellor, your next Budget offers you an ideal fiscal opportunity to help restore market confidence but importantly give a well needed stimulus to boost the uptake of the greenest and cleanest vehicles. Our sector requires greater tax stability and certainty to flourish, both prior to and following the UK's eventual withdrawal from the EU. In order to facilitate this, we propose a series of recommendations aimed at supporting and sustaining the UK rental and lease sector, which is a vital component of the UK's automotive sector.

Diesel Taxation
We fully support the Government's focus on tackling air pollution and we are already working with the five major cities outside London to help develop and implement targeted and realistic plans.

We understand that the Government is considering further taxation on new diesel vehicles to help provide financial support to the affected cities and towns across the UK. However, we would warn of the adverse political and economic harm of raising tax from diesel company car drivers. The vast majority of these employees are essential business users undertaking business journeys on the motorways and rural roads using the latest engine technology.

Employers operating company cars also ensure that employees only select the most suitable and fuel-efficient car, as they are responsible for the costs associated with all business trips. Punishing employers and their employees for using or selecting a diesel car would therefore be wholly inappropriate and grossly unfair. There is now a real danger that continued tax rises on this class of employees will result in a rapid decline in this type of benefit being selected by the employee. There is already evidence of staff – who opting out of company car schemes and taking cash allowances instead. This results in more use of the 'Grey Fleet' – older and more polluting cars being used for business trips with little or no oversight from the employer. Research[1] undertaken by the BVRLA and Energy Saving Trust in 2016 found that 1.5 billion Grey Fleet miles are driven each year in the public sector, costing the taxpayer £786m. We therefore urge the Government not to add further tax burden upon the company car market.

We feel the Government should take a fairer approach by looking at wider general taxation to help address any funding gap that may exist. Whist we acknowledge that the VED tax structure was recently reformed, as we have previously stated, the changes have been a retrograde step and need to be reconsidered. We believe that a review of the VED regime could form part of a bolder air quality plan that offers a clear tax incentive for purchasers of new cars to select not just the greenest but cleanest vehicle in terms of air quality.

Vehicle Excise Duty – reform of refund rules

Following the changes introduced in April to Vehicle Excise Duty we have seen a slowing down in the sales of new cars. The rental sector which purchased over 324,000 new cars (1 in every 3 being wholly manufactured or containing a major element built in the UK) has been unfairly hit by the new rules and has purchased fewer cars to help mitigate against the sharp cost rise, a cost which due to competitive market pressures cannot be easily passed on to their customers. As this sector typically operates its car fleet between 6-9 months it has also been impacted by only being able to obtain a partial VED refund on the unused portion. With the second-hand buyer also paying VED on ex-rental cars, this has resulted in a perverse double taxation of the same vehicle in the first year of registration.

To help address this issue and return to a normal rental fleet cycle we are asking for the VED rules to be amended to enable car owners to reclaim the full amount of the unused portion of the VED for cars sold after six months of being newly registered.

This change will be fiscally neutral to the Exchequer as the second-hand buyer will pay VED at the first-year rate for the remaining calendar months of first year. This will also ensure that our rental members continue to feed the second-hand market with the greenest and cleanest vehicles.

Towards Zero Emission

The vehicle rental and leasing sector will play a massive role in delivering the Government's vision of a zero emission new cars and vans market by 2040. With just over 0.58% of new UK car sales being electric so far this year, we feel a bolder step change is needed. We also note that the Committee of Climate Change has identified the poor take up of electric vehicles and that to meet our CO_2 targets, 3 out of 4 new cars sold (60%) need to be electric.

We would welcome a renewed and positive message in the Budget to help boost sales of zero emission cars and vans and thereby positively address the air quality. It is on this basis that we make the following recommendations for the upcoming Budget: -.

- Company Car Tax

Over the past decade, the number of Company Car Tax payers has fallen by 110,000 drivers[2], which we believe has been the result of cumulative tax rises upon those employees who have taken a company car as part of their work package. This should in fact be rising as the UK economy grew.
We would therefore recommend the Government brings forward the 2% band for zero emitting cars from 2020/21 to 2018/19. This would help to address the current decision of deferring the selection

[1] BVRLA & Energy Savings Trust – Getting to grips with Grey Fleet, July 2016
[2] Department for Transport – Time series of recipients and amounts of taxable benefits, June 2017

of electric cars immediately to avoid the penal nature of the current tax bands (13% in 2018/19 and 16% in 2019/20). This change will provide a well needed boost to stimulate the use of zero emission cars and ensure the UK is the key global market for future investment and growth in this technology.

The BVRLA anticipates that Company Car Tax rates up to 2021-22 will be announced at the upcoming Budget. We have put forward a suggestion as to what these bands could look like,(Annex A) which has an 1% incremental rise in the bands but sees the 2% band for zero emission cars stay in place. We would recommend this 2% band for zero emitting cars stays in place for 5 years from 2018/19 to help support this new and emerging market.

The BVRLA also recommends that further consideration is given to providing incentives to the take-up of safer vehicles on UK roads. We would propose that the latest NCAP vehicle safety ratings become the standard for any future company car tax incentive.

- Commercial Vehicle

To help boost and stimulate the commercial vehicle market, we feel greater incentives are needed, which should include access to enhanced capital allowances for leased vehicle and a change to VAT rules so that businesses are able to reclaim VAT on electric vans with a payload of less than one tonne.

<u>New Testing Rules</u>

To provide business and individuals with greater certainty and time to undertake the major IT system changes required, we would recommend that all CO_2 related taxes continue to use the existing NEDC CO2 values until April 2021. This will allow the market to work on a smooth transition and implementation of the WLTP CO_2 values. We are planning to work with other industry sectors and representative bodies to provide your department with a clear timetable that is workable and realistic.

The BVRLA welcomes the opportunity to discuss this with you or your team in more detail and will be happy to provide further evidence if requested.

Yours sincerely,

G. Keaney

Gerry Keaney
Chief Executive

Bona-fides BVRLA, the industry and its members

- Established in 1967, the British Vehicle Rental and Leasing Association is the UK trade body for companies engaged in the rental and leasing of cars and commercial vehicles. Its members operate a combined fleet of 4.8 million cars, vans and trucks.
- BVRLA members buy nearly 50% of all new vehicles sold in the UK, an estimated 1 million vehicles (including 308,000 UK-made vehicles) per annum.
- Collectively, members of the BVRLA support around 317,000 jobs and contribute over £24.9 billion to the UK economy each year.
- Through its members and their customers, the BVRLA represents the interests of over 2 million business car drivers and 10 million people per year who choose to rent a vehicle.
- As well as informing the Government and policy makers on issues affecting the sector, the BVRLA regulates the industry through a mandatory code of conduct, helping its members deliver safe, sustainable and affordable road transport to millions of consumers and businesses. For more information, please visit www.bvrla.co.uk

Annex A

Company Car Tax Proposed		
	Appropriate % of car list price tax	
CO2 Emissions, g/km	Tax Year 2018 - 2019	Tax Year 2019 - 2020
0	2%	2%
1 to 50	13%	16%
51 to 75	16%	19%
76 to 94	19%	22%
95 to 99	20%	23%
100-104	21%	24%
105-109	22%	25%
110-114	23%	26%
115-119	24%	27%
120-124	25%	28%
125-129	26%	29%
130-134	27%	30%
135-139	28%	31%
140-144	29%	32%
145-149	30%	33%
150-154	31%	34%
155-159	32%	35%
160-164	33%	36%
165-169	34%	37%
170-174	35%	37%
175-179	36%	37%
180-184	37%	37%
185-189	37%	37%
190-194	37%	37%
195-199	37%	37%
200-204	37%	37%
205-209	37%	37%
210 and over	37%	37%

Company Car Tax Bands to 2021/22

Emissions	Mileage capability	CCT rate 2020-21	CCT rate 2021-22
0	N/A	2%	2%
1-50g	Up to 130 miles in zero emission mode	2%	2%
1-50g	70-129 miles	5%	6%
1-50g	40-69 miles	8%	9%
1-50g	30-39 miles	12%	13%
1-50g	Under 30 miles	14%	15%

CO2 Emissions g/km	Appropriate % of car list price tax	
	Tax Year 2020 - 2021	Tax Year 2021 - 2022
51 to 54	15	16
55 to 59	16	17
60 to 64	17	18
65 to 69	18	19
70 to 74	19	20
75 to 79	20	21
80 to 84	21	22
85 to 89	22	23
90 to 94	23	24
95 to 99	24	25
100-104	25	26
105-109	26	27
110-114	27	28
115-119	28	29
120-124	29	30
125-129	30	31
130-134	31	32
135-139	32	33
140-144	33	34
145-149	34	35
150-154	35	36
155-159	36	37
160 and over	37	37

Annex A