



HM Treasury

Vehicle Excise Duty for vans consultation

Response from:

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Bona-fides

BVRLA, the industry and its members

- Established in 1967, the British Vehicle Rental & Leasing Association (BVRLA) is the UK trade body for companies engaged in vehicle rental and leasing.
- BVRLA membership provides customers with the reassurance that the company they are dealing with adheres to the highest standards of professionalism and fairness.
- The association achieves this by maintaining industry standards and regulatory compliance via its mandatory codes of conduct, inspection programme and conciliation service. To support this work, the BVRLA shares information and promotes best practice through its extensive range of training and events.
- On behalf of its 900+ members, the BVRLA works with governments, public sector agencies, industry associations and key business influencers across a wide range of road transport, environmental, taxation, technology and finance-related issues.
- BVRLA members are responsible for a combined fleet of almost five million cars, vans and trucks, supporting around 465,900 jobs and contributing £49bn to the economy each year. For more information, please visit www.bvrla.co.uk.

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Executive Summary

We welcome the fact that the Government is looking at this area as we believe that the tax regime can, if implemented appropriately, prove to be a powerful way of incentivising businesses and individuals to choose low emission vehicles. However, we do not feel that the CO₂-based approach is the right one as the full weight range of commercial vehicles doesn't exist today. There is limited market availability of low emitting vans – only 0.3% electric vans were registered in 2017 compared with 98% diesel registrations in the same year.

We believe that the Government should, instead of reforming the system, focus on incentivising OEMs to produce and make available affordable range of greener vans across all vehicle weight ranges into the marketplace. Should the Government decide to proceed with implementing these proposals, we have provided a more detailed comment on subsequent pages but summarise our views below.

Fundamental difference between car and van

Whilst company cars are a pre-requisite for essential users driving high business mileages, use of vans is fundamental to meeting operational requirements where goods or equipment need to be carried safely. The issue when choosing an appropriate van is the right vehicle for the job, bearing in mind load requirements. It is also the case that the operating environment will influence the choice of engine as well. This means greater power may be necessary for efficiently carrying heavy loads where the vehicle is required for long journeys at constant speed and such vehicles will emit higher levels of CO₂. Therefore, a CO₂-based VED system may unfairly punish businesses for simply carrying out their legitimate trade.

Perverse incentive

Such a system also risks encouraging the use of vans with smaller engines and load capacity, which people then either overload or make extra journeys with – which has a counterproductive effect on the Government's air quality ambitions. It is also worth highlighting the safety hazard that an overloaded van poses to other road users. In its guidance sheet, the DVSA notes that the problem of overloading is extensive, "most notably with Light Goods Vehicles."

Lack of viable alternatives for the industry

Whilst we fully support the Government's aim to incentivise UK businesses purchasing a new van to make the cleanest choices, we would highlight that there is limited viable choice in the van market and no affordable or practical offering at the heavier weight range. Most vans available in the market are diesel-fuelled, with very limited availability of zero emission and ultra-low emission alternatives. And where these are available, they are significantly more expensive than the internal combustion engine alternatives and difficult to order large volumes and operate efficiently. (Please see table in our response to question 1)



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Disincentivise the continuous use of older, more polluting vans

We believe the Government should focus on discouraging the continued use of older, more polluting vans. The proposed reforms will not affect the earlier Euro4 and Euro5 standards, suggesting that the much cleaner Euro6 standard vans, which are currently the only internal combustion engine versions in the market, will pay higher rates than the older, more polluting earlier standards, which will continue to enjoy reduced rates. This sends the wrong signal if the Government is seeking to reward those making cleaner choices.

WLTP adds complexity to implementation of any new system

As the BVRLA has flagged to HM Treasury and HM Revenue and Customs, there are distortions arising from the transition from NEDC to WLTP. It should be noted that vans are more complex than cars because of the various configurations and bespoke requirements which will make the impact of WLTP of far greater magnitude – for example, fork lift truck maintenance vans which are modified with full racking for safety. Therefore, introducing a new VED regime at this time would only add further complexity to the market, which we do not believe is the Government's intention.

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Consultation Questions

Question 1

Do you believe it is appropriate to review the fact that van VED is currently a flat rate?

We have asked our members for their views and the outcome they seek is for OEMs to be further incentivised to invest in the development of new cleaner technologies, so that van operators can be encouraged to update their fleet to affordable greener products. Currently, most vans in the market are Euro 6 diesel, with very limited availability of zero emission and ultra-low emission alternatives – and where these are available; they are significantly more expensive than the internal combustion engine alternatives. As can be seen in the table below, the electric equivalent is – in some cases – twice the cost of the diesel version. We believe a review of the current flat rate would only be appropriate when lower emitting vans are more readily available across all weight ranges.

Van make and model	Fuel type	Cost	EV equivalent	Cost
Renault Kangoo ML 1.5dC1 Energy	Diesel	£15,810	Renault Kangoo ZE electric	£19,315
Nissan NV200 Acenta 1.5dC1	Diesel	£15,735	Nissan e-NV200 Acenta	£22,913
Renault Master Business LM 35 2.3 dC1	Diesel	£29,730	Renault Master ZE L1H1	£46,700
Iveco Daily	Diesel	£28,000	Iveco Daily	£60,000

Question 2

Do you believe that there is scope for van VED to reflect the environmental performance of individual types of van?

While the BVRLA believes that there is scope to reflect the environmental performance of vans, we are worried that this could end up penalising some businesses if the payload isn't considered. Unlike most cars, a van is a need – an essential business tool and there will be some jobs that will require the use of larger vans with larger engines and larger CO2 emissions. Not only is the use of such larger vans more efficient on motorway journeys, by reducing the need to make multiple trips, it also prevents overloading. Therefore, a VED system that fails to properly recognise this difference between a car and a van – particularly the payload – could end up penalising businesses and creating a perverse incentive to use a smaller van that isn't fit for purpose.

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Another important point to make relates to the battery weight in electric vans which eats into the available payload, thereby making them a less attractive product as it reduces the ability to carry more goods. We note that in the consultation document the Government is aware of this and is considering applying for derogation from current weight rules for vans up to 4.25 tonnes. Whilst we would welcome the derogation, we would appreciate further clarity on the application as it relates to drivers, operations and tax. The consultation document doesn't indicate a start date for the derogation and we would recommend that it commences when the products are available in the market.

Question 3

Do you believe that CO2 bands are the right way to distinguish between vans with better or worse performance on emissions?

Given the concerns already highlighted in question 2, the BVRLA doesn't believe that an approach solely based on CO2 emissions is the right one. Instead, the focus should be on incentivising the provision of a greater number of cleaner choices in the van market, as well as removing barriers to the adoption of these low emission vehicles. Electric vans are quite expensive to produce, and OEMs would be encouraged to bring more products to market if they had some certainty that they could sell these products. Whilst welcome, the grant amount available per claim through the plug-in grant scheme doesn't go far enough in helping to meet the significant upfront cost of an electric van. It is also welcomed that in its Road to Zero strategy, the Government has stated that "consumer incentives in some form will continue to play a role beyond 2020" – however, it is important that the Government provides clarity on what these would look like.

Furthermore, the van purchaser has a limited choice. As evidenced in Table 3.A of the consultation paper, only 1,280 out of the 383,450 vans registered in 2016/17 were zero emission – a mere 0.3%. In its 2018 progress report to Parliament, the independent Committee on Climate Change also highlighted that "demand for electric vehicles outstrips manufacturer supply leading to long wait times for orders". A recent YouGov poll also corroborates the willingness of businesses to make the cleanest choices. It found that 42% of senior decision makers in small and medium sized businesses who use vehicles, would be likely to increase the number of electric vehicles they use if national and local government were to offer greater support, for example in the form of tax incentives, free parking and more charging infrastructure.

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Below, we share some of the experiences of BVRLA members who want to make cleaner choices but are constrained by lack of supply and availability.

Case studies

- A BVRLA member had difficulty fulfilling an order of 1,000 electric vans for a household logistics company because all the manufacturers approached didn't have the stock.
- In the past two weeks, another BVRLA member tried to purchase a 14-seater electric minibus. The only manufacturer with stock priced the vehicle at £164,000 – the diesel alternative had a recommended retail price of £38,312. Using their company discount, they could buy the diesel version for £20,000.
- For the past three months, a member has been trying to buy a 3.5t BEV panel van in any available make. The only product available was a left hand drive.

If the Government is to achieve its ambition that 40% of the van market should be ultra-low emission vehicles by 2030, we would recommend that at this time, it focuses on providing OEMs with the right incentives to enable them to make more choice available, whilst also making sure infrastructure such as charging points are more widely available to encourage adoption of the cleanest vans.

Question 4

Do you believe that the new VED system for vans should contain a NOx element?

No. It's complicated to enforce and operate, and NOx isn't recorded on the V5C. Instead, we would recommend that the Euro standard should be considered.

Question 5

Do you believe that CO2 bands should apply only in First Year Rates (as in the car VED system), with a flat rate applying in subsequent years?

We've already highlighted our concerns with the use of a CO2-based van VED system but provide comment in the event the Government did decide to implement this system.

The BVRLA welcomes any reduced rate but this should be for a minimum of five years, and not just in the first year. We believe there should also be an incentive for the second-hand market to buy greener vans and a First Year Rate alone wouldn't achieve this.

Separately, we note that the consultation document hasn't indicated a refund process which is important for those who use their fleets over a shorter period. For example, our members in the rental sector operate a business model that involves selling on vehicles to the second-hand market after six months.

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Question 6

Do you feel that there should be a distinction in both First Year Rates and standard rates between zero-emission vans, and vans which do emit some CO2?

As stated in response to the preceding question, we don't support a First Year Rate.

Question 7

Do you believe that the government should adopt the same or similar band thresholds for van VED as applied to cars (i.e. the thresholds set out in Table 3.A) or would you prefer for there to be more bands, which distinguish more closely the CO2 performance of different vans (for example the band thresholds set out in Table 3.B)?

Adopting the same bands applied to cars would be failing to recognise the fundamental differences between a car and van, particularly payload – and any van VED system must acknowledge these.

Question 8

Is there another banding system you believe would be more appropriate?

Please see response to earlier questions.

Question 9

What are your views on the proposed rates as set out in table 3.C?

As we explained earlier, we believe that the incentive should go beyond the first year to also incentivise the second-hand market.

Question 10

What are your views on the proposed rates as set out in table 3.D?

Please see response to earlier questions.

Question 11

Do you believe that alternatively fuelled vans should receive a VED discount compared to vans solely powered by petrol or diesel?

Yes. While we support a VED discount for alternatively fuelled vans, we would flag that such an incentive would need to be carefully calculated to successfully influence behaviour. Fleets operate on a whole of life (WLC) cost basis and a small discount wouldn't make enough of a dent on the WLC to influence buying decision.

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Question 12

When do you think government should look to bring any reformed van VED system into effect?

There are a number of factors that justify delaying the introduction of any van VED system for a few years. We've already emphasised the lack of choice and viable alternatives in the van market. The focus should be on incentivising manufacturers and giving them time to develop new technologies and bring new products to the market.

WLTP is also a critical factor. As we've been highlighting in our ongoing discussions with HM Treasury and HM Revenue and Customs, the transition from NEDC to WLTP has created market distortions which have also had an unforeseen impact on taxation. The Government has indicated April 2020 as the point at which WLTP will be used to determine car VED – with vans not subject to WLTP certification until 12 months thereafter. Currently, there are reports of some OEMs halting production because authorities are taking longer than expected to certify vehicles under WLTP. This situation is having an impact on supply and we would caution against introducing a new VED system for vans earlier than the next 36 months, without allowing the new testing regime to bed in, because it could create further and unnecessary complexity.

Question 13

Do you believe that van benefit charge and van fuel benefit charge should also be transformed to use CO2 bands?

No. The BVRLA believes that the topic of employee benefits should be the subject of a dedicated consultation for many reasons – but in summary, the choice, specification and allocation of a van is a business decision taken by the employer and not the employee. Furthermore, the actual benefit to the employee doesn't change according to the van type and CO2 profile. Therefore, introducing such a measure would be an unfair treatment of the taxpayer who may have no other choice but to surrender the vehicle. It's also worth pointing out that a van has less aesthetic value than a car and therefore less likely to be used for personal benefit.

Closing Comments

We are grateful for the opportunity we had to discuss this consultation with the policy lead, ahead of making a formal submission. We trust that the comments provided by the BVRLA on behalf of its members are helpful. Should it be useful, we would be happy to provide any additional information, or have a follow-up meeting with relevant officials.



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