BVRLA Budget Submission

28 September 2018

Executive Summary

Company Car Tax (CCT) is one of the Government's most powerful tools to influence the behaviour of businesses and individuals. A fair, consistent and well-signalled system can play a vital role in helping achieve the Government's cross-departmental policy ambitions on the *Road to Zero*. The Treasury has a tremendous opportunity to accelerate this process and accentuate the results with a simple realignment of the Company Car Tax regime. In the absence of a positive intervention by the Government in this Budget, there is a risk that the *Road to Zero* could be undermined.

Recommendations

1: Freeze Company Car Tax at 2018/19 rates

- Over half of all company car drivers (56%) have their vehicle as a job need rather than a perk, rising to 71% for basic rate tax payers[1]. Job need drivers are often excluded from the option of a cash alternative and therefore have no choice but to bear the increase in tax.
- Freezing the current tax burden and providing greater clarity of the future rate will help address any erosion of the revenue base to the Exchequer caused by some employees exiting the company car market and opting instead for a cash allowance due to the increasing tax burden.
- The Exchequer is losing revenue from some of the most lucrative drivers as 68% of cash allowance takers are higher rate tax payers. This could continue if no action is taken to ensure the company car market is sustainable.
- HMRC's most recent estimates already show a decline of 20,000 in the number of those paying company car BIK tax. The BVRLA estimates the behavioural shift towards cash and PCH will start becoming even more apparent in future BIK statistics as well.

2: Eliminate unintentional tax increases arising from WLTP

2A. NEDC correlated – provide a 2% discount for cars registered on or after 1 July 2018
2B. WLTP – deliver a tax neutral transition to WLTP

- The transition to WLTP, the new fuel consumption and emissions testing scheme, has caused distortion in the market and an unintentional tax rise.
- In some cases, the NEDC correlated CO_2 values could be up to 17 percent higher than existing NEDC values for comparable cars, while WLTP CO_2 values are typically 20-30 percent higher.
- The impact of the higher CO_2 values is that some vehicles could move up four bands higher on the CCT table – resulting in an unintentional tax rise for drivers.
- The accompanying confusion and complexity with the transition to WLTP is further aggravating those pre-existing concerns amongst company car users that are currently driving the increase in cash allowance opt-ins.
- BVRLA members are reporting a decline in new customer orders and renewal of existing ones. The result is envisaged to be even further declines in associated Exchequer revenue.

[1] Sewells company car driver opinion survey

3: Bring forward the 2% Company Car Tax threshold for Zero Emission Vehicles to 2019/20

- A delay in the introduction of the 2% CCT rate for zero emission vehicles is discouraging fleet customers from adopting electric vehicles, with an adverse knock on impact on the environment.
- The vehicle rental and leasing sectors have been responsible for a downward trend in CO2 emissions since 2002 – even further progress can be made with the necessary tax incentives to support the BVRLA *Plug-in-Pledge.*
- The Company car market is a key enabler for the early adoption of new technologies, and therefore could help with the positioning of the UK as an electric vehicle centre of excellence.
- Through its frequent fleet renewal cycle the industry feeds the second-hand market. The provision of additional fiscal incentives to also help uptake could further mature the electric vehicle second-hand market. Using the BVRLA's plug-in pledge, the industry could feed 200,000 plug-in vehicles to the second-hand market by 2025.

4: Publish 4 to 5 year view of future Company Car Tax Bands

- The lack of published CCT rates beyond 2021 is causing market uncertainty and the Government can restore stability and certainty by publishing fair CCT rates.
- To manage the lifetime cost of their vehicles – which are typically leased over four years – the average fleet or company car driver requires at least four to five years visibility on future CCT rates.
- The uncertainty created by the lack of visibility on future rates, along with the confusion and unintended tax rise from the WLTP transition, are contributing to employees and employers opting out of the company car market.

5: Other CO_2 based motoring related taxes

- Lease Rental Restriction
    - NEDC correlated – increase the 15% disallowed threshold for lease rental restriction from 110g/km to 120g/km for cars registered on or after 1 July 2018
    - WLTP – the lease rental restriction should be reviewed to reflect the use of WLTP CO_2 values to ensure tax neutrality

- Capital Allowance
    - NEDC correlated – increase the main pool threshold from 110g/km to 120g/km for cars registered on or after 1 July 2018
    - WLTP – the main pool threshold should be reviewed to reflect the use of WLTP CO_2 values to ensure tax neutrality

- First Year Allowance
    - allow firms renting or leasing ULEVs registered in the UK to be able to claim the First Year Allowance (FYA)

- Vehicle Excise Duty (VED)
    - Cars – CO_2 values for the First Year Rate should be adjusted to reflect the unintended tax rise in 2019 caused by NEDC correlated and WLTP
    - Vans – delay introducing CO_2 based VED bands for vans until greener products are available across all vehicle weights. We welcome a reduced VED rate for ULEV.

Background: Company cars and the *Road to Zero*

BVRLA members are well placed to help government achieve its major flagship policies in the *Road to Zero* and *Industrial Strategy*. For example, over half of new car sales in the UK will need to be ultra-low emission by 2030, if the Department for Transport is to meet the ambitious targets, set out in the *'Road to Zero'* strategy. This will require an exponential increase from the current level of 6.5%.

Around 50% of new vehicles are registered by BVRLA members every year, including approximately a third of all new electric and plug in hybrid vehicles, we have unparalleled insight into what drives the purchasing behaviour critical to stimulating the automotive sector. Moreover, with the BVRLA's members being responsible for 1-in-8 cars, 1-in-5 vans and 1-in-5 trucks on UK roads – totalling almost five million vehicles – the rental and leasing industry clearly will be instrumental in the achievement of the *Road to Zero's* aims.

Due to the number of vehicles they purchase and the frequency of fleet replacement cycles, BVRLA members will also be key enablers for accelerating the adoption of low emission vehicles through the second-hand market. An estimated 1.4 million vehicles were disposed of by the leasing and rental sectors in 2017 as they had reached the end of their commercial lives, equivalent to a quarter of the industry's entire fleet. These disposed vehicles enter the used-vehicle market (accounting for 18% of all used vehicle transactions in 2017) and support activity at the UK's used-vehicle auctions and dealerships. These vehicles are a crucial reservoir of affordable, low emission vehicle options for businesses and individuals who may find new options unaffordable or unobtainable.

Furthermore, next year London will witness the launch of its Ultra-Low Emission Zone, followed shortly afterwards by the introduction of Clean Air Zones (CAZ) across the UK. These zones will stipulate only the highest grade, most environmentally friendly versions of vehicles will be allowed access to Birmingham, Leeds and Southampton city centres in a bid to improve air quality in some of the country's worst pollution hotspots. In comparison, most recent estimates indicate that CO_2 emissions across the BVRLA member car fleet averaged 114.6 g/km in 2017, 20% less than the average UK car in use on UK roads.

In response to these targets set out in the *Road to Zero* strategy, in July 2018 the BVRLA launched a 'Plug-in-Pledge' which would see its members' combined plug-in vehicle fleet size rise from 50,000 today to 720,000 by 2025. By that time, vehicle rental and leasing companies would be buying 300,000 plug-in vehicles per year. This represents an increase in the industry's share of annual new plug-in hybrid and pure electric vehicle registrations from 36% to 60%. The BVRLA pledge – which was welcomed by Transport Minister Jesse Norman – has the support of 45 MPs across the House, including the four select committee chairs who led the Joint Inquiry into air quality.

When calculating the figures for this pledge most of the fleet referenced would be company cars. The BVRLA forecasts this portion of its member fleet would be responsible for 200,000 annual registrations by 2025, with a total fleet of 430,000 plug-in company cars.

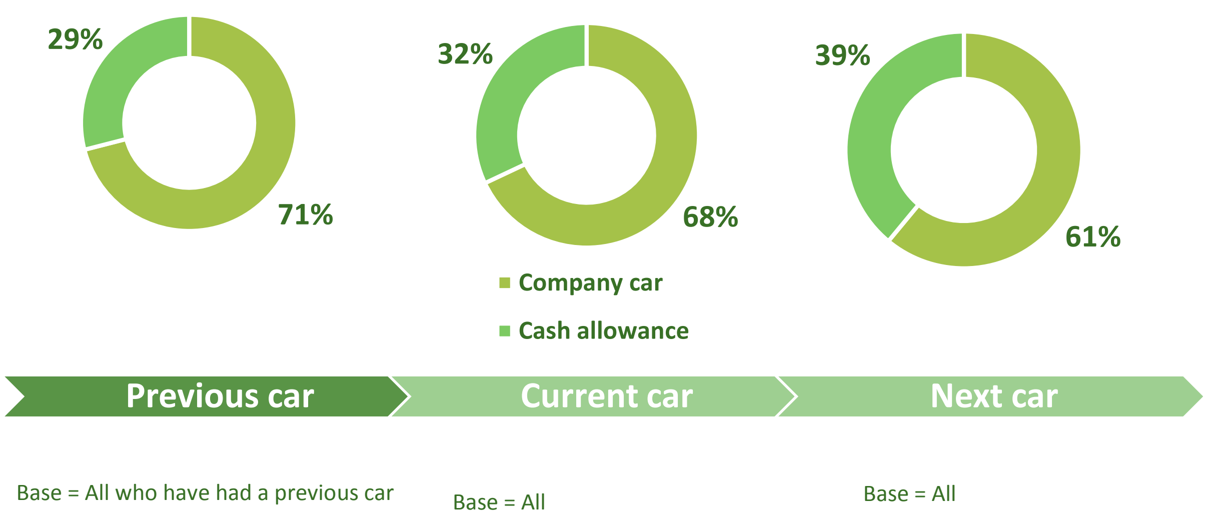
The fleet sector's ability to fully enact the 'Plug-in-Pledge' will rely heavily upon the Government aligning its policies to ensure the tax regime and wider environmental ambitions work in tandem. As recent polling by YouGov has shown, 42% of senior decision makers in small and medium sized businesses 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.

An estimated 960,000[2] company car drivers use their car privately and therefore have it treated as a taxable Benefit in Kind. Over half of all company car drivers (56%) have their vehicle as a job need rather than a perk, rising to 71% for basic rate tax payers.

Since 2002, Company Car Tax has been calculated based on the vehicle's list price and CO_2 emissions, creating a major incentive for drivers to choose low emission models. As a result, the average emissions of a BVRLA-member provided company car have fallen year-on-year, reaching an average of 112g/km CO_2 at the end of the second quarter of 2018. These cars are vital for the drive towards lower emissions, with the average newly registered company car emitting 10% less CO_2 than its new privately registered car.

Unfortunately, a steady increase in the tax burden borne by company car drivers is putting this carbon reduction at risk. An increasing number of employees are choosing to forego their company car in favour of a company provided 'cash allowance', which is taxed but gives employees the freedom to use the cash allowance to either finance their own car via a personal lease or use all or some of the money to purchase an older more polluting used car for business (also known as 'grey fleet'). BVRLA data suggests that the average personal lease car emits 11% more CO_2 than a company car, while the average grey fleet car emits 19% more CO_2. BVRLA analysis also suggests that this trend will negatively impact the Exchequer, with a typical personal lease car generating 22% less tax revenue than its company car equivalent.

Fig. 1: Proportion of drivers opting for cash allowance



Source: Sewells company car driver opinion survey

With about 10% more drivers likely to opt for a cash allowance when choosing their next car (see Fig. 1), this could mean a loss of revenue for the Exchequer. Analysis undertaken for the BVRLA showed that the Exchequer receives 76% more in tax revenue from a company car driver compared to a cash/used car driver; and 51% more compared to a personal contract hire driver.[3]

[2] HMRC Benefit in Kind statistics July 2018
[3] BVRLA market data prepared by Fleetsave

Recommendation 1:
Freeze Company Car Tax at 2018/19 Rates

1.1 The current company car market

Over half of all company car drivers (56%) have their vehicle as a job need rather than a perk, rising to 71% for basic rate tax payers[4]. These drivers include district nurses and utility workers, all of whom could not perform their day to day work without a car. As shown in the case study in Fig. 2, a company car scheme was the only route through which Andrea Lamont, an NHS worker, was able to access a brand new and affordable car to support her daily work in the community. The company car market vitally enables the delivery of public services and supports the economy.

Fig. 2: NHS Community Midwife Support Worker benefits from a company car scheme

Community Midwife Support Worker Andrea Lamont is one of those 100 employees from Lewisham and Greenwich NHS Trust who have decided to use the scheme and drive away a brand new car. Originally considering another second-hand car, because of the cost of buying a new car, Andrea visited Tusker at an employee health and benefits fair to find out more about the Salary Saving Scheme. Andrea comments "I work in the community and so need a reliable car. My car was over 11 years old and was going to be more and more expensive to repair as time went on, so I decided to get a shiny new one instead."

Tusker's Car Benefit Schemes enables all employees earning above the National Minimum Wage to have a brand new car, complete with insurance, road tax, breakdown cover, tyres and servicing, for one monthly payment. It was this that attracted Andrea to the scheme, as simplicity, coupled with affordability, were her main deciding factors. She continues "I weighed up the options of a second-hand car and thought that the Tusker scheme provided peace of mind, as well as being good value. Plus it enabled me to have a new car."

Andrea wanted to find out more about the scheme and so entered her details into Tusker's online portal. With her budget and requirements, she was able to compare a few models which she previously hadn't considered. She then decided on the Smart for 4. "I needed something reliable as I'm out in the community on a daily basis and liked the look of the Smart for 4" she comments "I then went to the showroom and made sure I liked the car before I placed my order."

Source: Tusker

Persistent increases in Company Car Tax (CCT) rates, equating to a 56% increase in tax paid by each driver since 2013 – has put the household incomes of these workers and their families, who are just about managing, under strain. Job need drivers are often excluded from the option of a cash alternative and therefore have no choice but to bear the increase in tax. As is evidenced in Fig. 3, the company car driver has been disproportionately hit with CCT rises. While average weekly earnings increased by a mere 8%[5] over a four-year period, CCT for the basic rate taxpayer has increased by eight times that rate over the same period.

[4] Sewells company car driver opinion survey
[5] BVRLA market data prepared by Fleetsave

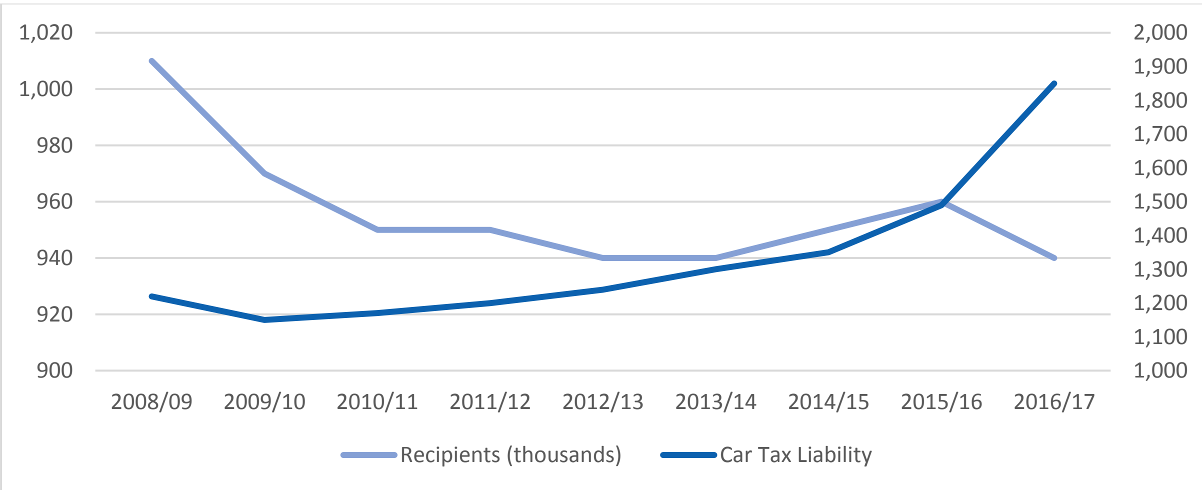
Fig. 3: Comparison of CCT rise against rise in average weekly earnings

Company car	Tax rate	P11D	2014	2015		2016		2017		2018		Total
			Tax	Tax		Tax		Tax		Tax		
Fiesta 1.5tdci	20%	£17,776	£498	£569	14%	£640	12%	£711	11%	£818	15%	64%
BMW 318d 2.0	40%	£29,042	£2,091	£2,323	11%	£2,556	10%	£2,788	9%	£3,137	13%	50%
			Dec-14	Dec-15		Dec-16		Dec-17		May-18		
Av wkly earn'gs			£480	£489	2%	£497	2%	£513	3%	£517	1%	8%
Total pay source: Office of National Statistics												

Source: BVRLA market data prepared by Fleetsave

With the increasing tax burden, there is now a serious risk that the Exchequer's revenue base could be eroded as people exit the company market. More employees are now choosing to forego their company car in favour of a company provided 'cash allowance', which is taxed but gives employees the freedom to use the cash allowance to either finance their own car via a personal lease or use all or some of the money to purchase an older more polluting used car for business (also known as 'grey fleet'). HM Revenue and Customs has estimated that the number of those paying company car Benefit-in-Kind (BIK) will fall by 20,000 in the 2016/17 tax year (see Fig. 4). The BVRLA estimates the actual number will be higher as the behavioural shift towards cash and personal lease starts becoming more apparent in future BIK statistics.

Fig. 4: Number of Employees Paying CCT Against Tax Liability (£m)



Source: HMRC Benefit in Kind statistics

Work by Sewells Research and Insight shows that 27% of businesses currently offering company car schemes are *very likely* to offer a cash alternative in the near future[6] – and of company car drivers given the choice between a company car and cash allowance, 13% are likely to switch to cash allowance next time[7]. Worryingly, of those taking a cash allowance, 68% are higher tax payers –

[6] Sewells fleet decision-maker opinion survey
[7] Sewells company car driver opinion survey

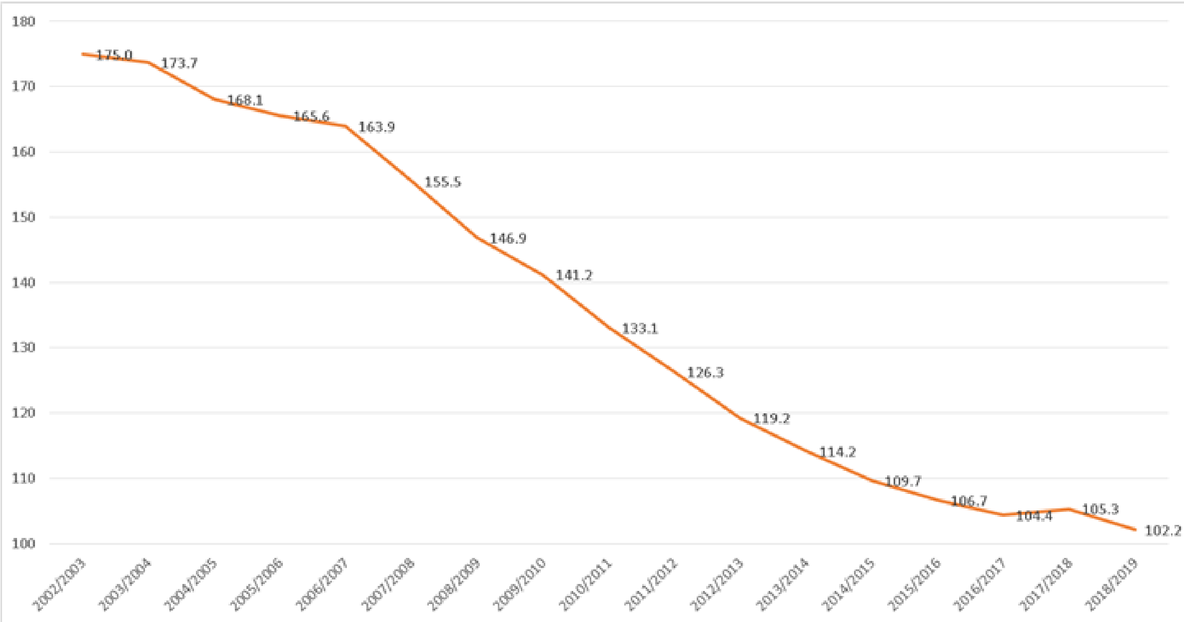
meaning that the Exchequer could be losing the most lucrative CCT payers. Once a driver opts for cash over a company car, they're unlikely to go back to a company car. This situation is borne out by research in which 81% of cash allowance drivers who cite BIK as important, confirmed that they expect to continue opting out of the company car scheme.

1.2 Air quality and environmental impact of the company car market

The company car market is a key enabler to the achievement of the Government's *Road to Zero Strategy* and *Clean Growth* priorities. Since 2002, Company Car Tax has been calculated based on the vehicle's list price and CO_2 emissions, creating a major incentive for drivers to choose low emission models. The company car market has driven significant reductions in CO_2 emissions through the purchase of the cleanest vehicles and the subsequent onward sale of these greener vehicles to the second-hand market, upon renewal of the fleet every 3-4 years.

The average emissions of a BVRLA-member provided company car has fallen year-on-year, reaching an average of 112g/km[8] CO_2 at the end of the second quarter of 2018. These cars are vital for the lowering of emissions and improvement of air quality, with the average newly registered company car emitting 10% less CO_2 than its new privately registered car.

Fig. 5: Total average CO_2 for cars registered in each tax year



Source: Zenith

Zenith – a leasing, fleet management and vehicle outsourcing business – has tracked the environmental impact of its fleet since the 2002/03 tax year when CO_2 emissions was first used as a basis for calculating CCT – and this shows a 42% reduction in CO_2 emissions for its fleet. The positive environmental impact of fleets cannot be overemphasised.

[8] BVRLA Quarterly Leasing Survey, Q2 2018

This carbon reduction success is now at risk as drivers increasingly opt out of the company car market and – as explained in section 1.1 – use the cash allowance to either finance their own car via a personal lease or retain the money and use an existing household car for business (also known as 'grey fleet'). We know from analysis that the average personal lease car emits 11% more CO_2 than a company car, while the average grey fleet car emits 19% more CO_2 than a company car[9]. 2017 new vehicle registrations saw the first increase in average CO_2 emissions since 1997 – up 0.8% from 2016.

To safeguard the Exchequer's revenue base and help the Government achieve its *Road to Zero* aims and *Clean Growth* priorities, action must be taken in this year's Budget to increase sustainability of the company car market by freezing CCT at the 2018/19 rates.

Recommendation 2:
Eliminate unintentional tax increases arising from WLTP

2A. NEDC correlated – provide a 2% discount for cars registered on or after 1 July 2018
2B. WLTP – deliver a tax neutral transition to WLTP

2.1 WLTP transition is no longer tax neutral

The Worldwide Harmonised Light Vehicles Test Procedure (WLTP) – the new fuel consumption and emissions testing scheme being adopted in the European Union to replace NEDC – will be used for tax purposes from April 2020. However, an unintended tax increase has arisen from the transition to WLTP owing to the new testing procedure which produces higher CO_2 emissions figures.

Since its initial introduction in 2017, the CO_2 values of WLTP have been translated back to correlated NEDC values to allow for monitoring compliance against the CO_2 targets set by the European Union. In some cases the NEDC correlated CO_2 values could be up to 17 percent higher than existing NEDC values for comparable cars and WLTP CO_2 values are typically 20-30 percent higher. The impact of the higher CO_2 values is that some vehicles could move four bands higher on the CCT table – resulting in an unintended tax rise for drivers. Since the more polluting vehicles are already capped at the highest band, the unintended tax changes will be most felt by drivers of lower emission vehicles – sending the wrong signal when the Government is trying to encourage greener car choices.

[9] BVRLA Sustainability Credentials

The unintended tax rise from WLTP transition in the UK and selected European countries is shown in Fig. 6 below.

Fig. 6: Unintended tax rise from WLTP transition in EU5

Additional registration tax liabilities per segment, EU5, WLTP versus NEDC, indicative emissions values

Segment	NEDC CO2 (g/km)	WLTP CO2 (g/km)	France	Germany	Spain	Italy	UK
A	100	120	€ 50.00	€ 40.00	0.00%	€ 0.00	£40.00
B	110	130	€ 300.00	€ 40.00	4.75%	€ 0.00	£20.00
C	130	155	€ 2,812.50	€ 50.00	0.00%	€ 0.00	£350.00
D	150	180	€ 6,750.00	€ 60.00	5.00%	€ 0.00	£625.00
E	170	200	€ 4,200.00	€ 60.00	5.00%	€ 0.00	£725.00
F	190	225	€ 0.00	€ 70.00	5.00%	€ 0.00	£410.00
B-SUV	130	155	€ 2,812.50	€ 50.00	0.00%	€ 0.00	£350.00
C-SUV	150	180	€ 6,750.00	€ 60.00	5.00%	€ 0.00	£625.00
D-SUV	170	200	€ 4,200.00	€ 60.00	5.00%	€ 0.00	£725.00
E-SUV	190	225	€ 0.00	€ 70.00	5.00%	€ 0.00	£410.00
B-MPV	130	155	€ 2,812.50	€ 50.00	0.00%	€ 0.00	£350.00
C-MPV	150	180	€ 6,750.00	€ 60.00	5.00%	€ 0.00	£625.00
D-MPV	170	200	€ 4,200.00	€ 60.00	5.00%	€ 0.00	£725.00

Source: Autovista

The transition to WLTP – under specific guidance from the European Commission – was intended to be a tax neutral exercise and some European countries are already taking steps to ensure this is achieved. For example, Finland introduced a new WLTP-based tax table to be used for all WLTP type-approved cars and vans, effective from 1 September 2018, even if they had a correlated or measured NEDC value available. The WLTP-based tax table approved by the Government is estimated to reduce the average tax level by 22%, compared to the NEDC tax table. In the Netherlands, the correlated NEDC values will be used for taxation purposes until the end of this year. And from January 1, 2019, new tax levels will be introduced that compensate for the increase in CO_2 emissions resulting from the new WLTP test. The German government will reportedly make changes from January. Although exact details have not yet been announced, the government is expected to adapt tax bands to take WLTP into account.[10]

As a result of the uncertainty surrounding how the higher CO_2 figures for WLTP will be addressed in taxation – coupled with the fact that not all WLTP data has been made available by manufacturers – fleet customers are either delaying the renewal of existing contracts or altogether providing their employees a cash allowance option. The BVRLA and its members have serious concerns that the unintended tax burden arising from the transition to WLTP, along with the uncertainty and current market complexity, will accelerate the adoption of cash allowance over the company car – the result of which could be an adverse impact on Exchequer revenues and overall emission levels.

The case of SSE – a major player in the energy sector with a fleet size of 6,500 – presented in Fig. 7 demonstrates the impact of the WLTP transition on the market. The organisation has delayed placing some orders because of the “lack of clarity on WLTP and benefit-in-kind tax”.

[10] Fleet News https://www.fleetnews.co.uk/amp/news/latest-fleet-news/2018/08/20/fleet-budget-manifesto-2018

Fig. 7: Case study – SSE

Focus on the car fleet

SSE has moved from the complexity of a blended car scheme, which offered employee car ownership, leasing and salary sacrifice, to the simplicity of leasing following changes to the optional remuneration arrangements (OpRA) and a move to a new contract hire provider.

Carolyn Aston, who runs the car scheme, explains: "The OpRA changes coincided with a switch of supplier which gave us two sets of change to manage.

"We dropped salary sacrifice because there was no real cost benefit, affecting around 1,000 people."

At the same time, SSE switched its main company car scheme, all job-need drivers, across to leasing.

It continues to offer a cash alternative and some employees have taken the option, but the new WLTP fuel testing regime presents a bigger challenge.

"We were due to replace around 900 cars this year but only 30% have placed an order due to the lack of clarity on WLTP and benefit-in-kind tax," Aston says.

"We have been sympathetic. We are still inviting drivers to change their cars but if they aren't able to find one that meets their requirements, we aren't forcing them to make a decision."

Source: Fleet News – 13 September 2018

The BVRLA calls on the Government to deliver a tax neutral transition to WLTP but in the meantime, it should provide a 2% discount for cars registered on or after 1 July 2018 to account for NEDC correlated values.

Recommendation 3:

Bring forward the 2% Company Car Tax threshold for Zero Emission Vehicles to 2019/20

3.1 Re-aligning fiscal policy and air quality goals

Fiscal policy is a powerful and effective tool to achieve the Government's environmental goals. As highlighted in section 1.2, the CO_2 based CCT regime underpinned the previous carbon reduction success. However, delaying the introduction of the 2% CCT rate for zero emission vehicles is a missed opportunity to help accelerate air quality improvements, because as a result fleet customers are also delaying their procurement decisions until 2020. In the recent joint air quality inquiry report produced by four select committees to scrutinise cross-government plans to tackle pollution hotspots, MPs noted "evidence indicated that HM Treasury had not taken sufficient steps to align fiscal policies with the Government's air quality objectives."[11]

[11] Improving Air Quality, March 2018 https://www.parliament.uk/business/committees/committees-a-z/commons-select/environment-food-and-rural-affairs-committee/inquiries/parliament-2017/improving-air-quality-17-19/

The misalignment of fiscal policy and air quality objectives is best demonstrated using the Golf range of cars (see Fig. 8). With the BIK for a pure electric vehicle being greater than its petrol equivalent, the current tax system is influencing drivers to make environmentally unfriendly choices.

Fig. 8: BIK comparison for Golf range of cars

eGolf pure EV will cost a 20% taxpayer £1,045 per year in BIK in 2019
PHEV Golf GTE will cost a 20% taxpayer £993 per year in BIK in 2019
Petrol Golf will cost a 20% taxpayer £1,003 per year in BIK in 2019

Source: BVRLA analysis

Other countries – including Germany – are using their company car tax systems to accelerate the adoption of electric vehicles, which risks leaving the UK behind as it exits the EU. The German Cabinet has approved a 50% discount off the purchase price of zero emission vehicles – and following Parliamentary approval, is scheduled for introduction from January 2019. Ireland has a 0% BIK rate for zero emission vehicles, while the rate is 4% in the Netherlands.

3.2 Company car market – a catalyst for industrial growth

The rapid adoption of electric vehicles is not only instrumental to the achievement of the government's *Road to Zero* aims, it is also vital to the UK's industrial success in a post EU exit world – positioning UK Plc as a centre of excellence for electric vehicle manufacturing. Underpinning this success will be the company car market which is a key enabler for the early adoption of newer, cleaner technologies. Currently, BVRLA members are responsible for around 50% of new vehicle registrations annually, including approximately a third of all new electric and plug in hybrid vehicles. Through its role, the company car market could also stimulate the growth of the electric vehicle second-hand market, which has been highlighted has one of the limiting factors to the rapid adoption of these types of vehicles.

BVRLA members recently launched an ambitious plug-in pledge that would see their combined plug-in vehicle fleet size rise from 50,000 today to 720,000 by 2025. By that time, vehicle rental and leasing companies would be buying 300,000 plug-in vehicles per year. This represents an increase in the industry's share of annual new plug-in hybrid and pure electric vehicle registrations from 36% to 60%. However, this will only be possible with the right fiscal incentives.

By bringing forward the 2% CCT rate for zero emission vehicles, the Government would be sending the right market signal, stimulating the new and used electric vehicle market, whilst at the same time promoting the UK as a place for inward investment.

Recommendation 4:

Publish 4 to 5 year view of future Company Car Tax Bands

The lack of published CCT rates beyond 2021 is causing market uncertainty. To manage the lifetime cost of their vehicles, the average fleet or company car driver requires at least four to five years visibility on future CCT rates – this is because the average fleet renewal cycle is 3 to 4 years. Despite this, current published CCT rates do not extend beyond 2021.

The lack of visibility on future rates is having an adverse impact on procurement decisions since the fleet customer has no certainty on how much BIK they will be paying over the lifetime of the lease, were they to enter into an agreement now. The uncertainty created by the lack of visibility on future rates, along with the confusion and unintended tax rise from the WLTP transition, are contributing to employees and employers opting out of the company car market.

Recommendation 5:
Other CO_2 based motoring related taxes

As highlighted in section 3.1, the transition to WLTP has produced higher vehicle CO_2 emissions. Therefore, the Government must ensure that it applies tax neutrality to all other CO_2 based taxes.

5.1 Lease Rental Restriction

To achieve tax neutrality for NEDC correlated tested vehicles, the BVRLA is calling for the 15% disallowed threshold for lease rental restriction to be increased from 110g/km to 120g/km for cars registered on or after 1 July 2018. In addition, the lease rental restriction should be reviewed to reflect the use of WLTP CO_2 values to ensure tax neutrality.

5.2 Capital Allowance

The BVRLA asks that the main pool threshold for cars registered on or after 1 July 2018 be increased from 110g/km to 120g/km to account for NEDC correlated values. Furthermore, the main pool threshold should be reviewed to reflect the use of WLTP CO_2 values to ensure tax neutrality.

5.3 First Year Allowance

The BVRLA is calling for firms renting or leasing ULEVs registered in the UK to be allowed to claim the 100% First Year Allowance (FYA).

The vehicle rental and leasing industry is a key route to market and could significantly stimulate the electric vehicle market. We believe it is a missed opportunity that the restriction remains in place. If the current restriction were removed, leasing firms would be able to pass on the savings to customers, incentivising them to use an electric vehicle. Furthermore, if vehicle lessors were able to claim FYA, this would narrow the gap between the cost of leasing and the outright purchase and hence a fairer market would evolve, where businesses would be more likely to lease rather than purchase outright.

We believe that allowing vehicle lessors to claim FYA would create a significant increase in demand for greener vehicles – this, in turn, would support the business case for green technology and lead to greater investment. The result could be more effective and efficient vehicles but also provide potential additional by-products relevant to other industries. Ultimately, this would support the UK's mission to become a centre for and leader of green technology.

5.4 Vehicle Excise Duty (VED)

Cars

The BVRLA is calling for the CO_2 values for the VED First Year Rate to be adjusted to reflect the unintended tax rise in 2019 caused by NEDC correlated and WLTP values.

Vans

The BVRLA welcomes a reduced VED rate for ultra-low emissions vans but also calls on the Government to delay the introduction of CO_2 based VED system for vans until greener products are available across all vehicle weights. Currently, the full weight range of commercial vehicles does not exist in the market. And where these vehicles are available, they are significantly more expensive than their internal combustion engine alternatives, difficult to order in large volumes, as well as to operate efficiently.

As evidenced in Fig. 9 below, the larger vans – which will be needed for some jobs because of operational efficiency and to prevent multiple journeys and overloading – aren't currently available in the market. Where available, such as the LDV ev80, it costs three times as much as its internal combustion engine equivalent with list prices in the range of £16-£21K. Whilst the current plug-in van grant is a helpful incentive, it doesn't go far enough to address the cost parity issue. Therefore, we call for more incentives for those buying greener vans.

Fig. 9: Electric van options comparison

OEM	Type	EV option	EV list price	Payload	EV range
Nissan	Small	E-NV200	£27K	0.70t	174 miles
Citroen	Small	Berlingo electric	£23K	0.64t	106 miles
Peugeot	Small	Partner electric	£28K	0.55t	106 miles
Renault	Small	Kangoo	£18K	0.65t	170 miles
Mercedes	Medium	eVito	£35K	1.07t	93 miles
Renault	Large	Master ZE	£55K – first deliveries expected late Autumn 2018	1.1t	120 miles
LDV	Large	ev80	£60K	0.95t	127 miles
Mercedes	Large	eSprinter	Available in 2019 – no price yet	1.04t	71-93 miles
Volkswagen	Large	e-Crafter	Available in 2020 – launch price of c£63K	1.72t	107 miles

Source: Parkers

We would also strongly urge the Government to focus on stimulating manufacturers to scale up the volume of supply of zero and ultra-low emission vans before it reforms the VED system for vans.

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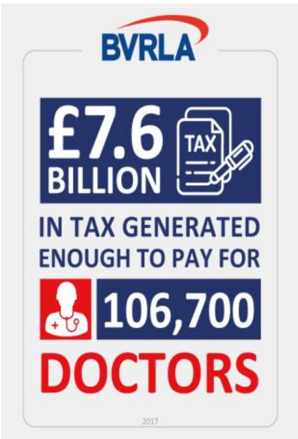
The BVRLA and its members

- 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 vehicles, which equates to one-in-eight cars, one-in-five vans and one-in-five trucks.

Economic contribution[12]

The activities of the vehicle rental and leasing industry contribute around £49bn per year to the UK economy, support over 465,000 jobs and generate £7.6bn in taxation annually. This £49bn contribution is inclusive of the operations of the industry itself, the UK-made vehicles and engines it purchases, the activity of UK dealerships and its impact on the used car market. Broken down this means the industry employs 52,700 people directly and contributes £23.9bn from rental and leasing activities.

Rental and leasing companies spent an estimated £30bn on buying over 1.8million vehicles in 2017, which includes £5.4bn spent on 304,000 UK-assembled cars, vans and trucks. This means that they were responsible for 83% of all vehicles assembled in the UK which were sold domestically. The industry also purchased 418,900 vehicles with UK-made engines. By purchasing so many UK-made vehicles and engines, the rental and leasing sector supports an estimated 78,000 jobs at major manufacturing plants in Ellesmere Port, Sunderland, Oxford, Swindon, Bridgend and Dagenham, as well as the extended supply chain.



[12] Oxford Economics: The Economic Impact of the Motor Vehicle Leasing and Rental Industry July 2018: https://www.bvrla.co.uk/sites/default/files/documents/research/the_economic_impact_of_the_motor_vehicle_leasing_and_rental_sector_-_july_2018.pdf