AFP Tax & Regulation Manifesto 2024

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1 More support for electric vans

While the picture for electric company cars has been very much positive, electric vans are proving more difficult.

The market share for battery electric light commercial vehicles in 2023 was 5.9%. This was unchanged from 2022 and included several months where registrations fell compared to the previous year. This is evidence of worrying stagnation in the market and a trend that was reflected in the latest Climate Change Committee progress report which warned that “electric van sales are still lagging and remain significantly off track” when compared to its pathway. It’s also worth bearing in mind the government’s 70% target for zero emissions vans by 2030.

Fleets are eager to make the electric van transition work but are struggling. Challenges with both public and private infrastructure, regulation, and the affordability and availability of suitable product, are all holding back the move to electric vans.

For this reason, the AFP are part of a coalition of leading commercial vehicle trade associations, electric van specialists and decarbonisation experts, who are launching a joint response called the “Zero Emission Van Plan.” This sets out three steps required from government to boost the uptake of zero emission vans across the UK:

- Increased fiscal support – grants are required to make new and used electric vans affordable.
- Improve charging – regulatory and fiscal support for accessible, affordable and fit-for-purpose chargepoints.
- Remove regulatory barriers – full alignment of 4.25t zero emissions vans with diesel vans.

In addition to the above, there is also a strong suspicion that core electric van technology just needs to improve and quite quickly. We know of AFP member fleets who have taken delivery of vans with a promised WLTP range of 200 miles who have seen that figure halve with a full load in cold weather. There is no easy solution to that degree of operational compromise.

Also, there are some fleets experiencing problems with 12v battery rundown on electric vans. There are potential solutions that may prove effective, such as roof-mounted solar panels, and van drivers do generally need to become more involved in taking responsibility for regular charging, but this does feel like yet another problem to solve.

2 **Ongoing confusion over regulations surrounding 4.25 tonne electric vans need to be resolved**

In 2019, a special concession was created by the Department of Transport (DFT) for electric vans. Normally, an individual with a standard B licence would only be able to drive a light commercial vehicle up to 3.5 tonnes but recognising the extra weight added by batteries, this was extended to 4.25 tonnes.

However, with 4.25 tonne electric vans starting to come to market in quantity, a situation has emerged whereby OZEV believe the vehicles have been deregulated from all of the operator responsibilities that normally apply to vans over 3.5 tonnes whereas the DVSA and the DFT believe some still apply.

Confusion has surrounded what exactly these additional operational requirements may be and the situation has caused consternation among fleet operators, with many cancelling their orders for 4.25 tonne vans – as the ongoing lack of clarity could lead to operators inadvertently breaking the law if they treated them like a 3.5 tonne diesel van.

We believe the 4.25 tonne derogation makes total sense and that the adoption of electric vans around the crucial 3.5 tonne mark should be made easier for as many fleets as possible. The AFP are continuing to lobby OZEV, the DVSA and the DFT to bring their interpretations into line with the original intention that 4.25 tonne vans can be operated exactly like their 3.5 tonne equivalents – and we ask individual fleet operators do the same.

We first highlighted this issue in May 2023 and little or no progress seems to have been made. It needs to be resolved now.

We will be in a similar situation with 7.5t and HGVs in the future – for each change of licence and weight category. So when resolving and reviewing the situation for 4.25 tonne electric vans, this group need to consider and agree upon the long-term strategy and all the existing derogations for trials and implement something consistent that is also aligned with Europe - who are now moving on this faster than we are in the UK.

3 **Scrap plans to introduce VED for Electric Vans**

Plans to introduce Vehicle Excise Duty for zero emission cars, vans and motorcycles from 1 April 2025 in line with internal combustion engine (ICE) vehicles for both new and existing alternatively fuelled vehicles (AFVs), would see most zero emission vans move to the standard annual rate for petrol and diesel light goods vehicles.

With businesses struggling to electrify vans already, adding to the cost will not be helpful. We would like to see VED kept at zero for electric vans in a move to aid businesses with their transition to eLCVs.

4

Better labelling for electric vehicles

A better labelling system for electric vehicles is becoming critical to successful adoption. Members have reported that electric vans are only achieving half of the WLTP range in cold conditions with a full load.

Official data designed to guide fleets towards making informed buying decisions is inaccurate and has lead to fleets purchasing vehicles that are not fit for purpose. It's an expensive mistake for businesses to be making and a better, more accurate labelling system is required.

For vans in particular, the WLTP labelling needs to cover not just a load-free vehicle in warm conditions but a variety of payload and weather variations.

Ideally, there would be a grid that shows how vans operate with no load, a medium load and a full load in warm, normal and cold conditions. It would also be useful to know something about towing capacity. This is not a complex or onerous request but a fundamental one bearing in mind the technology. Ultimately, having an accurate idea of how electric vans will perform in real world conditions is critical to their adoption.

And it isn't just electric vans that have problems with WLTP – electric cars face issues with range too. Members have given many examples drivers wanting to return cars because they cannot get the stated mileage out of them.

We need the WLTP standard for electric vehicles to change but because the agreement is made at a United Nations level, bringing that pressure to bear is extraordinarily difficult, especially in a short timeframe. Perhaps there is potential for the UK to introduce its own labelling system alongside WLTP but this also appears to be a long shot.

There have additionally been calls for efficiency ratings for vehicles e.g. 3.4kWh per mile, 2.4, 4.5 etc. This would help with the AER rates (see point 12 below) being more proportionate and would help with a future tax regime. We don't see this as any different to the average MPG figure that OEMs used to have to report on.

Also under the topic of labelling, we would like the flap on the filler cap to have two speeds identified, up to xx kWh AC (eg.11kWh) and up to xx kWh DC (e.g. 150). This would help educate people when looking for appropriate speed chargers and to understand why they can't get the full 350 the charger says. We believe this could be done under existing fuel label legislation so could be rolled out quickly and would really help drivers of electric vehicles.

5

Support for used EV sales

What has been achieved over the last few years in the electrification of company cars has been nothing short of spectacular.

However, there are issues still to resolve and probably the biggest is the used EV sector.

Although the situation has improved a little recently, the market plummeted during 2023, creating an ongoing impact on residual values (RVs) and whole life costs (WLCs). Arguably government support of some kind is needed to redress this situation, encouraging second and third buyers to look at EVs - both cars and vans - more favourably, at least until the market reaches a point of greater maturity. Part of the immediate problem is that many of the first wave of EVs adopted by fleets were luxury car models, and do not have appeal as everyday family transport for used buyers. More attention needs to be paid to the EVs that are being bought as company cars.

Another key concern in the used sector is the need for a standardised battery health check to give the used buyer a high degree of reassurance, largely to offset reports of horror stories of cars requiring replacement batteries at costs that exceed the vehicle value. Work on this is currently underway at an international level and it can’t come soon enough but also, we just generally need to see more emphasis placed on educating used car buyers.

6

A national kerbside charging strategy is essential

A lack of kerbside charging is currently the biggest barrier to EV adoption in the UK, we believe, so a national programme is needed to encourage installation of chargers for on-street parking. The current scheme relies on local authorities to part-fund, meaning that provision is extremely patchy and that employers need to lobby individual councils for charging provision, something that is often proving ineffective. There needs to be a unified national programme in place that solves these problems, otherwise many drivers will find it very challenging to adopt an EV.

7

Community Charging Projects

The private sector has started to develop community based charging solutions to support drivers who do not have easy access to home charging. We believe the government should support this fledging industry as it is an important piece of the EV charging puzzle.

8

Chargepoint Regulation

We believe there is a need for a charge point regulator. Drivers of electric vehicles need ease, reliability and consistency when using the public charging network. A regulator would be able to look at pricing and the possibility of price caps, simplify payment to make it easier for drivers to pay for and claim back charging across all the public charging networks (contactless via credit cards, corporate billing solutions and easy to obtain VAT receipts). A regulator could also put in place a quality standard for chargepoints and look at locations, reviewing where they are most needed. Inter-connectivity and data flows to corporate fleet systems is vitally important too and frequently overlooked.

A regulator would be able to focus on quality, quantity, standards and accessibility in, what will be, a big industry sector.

9

Move Public Charging VAT to 5%, in line with home charging.

The VAT rate for public charging was set long before the widespread introduction of electric vehicles and a review is overdue. We would like to see a consistent VAT treatment for charging EVs whereby the current 20% VAT rate for public charging is reduced to 5% in line with home charging. Having a higher rate for public charging is penalising drivers who can't charge at home twice – not only are they paying a premium for the electricity at public charge points, but they are also paying a higher rate of VAT.

10

Easy access to get charge points fitted

We would like to see legislation to combat the problem of Landlords blocking the installation of charge points for tenants, in both residential and leased commercial property. Again, this is hampering the uptake of electric vehicles or forcing EV drivers in rented accommodation/leased commercial property to use the costly public charge point network.

11

... and VAT should be removed from Home Charger Installation costs

Home charging should be encouraged wherever possible and thus the installation of home chargers should be as cost effective and easy as possible. Removing VAT from home charger installations reduces the cost and makes it more attractive. Not only is home charging the most convenient and least costly option for most, from a safety perspective, it also stops any risks in terms of drivers hanging charging cables out of the windows if they attempt to charge at home without a home charging unit!

12

Review of the AER

Although we were pleased that the government reviewed, and increased, the AER after lobbying from the AFP and BVRLA, we believe that having one rate for all vehicles – covering every vehicle from small cars to large vans – doesn't work, especially with the one rate only focusing on those that charge at home. We believe there should be four rates as opposed to one. A rate for cars with access to home charging, a rate for cars without access to home charging, a rate for vans with access to home charging and a rate for vans that are charged on the public network. The cost disparity between a small electric car that is predominantly charged at home and a van that is charged using the public network is significant and one AER to cover all vehicles and charging types doesn't suffice.

13

Actual Cost Definition for electric vehicle charging reimbursements

Many fleets are reimbursing electric vehicle drivers for the actual cost of the electricity used for business mileage, due to the AER rate falling short and leaving drivers out of pocket. There is no clear definition from HMRC as to what is deemed acceptable for actual cost calculations so fleets are using their best judgement.

And it's not a straight forward calculation – with drivers using a combination of home, office, kerbside and public charge points. A definition of what HMRC view as acceptable would be very useful and reassuring for the many fleets using actual cost reimbursement.

14

Clear signposting of EV initiatives is required

We are pleased with the level of support from the government when it comes to the UK's corporate electrification programme for cars. However, our belief is that this needs to continue for some years to come and that any changes should be clearly signposted well in advance, giving fleets confidence about EV running costs into the future and time to plan and adjust to any changes. The wrong withdrawal of incentives at the wrong moment could see a return to petrol and diesel vehicles purely because of cost calculations.

15

BIK Tax Tables to 2030

At present, the BIK Tax Tables are published up to the 2027/28 tax year. Ideally we'd like to see the BIK Tax Tables published to 2030 to provide certainty and peace of mind for fleets ordering vehicles with 4 year contracts that will fall into the 2029/30 tax year.

16

Clean Air Zones should be co-ordinated nationally

We welcome Clean Air Zones (CAZs) for the positive impact they have on the environment. However, their localised nature, with a plethora of different rules and methods of payment, means they are unnecessarily complex for national fleets to deal with. We would like to see them instead steered by a national committee that creates greater consistency around their operation, especially when it comes to charging, which should use simple, effect and automated technological solutions. CAZs are effectively a form of taxation and payment should be easy.

17

Tax breaks are needed for employees taking a mobility solution...

The AFP would like to see schemes in the UK, similar to those available in France, whereby a tax-free allowance is given if an employee takes a mobility allowance, often as an alternative to a company car. We believe this will provide an increased uptake in the numbers of corporate employers and employees moving from a fixed car solution to something more flexible and environmentally friendly. In France, the allowance is currently €600 per annum. We would like to see an allowance of £2,000 based on the mode of transport.

18

...and for shared and low carbon mobility

We also believe that tax breaks should be offered to employees who decide to leave their car at home and undertake an alternative, zero carbon journey instead – be it walking, cycling or e-scooting. The Netherlands offer tax breaks for walking and cycling. These benefits should be offered for both commuting to the office and for business trips.

19

... and for Hydrogen

We also believe tax breaks should be given for the use of hydrogen, like they had in Germany. Hydrogen is not really an alternative option for fleets at the moment due to the high whole life costs and lack of infrastructure but it does become an viable alternative with some significant government investment in this product.

The government needs to support this industry alongside their continued support and drive on the electrification of the UK vehicle carpark.

20 Parking costs should be linked to shared mobility and public transport solutions

We believe that one of the biggest barriers stopping shared mobility deployment and moving employees from personal vehicles into rail usage is not the expense of the train tickets themselves but the often very high cost of parking at almost any UK train station. We therefore urge the government to set national limits on parking costs at train stations. The ability to be able to buy a train ticket with a parking ticket should also be improved with a seamless payment solution.

21 Inner city parking needs to be improved

We recognise that as few fleet vehicles should be parking within inner cities as possible. However, to make this practical, park and ride schemes need to be cheap, quick and effective. The size of parking bays should also accommodate long wheelbase vans. Sadly, this is not the case in most UK cities. The AFP believes that the Oxford model is the most effective by far and we would like to this rolled out nationally by a government-backed nationwide committee

22 The “available to use” rule needs updating

Current HMRC rules for benefit in kind (BIK) taxation on company cars are based around a vehicle being “available to use” by an employee for personal use. This creates two major problems in the face of changing vehicle usage patterns.

Firstly, even if an employee pays fair value for the cost of renting the vehicle from their employer for personal use of a company vehicle, this is still taxable. This fundamentally limits the potential progress of employers offering car clubs, which could be a highly effective mobility solution.

Secondly, when vehicles have not been used for personal reasons for long periods of time – such as during the pandemic - and this can be proved, the tax ruling means that the car remains taxable, as it is still available for the employee in the sense that they have access and the keys.

Currently, HMRC guidance says that keys should be returned to the employer in order to prove no private use has taken place. However, this makes little sense. Not only does it not prove an absence of private use but the keys are often sent to an empty office, which frequently leads to expensive and highly inconvenient key losses in practice.

In light of these issues, the HRMC rule on “available to use” needs updating, we believe. In order to make car clubs practicable, the company car should be used by the employee for private use at either no cost or at marginal cost (i.e. when the vehicle cost per day is lower than fair market value). Secondly, technological solutions should be used to prove no vehicle use.

23 A clear definition of occasional private use is required for cars

At present there is no firm definition for the phrase “occasional private use” which is applied by HMRC to company vehicles, and this can lead to both confusion and inconsistency. This definition should be clearly codified and we believe that less than 1,000 miles per annum would be a fair and effective level of occasional private use for cars.

24 Road tolling needs to be clearly signposted

The AFP expects road tolling to be introduced at some point during this decade. This will have a direct and substantial impact on the operation of company vehicles of all kinds. We would like the government to be open about its plans in this area, with the creation of a transparent dialogue that allows a form of road tolling to be discussed and ultimately adopted that both fulfils the needs of the Treasury and is simple and easy for fleets to use.

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