Rt Hon Sajid Javid MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

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Direct Dial: 01494 545716
Email: gerry@bvrla.co.uk

Dear Chancellor,

Autumn Budget

The BVRLA represents the demand side of the automotive industry. BVRLA members purchase around 50% of new vehicles sold annually in the UK – around 1.6 million cars – including a third of all new electric and hybrid vehicles. In 2017, the vehicle rental and leasing industry spent £30.9 billion on new cars, vans and trucks – of which an estimated £5.4 billion was spent on new UK-made vehicles. As a result of this investment, our sector supports activity in the UK's motor vehicle manufacturing industry, the aftermarket and its supply chain, helping to secure local jobs.

Tax is a vital weapon in any government's policy armoury. Used in the right way, it can mobilise businesses and drive innovation or behaviour change. Our sector is the quickest route to decarbonising road transportation and best placed to help government achieve the 2050 net zero emission target. The following policy recommendations will enable our sector to support the government deliver on its commitment to make the UK the leading country for net zero.

1. Provide continued support for the Plug-in Car Grant to 2025

Plug-in vehicle grants are still of the utmost importance to the rollout of electric vehicles (EVs). From a demand-side perspective, the removal of the grant for plug-in hybrids has had a negative effect on purchasing behaviour, with the most recent figures from the Society of Motor Manufacturers and Traders (SMMT) showing that sales of zero emission-capable plug-in hybrids had fallen by a third. Clearly the grant has been a significant driver in the take up of low emission vehicles, and we would urge the Government to keep it in place for pure EVs to ensure that market does not suffer a similar decline as experienced by plug-in hybrids. From a supply-side perspective, the availability of the grant will help to make the UK an attractive EV market and stimulate manufacturers to make the products available here.

Looking ahead, the Government should continue to provide plug-in grant support until 2025 – with the grant level linked to progress in achieving total cost of ownership parity with conventional vehicles. As progress towards parity improves, funding can reduce and gradually be phased out. We would also urge the Government to consult with the fleet industry on what form incentives should take beyond 2020, as committed to within the Road to Zero strategy, due to the experience and feedback the fleet industry can provide with respect to total costs of ownership.

2. Make EVs more accessible to consumers by removing the £320 VED surcharge or increasing the £40,000 threshold

The current VED surcharge of £320 should be removed for electric vehicles (EVs), or the £40,000 threshold increased, to ensure our tax system encourages the right behaviour. The surcharge is inconsistent with the government's aims to encourage the uptake of ultra-low emission vehicles (ULEVs) and serves as a barrier. As EVs tend to be more expensive than petrol and diesel cars, it is possible to spend over £40,000 on an EV without necessarily buying a "luxury" car, and so this restricts EV uptake. For example, the BMW i3s Hatch eDrive with an electric range of up to 193miles under WLTP testing could cost up to £40,115. With the surcharge applying for five years beyond the initial first year rate, it potentially could discourage used car buyers from choosing cleaner options as they are typically more sensitive to total cost of ownership than new car buyers. With road transportation accounting for 27% of the UK's greenhouse gas emissions – and actual deployment of ULEVs slow at only 2% of new car sales – the tax system should support, not work against, the government's environmental goals.

3. Support rental companies to put cleaner vehicles on UK roads by making VED bands more granular

We welcome the government's commitment to a call for evidence on VED, particularly as the government did not make any adjustment to VED to account for the increase in WLTP-based CO_2 figures. The resultant impact is that rental businesses are likely to hold vehicles for longer which delays the adoption of newer and cleaner technologies, while also depriving the used car market of the cleaner, greener vehicles the government wants to see on our roads. The price sensitive nature of the rental market means that it is affected significantly by increases in VED due to WLTP transition. With the rental business model revolving around a frequent replacement cycle, it means that the VED increases will be felt twice every year by those rental firms that renew vehicles on a six to nine-month cycle. The BVRLA is calling for VED bands to be made more granular, particularly from the 151g/km banding where there is a steep rise in the applicable first year rate. Whilst not the optimal solution, making VED bands more granular will go some way to mitigate the impact of the transition to WLTP.

4. Reclassify motorhomes as Private Light Goods (PLG) for VED purposes

The BVRLA would like the government to use the opportunity of this fiscal event to reclassify motorhomes as private light goods vehicles and not as cars for the purposes of VED. Moving these vehicles out of the commercial vehicle tax band and taxing them as cars means that the first year VED for a new motorhome could increase from £265 (PLG rate) to as high as £2,135 – depending on its CO_2 values. UK motorhomes are built using a van chassis as its base vehicle, fitted with a commercial engine. These base vehicles are constructed by commercial vehicle manufacturers and converted into motorhomes by motorhome manufacturers. Against this backdrop, it follows that these vehicles should not be taxed as such cars. Moreover, motorhomes are only used for holidays and short breaks and make shorter journeys – on average 5,000 miles per year.

5. Help fleet drivers invest in greener vehicles now by providing clarity on company car tax (CCT) rates beyond 2023

We welcome the government's recent publication of company car tax rates to 2023. Providing clarity on future company car rates gives fleet managers much needed certainty to plan ahead and invest in greener fleets now, rather than delaying their purchasing decisions. BVRLA members have reported that this action has given certainty to the market, evidenced by an increase in the number of customers renewing their contracts with new vehicle orders – particularly ULEVs. The government should build on this by providing five-year visibility on company car tax rates post-2023, rather than making ad-hoc changes that leave markets and consumers in limbo. 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.

6. Ensure that the company car market remains a source of the cleanest vehicles by monitoring the impact of WLTP, making rate adjustments to mitigate any adverse impacts.

The BVRLA is calling on the government to continue to monitor the impact of WLTP on CO_2 emissions, with a focus on the burden on company car taxpayers. A review should be published in October 2020, six months after WLTP figures start being used for calculating CCT. Should there be a significant growth in the company car tax burden or a continued decline in the number of company car drivers, the government should consider providing a further 2 percentage point discount in 2021/22 and 2022/23 rather than increasing rates by 1 percentage point.

7. Adjust CO_2-related taxes and charges (e.g. capital allowance, lease rental restriction) to account for the increase in WLTP-based CO_2 figures

We acknowledge the government's recent response to the *Review of WLTP and Vehicle Taxes* in which adjustments were made to company car tax to account for the increase in WLTP-based CO_2 figures. There are other taxes which are linked to a vehicle's CO_2 emission level. These are also affected by WLTP and any measures taken to address the impact on company car tax should be applied in a consistent manner to these types of taxes as well. To ensure consistency, we would urge the government to temporarily increase the threshold for the special rate and main pool from 110g/km to:

- 130g/km in 2020/21, reducing to;
- 120g/km in 2021/22 and;
- 110g/km in 2022/23.

The UK's exit from the European Union

The fleet sector will lead the way in supporting their customers with strength and resilience, regardless of the final Brexit outcome. With that in mind, we would like the government to consider the following recommendations for implementation once we leave the EU in order to ensure global Britain's continued relevance.

8. Boost EV affordability by exempting new EV sales from VAT

The upfront cost of an EV is a significant barrier to the uptake of these types of vehicles. To boost their uptake, the government should exempt EVs from VAT when the UK leaves the EU. Should the government implement such a policy measure, the cost of a Nissan Leaf Acenta (priced at £27,975 at the time of drafting this letter) would fall by nearly £6,000. This price reduction would have a significant impact on the total cost of ownership, resulting in considerably smaller monthly payments (assuming the vehicle is being leased), thereby making EVs significantly more affordable and within reach of a greater number of consumers.

9. Extend First Year Allowance to rental and leased vehicles

Taxation could also do a great deal to accelerate the uptake of ULEVs. Currently, the eligibility criteria for first year allowances (FYA) applies only to ULEVs bought as an outright purchase, not to vehicles acquired through leasing. To exclude a sector putting 14% of new vehicles onto UK roads seems a missed opportunity. The leasing sector is a prime channel for bringing the greenest vehicles into use in the shortest time and supports the move from vehicle ownership to usership which is critical to the success of more intelligent utilisation of vehicles. Therefore, a change in direction on this relief brings obvious benefits. The government has committed to review the case for the FYA and the appropriate emission thresholds from 2021 at Budget 2019 and we would urge that the eligibility criteria is extended to include ULEVs acquired through leasing instead of just outright purchase. To address concerns about the risk of cross border leasing, the BVRLA has always argued for this relief to apply to only UK-registered ULEVs. However, in the event of a no deal EU exit, this risk will be eliminated.

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In conclusion, the fleet sector is the quickest route to decarbonising road transportation and is best placed to help the government achieve its 2050 net zero emissions target. We are ready and willing to play our part and to work with government to achieve its environmental goals. However, the tax system must be an 'enabler' to help achieve these joint ambitions.

Yours sincerely,

Gerry Keaney
Chief Executive

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 980+ 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 over five million cars, vans and trucks, supporting around 465,000 jobs and contributing £49bn to the economy each year.