



Rt Hon Phillip Hammond 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](mailto:gerry@bvrla.co.uk)

Dear Chancellor,

### **Spring Statement 2019**

Ahead of the Spring Statement, I wanted to urgently raise the very serious concerns of the fleet sector about the impact of future plans for motoring taxation.

We are 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. Furthermore, due to a rapid fleet cycle our sector also disposed of an estimated 1.4 million vehicles in 2017, accounting for nearly 1-in-5 of all used vehicle transactions in that year. These second-hand vehicles help create a crucial reservoir of affordable, low emission motoring options for businesses and individuals, who may find new options unaffordable or unobtainable.

Like other participants in the automotive industry, the uncertainty surrounding the UK's exit from the European Union forms the context of our operating environment. Our members have had to grapple with significant constraints, including a decline in consumer and business confidence. Therefore, the unintended tax rises from the transition to WLTP is an added complexity that the sector could do without. Against this backdrop, we do not believe that this is the time to be increasing motoring taxes. The government has an opportunity to act, giving some respite and certainty to the industry.

### **Managing the impact of WLTP through tax changes**

Over the last twenty years, the fleet sector has embraced the introduction of carbon-based motoring taxes and used the incentives they provide to deliver a sustained and substantial reduction in average CO<sub>2</sub> emissions. The company car tax regime has enabled fleets to reduce their carbon footprints and embrace ultra-low emission technology. For example, the average emissions of a BVRLA-member provided company car have fallen year-on-year, reaching an average of 111g/km CO<sub>2</sub> at the end of the third quarter of 2018, while rental cars typically produce 26% less CO<sub>2</sub> than the average car on the road.

However, the changes resulting from the transition to WLTP risks derailing this environmental progress if the government does not protect tax neutrality by adjusting company car tax and VED. The uncertainty created by the sharp and persistent increases in company car tax rates – made worse by the confusion and unintended tax rise caused by the WLTP transition, alongside the lack of visibility on future rates, all result in employees and employers opting out of the company car market. 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 – 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.

### **British Vehicle Rental and Leasing Association**

River Lodge, Badminton Court, Amersham, Bucks HP7 0DD  
tel: 01494 434747 fax: 01494 434499 e-mail: [info@bvrla.co.uk](mailto:info@bvrla.co.uk) web: [www.bvrla.co.uk](http://www.bvrla.co.uk)

The rental sector provides consumers and businesses with access to some of the very cleanest and newest vehicles on the UK's roads – with average emissions declining by 11% over a five-year period. The price sensitive nature of this market means that it will be affected significantly by increases in VED due to WLTP transition. The BVRLA estimates that the rental sector will be responsible for 14% of the Office for Budget Responsibility's forecast increase in VED receipts of £200 million a year – meaning an additional cost of £28 million to the sector. We discussed these concerns in greater detail in our last Autumn Budget submission and recent response to the Review into WLTP and vehicle taxes – copies of which are attached at **annexes A and B**.

Given the positive environmental impact of the fleet sector, every effort should be made to support us, which is why we are calling on the government to:

- Adjust future VED and company car tax bands for 2020 and beyond to account for the increase in WLTP-based CO<sub>2</sub> figures
- Provide a legacy CCT table for pre-April 2020 vehicles, freezing the rates at 2018/19 level
- Provide a 4/5-year view of future company car tax and VED bands, enabling fleets and drivers to plan their vehicle choices
- Ensure that all CO<sub>2</sub>-related taxes and charges (e.g. congestion zones, lease rental restriction) are treated consistently under WLTP

#### **Future of motoring taxes**

There is growing acknowledgement that revenues from motoring taxes will decline as vehicles become greener and more efficient. The fleet sector recognises its role in working with government to modernise the tax system to be fit for zero-emission road transport. In a new report, "Road to Zero: Time to Shift Gear on Tax" the BVRLA has assembled contributions from nine organisations including the RAC, BP Chargemaster, Energy UK, DriveNow, and the Centre for London. They provide a fascinating vision for the evolution of zero-emission road transport and explore how tax policy can be used to deliver cleaner, clearer and affordable motoring. The report is also endorsed by Neil Parish MP and Mary Creagh MP – chairs of two Parliamentary Select Committees, who jointly provided the foreword. I will make a copy of the report available to you following its launch in early March and hope you will be willing to meet with me and other stakeholders to discuss how we can use the tax system to facilitate a smooth transition to a zero-emission future.

Finally, the automotive industry urgently needs government support to withstand the current headwinds with which it is contending. We reiterate that this is not the time to be increasing motoring taxes. The government has an opportunity to act, giving some respite and certainty to the industry by acceding to the BVRLA's recommendations.

Yours sincerely,



**Gerry Keane**  
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.