



The Rt. Hon George Osborne MP  
Chancellor of the Exchequer  
HM Treasury  
Unit 1  
Horse Guards Road,  
London  
SW1A 2HQ

1 February 2016

Dear Chancellor,

I am writing on behalf of the British Vehicle Rental and Leasing Association (BVRLA) ahead of the upcoming Budget on Wednesday 16 March. The BVRLA welcomes the opportunity to provide its policy proposals ahead of the Budget, and I enclose a summary of the points we have made in our main submission.

The UK vehicle rental and leasing sector continues to be a major contributor to the UK economy, purchasing an estimated 1 million vehicles (including 308,000 UK-made vehicles) per annum, generating £24.9 billion in gross value added for the UK economy and employing 53,600 people. As a result of the total activities supported by the UK rental and lease sector in 2013, the Treasury received a total £3.4 billion in total tax revenue.

As the representative body of a major tax contributing sector, the BVRLA understands the importance of taxation, especially in the years following the Global Financial Crisis, and in meeting the subsequent challenge of reducing the national deficit. However, we are concerned at the unfair tax burden on the sector, and believe that the vehicle rental and lease sector has been disproportionately hit with a higher tax burden than other industries.

In particular, the BVRLA is concerned at the cumulative effect of a series of tax increases on individuals who have chosen to take a company car as part of their work package. The combined effect of the 2% increase in Company Car Tax from 2017-18, and the delay in removing the 3% diesel supplement on company car tax from April 2016 to April 2021, translates to a total additional **£626.94** in 2017-18 (a 15.43% increase), and a **£882.26** in 2018-19 (a 21.71% increase), compared to 2013-14. Alternatively, this represents a rise per company car of **16.26%** in 2017-18 and **22.88%** in 2018-19, since you took office as Chancellor. These figures also represent a best-case scenario, based as they are on the assumption that the number of company car drivers in the UK – which has diminished by 30,000 since 2010 (a 3% drop), and 10,000 from the previous recorded year – does not diminish further.

In particular, the effect of your announcement at the previous Autumn Statement to delay the well-signalled removal of the 3% diesel supplement on company car tax from April 2016 to April 2021 will generate an additional £1.36 billion over the next five years. As there are currently 740,000 out of a total 940,000 company car drivers who have opted to take a lower emission diesel car, this decision will financially penalise around 4 in 5 company car drivers, due to the shortcomings of some manufacturers and the vehicle testing regime.

**British Vehicle Rental and Leasing Association**

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The BVRLA believes this to be both unfair, as well as setting an unfortunate precedent for punishing innocent drivers for decisions made on the basis of published tax rates. The effect of this decision also risks many employees deciding to give up their company cars, and instead opt to drive older, privately-owned vehicles, which will not be built to the same safety and emissions standards. As well as the reduced environmental benefits, a further shift would also jeopardise the sales of and associated tax take on the newest vehicles, which of course are built to the latest, safest and greenest standards.

Around one fifth of company car drivers are paid salaries of under £30,000. The steady increase in taxes associated with company cars could make this an unattractive option for all employees, and particularly the lower paid. The loss of First Year Allowances on leased also amounts to a further financial disincentive for employees considering taking a company car.

The principle canons of tax policy are that it should be equitable, certain (knowing in advance how much must be paid), and convenient (the mode and timing of tax payment should be as far as possible, convenient to the tax payers). The BVRLA believes that these principles are not being achieved, and respectfully asks you to reconsider the current system and levels of company car taxation in the light of the evidence presented below, as part of the upcoming Budget and in future changes to the tax system.

Finally, I would also like to place on record the BVRLA's concern at the rising levels of deaths and serious injuries on UK roads – increases in 2014 of 4% and 5% respectively. To address this unwelcome rise, we would like to recommend a financial incentive to the take up of vehicle safety technology which can be proven to reduce both accidents and the severity when these occur. For example, Thatcham Research has estimated that if a £500 incentive was offered for those choosing to buy a car with Autonomous Emergency Braking (AEB) fitted, this could reduce road casualties by 136,000 over the next ten years. Not only would this ensure UK roads remain among the safest in the world, this would also reduce accident congestion and resulting emissions, as well as the loss of economic activity as a consequence.

The BVRLA welcomes the opportunity to contribute to this process, and will be happy to provide further evidence if requested.

Yours faithfully,

A handwritten signature in black ink that reads 'G. Keaney'. The signature is written in a cursive style with a large, sweeping flourish at the end.

**Gerry Keaney**  
Chief Executive, BVRLA



## About the BVRLA and its members

- Established in 1967, the British Vehicle Rental and Leasing Association is the UK trade body for companies engaged in the rental and leasing of cars and commercial vehicles. Its members operate a combined fleet of 4.5 million cars, vans and trucks.
- BVRLA members buy nearly 50% of all new vehicles sold in the UK, an estimated 1 million vehicles (including 308,000 UK-made vehicles) per annum.
- Collectively, members of the BVRLA support around 317,000 jobs and contribute over £24.9 billion to the UK economy each year.
- Through its members and their customers, the BVRLA represents the interests of over 2 million business car drivers and 10 million people per year who choose to rent a vehicle.
- As well as informing the Government and policy makers on issues affecting the sector, the BVRLA regulates the industry through a mandatory code of conduct, helping its members deliver safe, sustainable and affordable road transport to millions of consumers and businesses. For more information, please visit [www.bvrla.co.uk](http://www.bvrla.co.uk).