



## Summer Budget 2015

The Chancellor of the Exchequer has now delivered his summer Budget, his first for an all-Conservative government, following the May General Election. The key announcements of interest to BVRLA members are as follows:

### Vehicle Excise Duty (VED)

The Chancellor has addressed falling revenues from Vehicle Excise Duty by reforming VED for cars registered after April 2017. First year rates (FYRs) will vary according to the CO<sub>2</sub> emissions of the vehicle, but a flat standard rate of £140 for all cars except those with zero grams of CO<sub>2</sub> per kilometre (CO<sub>2</sub> g/km), which will have a £0 standard rate.

Cars with a list price above £40,000 will also have a supplement of £310 per year for the first 5 years in which the standard rate is paid.

The new VED system will be reviewed as necessary to ensure incentivises take-up of the cleanest, greenest vehicles.

*BVRLA comment:* While we welcome the three new VED bands, which will help to address the falling VED revenues to the Treasury, the BVRLA is concerned that the existence of two different VED bandings from 2017 could create extra complexity and cost for the fleet market. A further concern is that these new bandings represent a policy shift away from the tax being based solely on tailpipe emissions, with vehicles costing more than £40,000 facing an extra annual £310 surcharge for the first five years. Many ultra-low emission hybrid vehicles could fall into this category, which might put prospective customers off.

### Roads investment

The Government will create a new Roads Fund, which from 2020-21 will be subsidised directly by the VED revenues above, to help deliver on the election manifesto pledge to invest £15 billion into the national road network over this Parliament (2015-2020).

A second Roads Investment Strategy will also be developed and published before the end of the current Parliament, which will be informed by and based on the recommendations and financial record of the Roads Fund.

*BVRLA comment:* Following the £15 billion for road investment and improvements pledged by the Chancellor in his previous Budget, we welcome the recognition by Government of the importance of road infrastructure, and that the revenue raised from the road users will be invested back into the road network.

### Company Car Tax

As announced at the previous pre-election Budget, from 2019-20 the appropriate percentage of the vehicle's list price (subject to tax) will increase by 3 percentage points for cars with CO<sub>2</sub> emissions above 75g/km, up to a maximum of 37%. There will be a 3 percentage point differential between the 0-50 and 51-75g/km CO<sub>2</sub> bands, and between the 51-75 and 76-94g/km bands.

## **Fuel**

Fuel duty will remain frozen for the remainder of 2015.

The Finance Bill 2016 will also include a measure to apply a reduced rate of fuel duty to aqua-methanol.

*BVRLA comment:* We welcome the continued freeze in fuel duty, which will benefit motorists and businesses. However, there is now a compelling case for the government to go one-step further and provide a real stimulus to the UK economy by cutting fuel duty.

## **MOT**

The Government will consult on a proposal to extend the period before a car needs to get its first MOT test from 3 years to 4.

*BVRLA comment:* While we agree that (all) vehicles have become more reliable than ever before, we are keen to ensure that safety issues are addressed, particularly for cars that are doing high mileages and which may not be serviced regularly. There could be a case for developing a time and mileage-based criteria for the first MOT.

We are pleased that vans, which are the fastest growing element of the road transport sector, have been excluded from this proposal, given concerns over their first-MOT pass rate.

When the Government publish the consultation document, the BVRLA will be reviewing this with interest.

## **Corporation Tax**

The rate of corporation tax rate (currently 20%) will be cut further to 19% from 2017, and 18% in 2020.

*BVRLA comment:* We welcome the further cut in the Corporation Tax rate, following the reductions in the previous Parliament. This will help safeguard the UK's economic growth by making the country a more attractive place to invest in, and may help offset the absence of 100% first year allowances for companies renting or leasing low-emission vehicles.

## **Annual Investment Allowance (AIA)**

From 1 January 2016, the permanent Annual Investment Allowance level will be increased from £25,000 to £200,000 for all qualifying investment in plant and machinery made on or after 1 January 2016. This is a commitment for the remainder of the Parliament.

## **Employment allowance**

From April 2016, the Government will increase the National Insurance contributions (NICs) Employment Allowance from £2,000 to £3,000 a year. HM Treasury calculate that this will result in 90,000 employers seeing their employer NICs liability reduced to zero.

To ensure the benefit of this increase in Employment Allowance is focussed on businesses which support employment, companies where the director is the sole employee will no longer be able to claim the Employment Allowance (from April 2016).

### **Salary Sacrifice arrangements**

The Government will actively monitor the growth and development of salary sacrifice schemes and their effect on tax receipts, and will look to consult on proposals to amend the legislation around these if the Treasury believe that these have an excessive cost to the taxpayer.

*BVRLA comment:* The BVRLA maintains that salary sacrifice arrangements provide both choice and flexibility for road users, and a positive contribution to the Treasury. We will continue to make this case to the Treasury.

### **Income Tax**

The level of the higher income tax threshold (the 40p tax rate) will be raised from £42,385 to £43,000 for 2016-17. The Treasury has predicted that this will benefit higher-rate taxpayers by £142 in 2016-17, and £818 better off compared to 2010.

### **Travel and Subsistence expenses**

The Government will review the rules underlying the tax treatment of travel and subsistence expenses, as announced at Budget 2014 (following the report by the Office for Tax Simplification). A discussion paper will be published shortly outlining a potential framework for new rules.

*BVRLA comment:* The BVRLA recognises the importance to the business travel market, and will review the consultation document with interest.