

The Low-Down on
Vehicle Excise Duty
(VED) Changes for
Lancashire Drivers





Rebecca Bradshaw
[Rotherham Taylor](#)



Stewart Case
[Jones Harris](#)



Fiona Grange
[Ashleaf Accountancy](#)



Gareth Maddock
[Whitehead & Howarth
Chartered Accountants](#)

[Bowker Motor Group](#) challenged an expert panel of local accountants to explain the changes coming to vehicle excise duty. This is their advice.

In a nutshell: What's happening?

Gareth says: The new Vehicle Excise Duty rates (what you and I refer to as Road Tax) come into force from 1st April 2017. As well as causing a lot of confusion, they do at least provide an opportunity to make some worthwhile savings for those planning to purchase a new car very soon.

Rebecca says:
Substantial changes to vehicle tax are coming into effect on 1 April 2017 for new vehicles purchased from this date.

Fiona says: The Summer Budget 2015 announced reforms for Vehicle Excise Duty (VED) to take effect from 1 April 2017 and that all money raised from VED would be ring-fenced for road investment.

What more do we need to know?

Stewart says: New vehicles costing less than £40,000 registered after 1 April will have their first licence rate calculated on the vehicle's CO2 emission, rather like at present. And this charge ranges from £0 to £2000. The lower the CO2 the lower the cost! Thereafter the cost standardises at £140 per year for all vehicles.

Fiona says: Although the first year rate can go up to £2000, the majority of new cars sold today have much lower emissions and therefore first year rates of between £10 to £160, followed by £140 a year thereafter. Under the current scheme these cars would only have to pay £10 or £20 in VED every year..

Gareth says: The new rules will move towards a standard annual rate of road tax of £140 being introduced. However, new cars purchased from 1st April will also see the owners paying a first year additional rate which will be calculated based upon the CO2 emissions figure for their car.

What about zero emission cars?

Stewart says: Vehicles with zero emissions will be exempt under the new proposals. But paradoxically the new measures will actually see lower emission car owners paying significantly more than they are paying now!

Gareth says: New cars with zero emissions will not be required to pay the standard rate but those cars with a list price when new of more than £40,000 will also result in an additional rate of £310 being charged for the each of the first five years.

Is it a good idea to buy before the end of March?

Fiona says: From 1 April 2017 VED cannot be avoided unless the car has zero emissions. Anyone thinking of buying a car soon may be better to do so before 1 April 2017 so that they are subject to the current VED rates.

Gareth says: Anyone planning to buy a new car before the end of March could therefore potentially save themselves a significant amount of Vehicle Excise Duty. This is likely to appeal to both private buyers and businesses running fleets alike.

Stewart says: It is always worth looking at tax rates before buying a vehicle and how they are forecast to change. It might even be worth buying a new vehicle before the changes come into effect!

How will VED rates look after two years?

Rebecca says: While the headline first year rates might look at face value like large increases, rates for many vehicles with CO₂ emissions of 141 g/km or above will decrease from the second year onwards. In some cases, this reduction in vehicle tax from the second year onwards will actually mean the tax paid over the time you own the car will fall when compared with what you would pay today.

Fiona says: In second and subsequent years a flat standard rate of £140 will apply to all cars, except for those with zero emissions who pay no VED.

What about cars over £40,000 ?

Rebecca says: Cars with a list price of £40,000 or more will attract an additional rate of £310 a year from the second to the sixth year after the initial purchase of the vehicle, reducing or possibly negating potential future-year savings.

Stewart says: Vehicles costing more than £40,000 will still qualify for the CO2 based charge in the first year but thereafter the annual charge will incur an additional £340 on top of the standard cost of £140 making an annual charge of £450!

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

What will the changes mean for business owners, sole traders or partners?

Rebecca says: If you are buying a new vehicle for use in a business, you may be able to offset the cost of vehicle tax by claiming capital allowances on the vehicle's value, allowing you to deduct part of the value from your pre-tax profits.

Similarly, if you are a sole trader or a partner, you can also claim in this way, depending on how much you use the car outside the business or you can claim simplified mileage expenses on business vehicle.

What about company cars and salary sacrifice benefits?

Fiona says: One announcement in the recent 2016 Autumn Statement which will affect some company car owners was a change to salary sacrifice arrangements from April 2017. One of the most popular salary sacrifice benefits is the provision of a company car.

For any new cars provided under arrangements implemented after 5 April 2017, the car will be taxed on the higher of the tax due on the cash sacrificed to obtain the car, and the tax arising from the car benefit in kind charge (a calculation based on CO2 emissions and list price).

Thank you!

Bowker Motor Group says: Thank you to our expert panel for taking time to explain the VED changes.

Bowker Motor Group staff are also available to help you make sure you always get best value from your next new car purchase.

- **Bowker Blackburn** 01254 27444
- **Bowker Preston** 01772 766070
- www.bowkermotorgroup.co.uk