



This article first released by: RAC Foundation

In: Mar. 2006

*Due to this article's content, it appears within the Transport section in the following areas:
Government, Industry Comment.*

Brown gives "green light to cleaner motoring"

The RAC Foundation described today's reforms to VED as a "green light for cleaner motoring" and welcomed the Chancellor's decision to keep fuel duty increase on ice for a further 6 months.

The Chancellor's decision to introduce a new top band for VED, offset against reductions in the cost of VED for cleaner vehicles, will help motorists to make a greener choice of car.

The RAC Foundation will carefully examine the details of the scheme to make sure that the overall burden of VED will not increase, in line with our proposals which were made in a pre-Budget letter to the Chancellor.

The RAC Foundation also welcomed the Chancellor's announcement that inflation-linked fuel duty increases would be kept on ice until September. The cost of fuel has risen by 12% in 12 months - six times the rate of inflation - and any additional increase would disproportionately hit those on low incomes. Low income motorists already spend 24 per cent of their household outgoings on motoring, and fuel makes up around half of those costs.

Edmund King, executive director of the RAC Foundation, said: "Brown's radical tax disc reforms give a green light to cleaner motoring. Reduced tax for cleaner vehicles is a great incentive to help motorists choose the most environmentally friendly model suitable for their needs."

Other announcements today:-

Alternative fuels and incentives:

The RAC Foundation welcomed the continued duty incentive for greener fuels.

The RAC Foundation Budget fact file:

- Motorists pay £43.5bn to the Treasury in motoring taxes. Only £6.58bn of this is re-invested in the road network.
- 93% of passengers and 89% of UK freight traffic travels by road.
- A vehicle moving at 50mph emits just ½ of the carbon dioxide of a vehicle travelling in congestion at 5mph.



- The CBI estimates that congestion costs British industry £20bn each year.
- The average new car emits 10% less CO₂ than its 1997 equivalent. The average 4x4 emits 15% less CO₂ than its 1997 equivalent.

History of fuel and VED changes in recent budgets:

Fuel Duty

1999 - Tax (duty plus VAT) on petrol and diesel increased in line with the Government's commitment to raise road fuel duty rates by an annual average of at least 6% a year above inflation. Tax on leaded and unleaded petrol rises by 4.25p and 3.79p a litre respectively.

Nov. 1999 - Fuel duty escalator dropped.

2000 - Inflation-based rise of 2 pence a litre only. Duty on road fuel gases frozen.

2001 - Cash freeze in all road fuel and non-road fuel oil duties. A 2 pence per litre cut in the duty on ultra-low sulphur petrol and a 3 pence per litre cut in duty on ultra-low sulphur diesel

2002 - Freeze on duty on road fuels and non-road fuel oils. Commitment to introduce a new duty rate for biodiesel in Budget 2002, at 20 pence per litre below the ULSD duty rate.

2003 - Inflation-related fuel duty rise deferred until 1 October to take into account high and volatile oil prices, as a result of military conflict in Iraq. Commitment to introduce a new rate of duty for bioethanol, set at 20 pence per litre below the rate for sulphur-free petrol, from 1 Jan 2005.

2004 - 6 month freeze on inflation-linked rise. Duty rates for sulphur free fuels will be increased in line with inflation from 1 September 2004, with the duty for ultra-low sulphur fuels set at 0.5 pence per litre above this level from the same date. Plans announced to provide a 20 pence per litre duty differential in favour of bioethanol and biodiesel, guaranteed until at least 2007.

2005 - Policy that fuel duty should rise at least in line with inflation is restated. Increase deferred until 1 September 2005, and then deferred again. Planned duty differentials for bio-fuels and road fuel gases confirmed until 2007-08.

VED

1999 - £55 cut in VED rate for cars with engines up to 1,100 cc, introduced from 1 June 1999. VED rate for all private and light goods vehicles to be increased by £5 to £155 from 10 March 1999. Intention to introduce variable VED announced from Autumn 2000.

2000 - No change in existing rates. Reforms to VED announced to take effect from 1st March

2001: reduced rate of £100 will be extended to cars with engines up to 1,200cc

VED rates for existing cars, taxis and vans will increase in line with inflation from 1st March

2001: the reduced rate for cars with smaller engines will be £105; the standard rate will be £160.

Variable VED for new cars to be introduced from March 2001.



Diesel engines to pay a supplement because of concerns about particulates. The tax charge on company cars also to be graduated according to their rate of CO2 emissions (to be implemented in April 2002)

2001 - Freeze in all car, motorcycle and bus vehicle excise duty (VED) rates until Budget 2002;

"Small car threshold" for VED discount rises from 1,200cc to 1,549cc from 1 July 2001, backdated to November 2000.

2002 - Budget 2002 freezes VED rates on all vehicles. New "AA" VED band for low carbon cars emitting up to 120g/km of carbon dioxide and first registered from March 2001 introduced for new licenses commencing from May 2002. New rates for motorcycle VED

2003 - Cuts in VED for most environmentally friendly cars; increase in VED for top band. VED rates are increased by £5 for cars and vans. VED for lorries and motorcycles frozen.

2004 - Budget 2004 announces that VED rates for all vehicles are frozen for this year.

2005 - VED rates frozen for the four least polluting carbon dioxide bands and increased by the standard £5 for the two most polluting bands, as well as for cars and light goods vehicles of over 1549cc registered before 1 March 2001. Changes take effect for licences commencing 1 April 2005.