

VED Reform April 2017

Key impact

At the Budget 2015 the Chancellor announced reform to the Vehicle Excise Duty (VED) regime for cars. These reforms will mean changes to member's system as the list price will determine the cost of VED in years 2 to 6 of the vehicles life. It will also impact on how much VED is refunded if a vehicle is disposed of in its first year.

Background

In response to the falling CO₂ emissions of modern cars, a new system will be introduced for cars registered after 1st April 2017. The first year's tax for new cars will still be linked to CO₂ emissions, but in subsequent years the tax will be calculated as follows:

Vehicle	Tax Rate (years 2 to 6)	Tax Rate (year 7 onwards)
Zero emission cars costing less than £40,000	£0	£0
Cars costing less than £40,000	£140	£140
Cars costing more than £40,000	£140 + £310 = £450	£140
Zero emission cars costing more than £40,000	£310	£0

These changes only apply to new vehicles registered after 1st April 2017. All existing cars on the road will continue to pay at the graduated VED rates (see fact sheet [550 VED Taxation Regime](#)).

VED Bandings for First Year

CO ₂ emissions (g/km)	First Year rate £
0	0
1-50	10
51-75	25
76-90	100
91-100	120
101-110	140
110-130	160
131-150	200

The purpose of this fact sheet is to provide general guidance and information only. Although every effort is made to ensure that the content is accurate, the BVRLA cannot accept any liability whatsoever for any inaccuracy contained within it, nor for any damage or loss, direct or indirect, which may be suffered as a result of any reliance placed upon the information provided, whether arising in contract, tort or in any other way.

Advice should always be obtained from your own professional advisers before committing to a specific action.

Further information

Just click each link or visit the BVRLA website:
www.bvrla.co.uk

Motor Insurance Database
(fact sheet 535)

Insurance Mediation
(fact sheet 547)

Insurance indemnity form

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151-170	500
171-190	800
191-225	1200
226-255	1700
Over 255	2000

Definition of List Price

The Finance Act defines list price as including the price of the vehicle and any non-standard accessory which is attached to the vehicle when it is first registered.

This includes:

- Manufacturers Recommended Retail Price
- The price of any non-standard option – fitted by the manufacturer
- VAT
- Electric cars – if the battery is leased then the cost of the battery constitutes parts of the list price
- Delivery charges including pre delivery inspection charges

It does not include:

- Warranty / insurance and service packages etc
- Any non-standard accessory – fitted by the dealer
- Modifications such as 'police packs', ambulance / fire engine modifications
- Modifications for disabled drivers
- First registration fee and cost of first licence

Refunds of First Year Licence

Refunds of first year licence (FYL) will be calculated as follows:
Cars under £40,000

- Cars with CO₂ emissions of 100g or below, refund

based on FYL actually paid

- Cars with CO₂ emissions above 101g, refund based on the £140 rate

Cars above £40,000

- Cars with CO₂ emissions of 150g or below, refund based on FYL actually paid
- Cars with CO₂ emissions above 150g, refund based on the £450 rate

This approach to refunds is in place today where vehicles which have the 'showroom tax' (higher VED in the first year than subsequent years) are only able to get a refund based on the standard rate. However, this is only applicable for vehicles over 165 g/km CO₂ when the new VED regime is introduced this will impact vehicles over 110 g/km CO₂.

Practical examples

Audi A4 all road – CO₂ emissions 145, list price £26,350.00

The tax in year 1 on this vehicle would be £200.

If the vehicle was sold in month 6, the refund would be based on the £140 rate so the rental or leasing company would be losing out on £25.00.

Jaguar XF S – CO₂ emissions 144 list price £49,995

The tax in year 1 on this vehicle would be £200.

If the vehicle was sold in month 6, the refund would be based on the FYL paid so there would be no loss. ▶

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Mercedes S 350d – CO2 emissions 155, list price £68,870

The tax in year 1 on this vehicle would be £500.

If the vehicle was sold in month 6, the refund would be based on the £450 rate. So the loss would be £20.83.

Advanced registrations

The list price can be recorded as the list price on the day before the advanced registration is submitted to DVLA.

Practical example

If an advanced registration is submitted on the 15th of the month, then the list price will be the price on the 14th of the month (i.e. the day before the advanced registration is submitted to DVLA). The vehicle tax would start from the 1st of the following month.

Errors and omissions

The DVLA will receive list price information from the manufacturers directly. The DVLA will not be checking the accuracy of this data or verifying it. If a mistake is made the manufacturers will need to rectify the error and advise affected customers accordingly.

Practical advice

Members may wish to consider the following:

Vehicles with long lead-in times – Vehicles which will be delivered post 1 April 2017 will fall into the new VED regime therefore you will need to make sure your quotation system reflects this for vehicles above £40,000.

Selling a vehicle with the supplement – When a vehicle is disposed of the DVLA has not decided how a buyer will know what their tax liability is yet. Members may wish to discuss this with their disposal channels who may wish to know vehicles which have the supplement.