

Introduction

Chancellor of the Exchequer George Osborne delivered his seventh budget speech yesterday (Wednesday, July 8th, 2015), the first fully Conservative-run Budget since November 1996. Below we highlight the Chancellor's key measures that will impact on the company car and van sector and wider motor industry.

Key announcements:

- ❖ **Vehicle Exercise Duty (VED):** From April 2017, there will be a major overhaul of Road Fund Licence (VED) including an additional premium for cars registered from this date with a list price of over £40,000. From 2020, every single penny raised in VED in England will go into a fund to pay for the sustained investment of our roads.
- ❖ **Insurance Premium Tax (IPT):** From November 2015, Insurance Premium Tax will increase from 6% to 9.5%.
- ❖ **Claims Management Review:** Claims Management Companies and their practices will be investigated with the aim of introducing a cap on charges.
- ❖ **MOT Changes:** MOT tests are to be extended from three years to four.
- ❖ **Regional Transport Policy:** A statutory body is to be established to manage transport in the North.
- ❖ **Benefit-In-Kind (BIK):** Class 1A NICs, payable by employers on the company car benefit, remain as for 2014/15 at 13.8% of taxable value annually.
- ❖ **Fuel Duty:** Fuel duty was frozen for another year.

Vehicle Exercise Duty

The Government is introducing a new VED system for cars registered on or after 1st April 2017. The new scheme will continue to operate a first year CO2 banding system (although significantly increased for higher emissions cars), but the subsequent standard rate will move to a flat rate of £140 per annum for all cars regardless of emissions. One exception is cars emitting 0 g/km of CO₂ will pay no VED on the first year or standard rates, and more expensive cars will cost an additional £310 for the first five years of their lives, a total of £450 a year. Cars registered before April 2017 will continue to operate on the existing system, according to the Chancellor. It has also been announced that the revenues raised from VED will go into a road fund from 2020-21 and will be spent in England on the English Strategic Road Network, building and maintaining the roads.

CO2 Emissions(g/km)	Taxable percentage of list price for cars registered from April 2017	
	First Year Rate	Standard Rate*
0	0	0
1 - 50	£10	£140
51 - 75	£25	£140
76 - 90	£100	£140
91 - 100	£120	£140
101 - 110	£140	£140
110 - 130	£160	£140
131 - 150	£200	£140
151 - 170	£500	£140
171 - 190	£800	£140
191 - 225	£1200	£140
226 - 255	£1700	£140
Over 255	£2000	£140

*cars above £40 000 pay £310 supplement for 5 years

Insurance Premium Tax (IPT)

From 1st November 2015 the Insurance Premium Tax (IPT) standard rate will be increased from 6% to 9.5%. This will remain lower than that of many other EU Member

States. This will result in an increased cost for fleets but will also result in increased cost for private individuals. The increase is calculated to raise an additional £6.58 billion over the next five years, according to the Treasury's Budget Costings document.

Claims Management Review

Claims Management Companies (CMCs) and their practices will be investigated with the aim of introducing a cap on charges, according to the Chancellor. The announcement was welcomed by the Insurance Fraud Bureau (IFB), a not-for profit organisation which helps insurers identify fraud.

MOT Changes

In a move that has been campaigned for by the fleet industry for the past few years, the Government has signalled its intention to move the first MOT due date to four years after registration (rather than the current three years). The Budget document said the Government would consult on moving from three years to four years for the first MOT "as part of the forthcoming Motoring Services Strategy". However, this consultation was issued in 2013 under the coalition government and is expected publish its findings soon. Should the change go ahead it would offer fleets that run vehicles for more than three years significant cost savings.

Regional Transport Policy

As part of the Government's plans to devolve powers to the regions, the Chancellor announced that it would establish Transport for the North (TfN) as a statutory body just as Transport for London is. To do this, it will provide £30 million over three years to help with running costs. Part of TfN's job will be to introduce an Oyster-style payment and smart ticketing system across the region's bus, tram, metro and rail services. Greater regional powers were also announced for Sheffield, Liverpool and West Yorkshire.

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