EXPLANATORY MEMORANDUM TO

THE VEHICLE EXCISE DUTY (TAXI CAPABLE OF ZERO EMISSIONS) REGULATIONS 2019

2019 No. 1071

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Department for Transport (DfT) and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 The Vehicle Excise and Registration Act 1994 (VERA) exempts a taxi capable of zero emissions (TCZE) from the vehicle excise duty (VED) supplement, which is payable on VED licences for light passenger vehicles with a list price of more than £40,000. These Regulations define a TCZE as a vehicle:

a) which satisfies the eligibility criteria for receipt of the UK's Plug in Taxi Grant (PiTG) as specified in the scheme's guidance document;[1] or

b) of a model specified in the Secretary of State's list of eligible models for the PiTG.[2]

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)

3.2 As the instrument is subject to negative resolution procedure there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business at this stage.

4. Extent and Territorial Application

4.1 The territorial extent of this instrument is the United Kingdom.

4.2 The territorial application of this instrument is the United Kingdom.

5. European Convention on Human Rights

5.1 As the instrument is subject to a negative resolution procedure and does not amend primary legislation, no statement is required.

[1] The PiTG guidance document is available to download at https://www.gov.uk/government/publications/plug-in-taxi-grants-eligibility-and-applications

[2] The Government's list of vehicles eligible for a Plug-in grant is available at https://www.gov.uk/plug-in-car-van-grants

6. Legislative Context

6.1 Part 1AA of Schedule 1 to VERA provides the annual rates of VED for light passenger vehicles registered on or after 1st April 2017, including the supplementary rate of £320 for vehicles with a list price of more than £40,000. Paragraphs 1GE(5) and 1GG, inserted by the Finance Act 2019, exempt a TCZE from paying the supplementary rate of VED and allow the Secretary of State to determine which vehicles are a TCZE through regulations.

6.2 Paragraph 1GG allows for this to be done in various ways, including by specifying a description of a vehicle and including a model of vehicle in a list maintained by the Secretary of State. This instrument, which is the first use of the powers in paragraph 1GG, provides such a description (a vehicle which is eligible for PiTG) and for the Secretary of State to publish such a list.

6.3 The instrument provides for the list, referred to in paragraph 6.2, to have backdated effect. This is provided for by paragraph 1GG(4)(c) which should be read alongside section 59(5) of the Finance Act 2019.

7. Policy background

What is being done and why?

7.1 Supplementary VED, primarily a tax equality measure, came into force on 1 April 2017 for vehicles with a list price of more than £40,000. As the only models of vehicle that meet the service requirements for taxis (such as a small turning circle and wheelchair accessibility) and are capable of zero emissions have a list price of more than £40,000, the Chancellor of the Exchequer announced in the Autumn Budget 2017 that TCZEs would be exempted from the VED supplement.

7.2 By strengthening the incentive to purchase a TCZE over conventionally fuelled taxis, this change is expected to contribute to the UK's greenhouse gas and air quality targets. A vehicle is a TCZE if: (a) the model of vehicle is specified in the list of models published by the Secretary of State or (b) it is eligible for a PiTG. As the VED supplement is due over years 2-6 of ownership, most TCZE purchased from 1 April 2018 will never pay the supplement.

7.3 To ensure that only the appropriate vehicles will benefit from the exemption, the definitions and technical criteria for a taxi are referenced in the PiTG guidance. For example, a TCZE must meet the relevant Bodytype (taxi), Propulsion (hybrid or electric), CO_2 requirements (0-49g /km) and other requirements such as:.

i) Type approval as a Wheelchair Accessible Vehicle;

ii) Manoeuvrability Requirements (e.g. turning circles);

iii) Conditions of Fitness (obtaining approval from a UK taxi licensing authority for demonstration of build and accessibility requirements);

iv) must be used for commercial operation.

7.4 The PiTG is a measure to support the early market and will eventually be withdrawn. As the supplementary VED exemption is based on the eligibility criteria found in the PiTG guidance rather than whether PiTG has been applied for or granted to a particular vehicle, the exemption will continue to apply after the scheme ends.

8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union

8.1 This instrument does not relate to withdrawal from the European Union / trigger the statement requirements under the European Union (Withdrawal) Act.

9. Consolidation

9.1 There is no intention to consolidate the Vehicle Excise Duty (Taxi Capable of Zero Emissions) Regulations 2019.

10. Consultation outcome

10.1 HM Treasury ran a public consultation[3] between 6 March and 29 May 2018 to explore the appropriate definition of a TCZE to receive the exemption to the supplementary VED. A total of 7 responses were received, all of which were supportive of the exemption and the proposed definition.

11. Guidance

11.1 The definition and technical eligibility requirements of a TCZE is defined in the Plug in Taxi Grant Guidance as referenced in paragraph 7.3. This document is managed by the DfT's Office for Low Emission Vehicles (OLEV).

11.2 The list of models that have been specified as TCZEs is available at: https://www.gov.uk/plug-in-car-van-grants

11.3 Hard copies of the guidance document and the list are available from the Office for Low Emission Vehicles at Great Minster House, 33 Horseferry Road, London, SW1P 4DR.

12. Impact

12.1 There is no, or no significant, impact on business, charities or voluntary bodies.

12.2 The impact on the public sector is through a loss of tax revenue to central government via the exemption of the supplementary rate of VED for TCZE over the £40,000 threshold.

12.3 An Impact Assessment has not been prepared for this instrument because of the amounts involved. A De Minimis Assessment (DMA) was carried out by the DfT as the net cost to business is under the £5m threshold.

13. Regulating small business

13.1 The legislation applies to activities that are undertaken by small businesses.

13.2 To minimise the impact of the requirements on small businesses (employing up to 50 people), the approach taken is that Government will continue to work closely with vehicle manufacturers of potential TCZE and wider stakeholders involved in this sector.

13.3 The basis for the final decision on what action to take to assist small businesses has been taken in conjunction alongside regular engagement with the TCZE industry,

[3] HMT's public consultation on the TCZE VED exemption can be found at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/722833/Summary_of_responses_-_taxi_consultation_digicomms.pdf

which ensures consumers and small businesses are provided with the necessary information at the point of purchase for a TCZE.

14. Monitoring & review

14.1 The policy surrounding TCZE will be reviewed periodically. This includes review around the PiTG guidance document when the grant scheme ceases and when the list price of a TCZE falls below the supplementary VED threshold of £40,000.

14.2 A statutory review clause is not included as this instrument does not regulate business.

15. Contact

15.1 Jon Bray at OLEV email; Jon.Bray@olev.gov.uk or Edward Nelson at OLEV, email Edward.nelson@olev.gov.uk can be contacted with any queries regarding the instrument.

15.2 Deputy Director: Vicky Edmonds and Natasha Robinson, OLEV Joint Heads, at Department for Transport, can confirm that this Explanatory Memorandum meets the required standard.

15.3 Michael Ellis MP (Minister of State for Transport) can confirm that this Explanatory Memorandum meets the required standard.