



## Important changes to vehicle excise duty.

The way that the Vehicle Excise Duty (VED) is calculated is changing on **1st April 2017**. This guide explains how these changes will affect you and your rental vehicles



**A new first year rate,**  
based on CO<sub>2</sub> emissions.

**A new standard rate**  
of £140 a year.

**A new additional rate**  
of £310 after the 1st year for  
cars costing more than £40,000.

**Alternative fuel cars**  
receive a reduction of  
£10 on VED rates.

### What is changing and why?

In 2015, the Chancellor announced his intention to introduce a fairer way for motorists to pay Vehicle Excise Duty. This would be a new tax regime that would generate similar levels of income for the Government, but prove to be more sustainable.

The changes are being introduced from 1st April 2017 and only apply to cars registered on or after that date. Any car registered before 1st April 2017 will continue to be taxed at existing levels.

### How does it work?

As with other government vehicle taxation policies, the new system is based on vehicle emissions.

The main changes are:

- The introduction of a new first year rate (FYR), based on a vehicle's emissions.
- A standard rate of £140, which will apply for each subsequent year a vehicle needs to be taxed.
- For cars with a list price of over £40,000, there will be a premium of an additional £310 which will apply each year after the first vehicle licence for 5 years.
- Zero emission cars will pay no tax (unless it costs over £40,000).

Please note that alternative fuel cars will continue to receive a reduction of £10 on VED rates.

## New VED rates

CO <sub>2</sub> band	Current £		April 2017 £		Variance per vehicle £	
	1st year	Annual	1st year	Annual	1st year increase	Annual increase
0	£0	£0	£0	£0	£0	£0
1-50	£0	£0	£10	£140	£10	£140
51-75	£0	£0	£25	£140	£25	£140
76-90	£0	£0	£100	£140	£100	£140
91-100	£0	£0	£120	£140	£120	£140
101-110	£0	£20	£140	£140	£140	£120
111-120	£0	£30	£160	£140	£160	£110
121-130	£0	£110	£160	£140	£160	£30
131-140	£130	£130	£200	£140	£70	£10
141-150	£145	£145	£200	£140	£55	-£5
151-165	£185	£185	£500	£140	£315	-£45
166-170	£300	£210	£500	£140	£200	-£70
171-175	£300	£210	£800	£140	£500	-£70
176-185	£355	£230	£800	£140	£445	-£90
186-190	£500	£270	£800	£140	£300	-£130
191-200	£500	£270	£1,200	£140	£700	-£130
201-225	£650	£295	£1,200	£140	£550	-£155
226-255	£885	£500	£1,700	£140	£815	-£360
Over 255	£1,120	£515	£2,000	£140	£880	-£375

## Impact

The adjustments mean most buyers will see their first year tax charge virtually doubled,

It means 95% of new cars will come with £140 annual vehicle excise duty

Arnold Clark Car & Van Rental currently run a modern fleet of over 10,000 vehicles, and adopt a vehicle replacement policy of 6 - 12 months on the majority of our cars.

Our costs year on year will increase in the region of £1 million, therefore we have no alternative, but to pass this levy to our customers, via an increase or introduction of the Road Fund License levy.

The new charges are applicable from April 2017, so therefore will not affect current vehicles on our fleet. We will introduce the new Road Fund License levy in stages, with only a small increase in April 2017, increasing it to £1.75 per day. From January 2018 where all vehicles will be affected by the changes the Road Fund License Levy will be £1.95 per day.

These costs are an unavoidable government levy, for more information, please refer to:

<https://www.gov.uk/government/publications/vehicle-excise-duty>

For further information contact your  
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