



Department
for Transport

Consultation on the HGV levy

June 2022

Department for Transport
Great Minster House
33 Horseferry Road
London
SW1P 4DR



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Contents

Executive summary	4
How to respond	5
Introduction	7
Part 1: Aligning the HGV Levy with the environmental performance of the vehicle	8
Part 2: Changing the scope of the levy for foreign vehicles	12
Administration and enforcement	15
Potential developments for environmental charging	16
What will happen next	18
Annex A: Full list of consultation questions	19
Annex B: Consultation principles	22

Executive summary

The HGV levy was introduced in 2014, and for the first time HGVs over 12 tonnes, whether registered in the UK or in other countries, paid when using or being kept on UK roads. The levy was originally related to the damage done by the vehicle to the road, but in 2019, it was revised so it also depended on how polluting the vehicle was.

The government suspended the requirement for hauliers to pay the HGV levy for two years from August 2020 in order to temporarily support the haulage sector and aid COVID-19 pandemic recovery efforts. The suspension was subsequently extended until August 2023. It has remained the government's position throughout that all hauliers should make a contribution when they use UK roads. In Part 1 of this document, we consult on two options for when the levy returns in 2023. First, to retain the charging structure and bands which operated before the suspension, meaning that no vehicle would pay more or less than before. Second, and alternatively, to reform the levy to make it more reflective of the environmental performance of the vehicle, meaning that most vehicles would pay the same or less but a minority would pay more than before.

Separately, where foreign vehicles are concerned, the government is also minded to reform the charge so that liability is as closely aligned as possible to when a foreign vehicle is used on a road. We consult on this in Part 2 of this document. This would clarify that the levy design is unambiguously in line with the government's international obligations. It would apply whether or not we decided to change the charging basis and bands.

How to respond

The consultation period began on 20 June 2022 and will run for four weeks until 18 July 2022. Please ensure that your response reaches us before the closing date. If you would like further copies of this consultation document, it can be found at www.gov.uk/government/organisations/department-for-transport under the Policy papers and consultations heading, or you can contact us if you need alternative formats (Braille, audio CD, etc.).

Please respond to HGVcharging@dft.gov.uk. If you are unable to respond by email, you can send responses to:

Future Roads Policy Division

3rd floor, Department for Transport, 33 Horseferry Road, London SW1P 4DR

0300 330 3000

HGVcharging@dft.gov.uk

When responding, please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of a larger organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled.

Freedom of Information

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the Freedom of Information Act 2000 (FOIA) or the Environmental Information Regulations 2004.

If you want information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data in accordance with the Data Protection Act (DPA) and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Data Protection

The Department for Transport (DfT) is carrying out this consultation to gather evidence on potential reform to the HGV levy. This consultation and the processing of personal data that it entails is necessary for the exercise of our functions as a government department. If your answers contain any information that allows you to be identified, DfT will, under data protection law, be the Controller for this information.

As part of this consultation we are asking for your name, whether you are answering from within the UK or outside of the UK, and for your email address. This is in case we need to ask you follow-up questions about any of your responses. You do not have to give us this personal information. If you do provide it, we will use it only for the purpose of asking follow-up questions.

DfT's privacy policy has more information about your rights in relation to your personal data, how to complain and how to contact the Data Protection Officer. You can view it at <https://www.gov.uk/government/organisations/department-for-transport/about/personal-information-charter>.

To receive this information by telephone or post, contact us on 0300 330 3000 or write to Data Protection Officer, Department for Transport, Ashdown House, Sedlescombe Road North, St Leonards-on-Sea, TN37 7GA.

Your information will be kept securely on the Department for Transport's secure IT system and destroyed 12 months after the consultation has been completed.

Introduction

The HGV levy was introduced in 2014, and for the first time HGVs over 12 tonnes, whether registered in the UK or in other countries, paid when using or when they were kept on UK roads. Prior to the levy's introduction, operators of UK-registered HGVs paid charges or tolls in most European countries for use of the road network in those areas, but foreign-registered HGVs did not pay to use the UK's road network. Over time, the different ways in which countries across Europe charged for use of their road network created an imbalance that many regarded as unfair to UK operators. As a result, the government sought to address this imbalance by introducing a levy for all HGVs for using the UK road network.

The requirement to pay the levy applied to all categories of public road in the UK and to both UK and foreign-registered HGVs. Initially, it related to the damage done by the vehicle to the road, but in 2019, it was revised so it also depended on how polluting the vehicle was to improve air quality. Specifically, the newest, cleanest vehicles paid less than before, while others paid more.

Since the levy was intended to reflect the vehicle damage done to road surfaces, liabilities increased with weight and decreased with additional axles. This is because road damage is related to the average ground pressure of the vehicle. For this reason, it also differed between articulated and non-articulated (rigid vehicles). In addition, to take into account how polluting the vehicle was, it also differed by whether or not the vehicle had an engine with the most recent Euro emissions class.

The government suspended the requirement for hauliers to pay the HGV levy in August 2020. This was in order to support the haulage sector and aid COVID-19 pandemic recovery efforts.

Before its suspension, there were seven main bands (A-G) for most articulated and non-articulated vehicles, with four additional bands specifically for non-articulated vehicles pulling trailers. Each of these eleven bands were divided into two, depending on whether or not the vehicle was the most recent emissions class. For vehicles in the cleanest emissions category, the rates varied from £76.50 to £900 annually for most vehicles. The full set of bands and rates are online at <http://www.gov.uk/government/publications/hgv-levy-bands-and-rates-tables>.

Since the levy suspension, the government has been considering whether to reform the levy, or to return to the original levy, when the current suspension ends from August 2023.

Part 1: Aligning the HGV Levy with the environmental performance of the vehicle

When the HGV Levy was introduced in 2014, it was intended to reflect the damage caused by an HGV using the road. At the time, this was considered the most important “external cost” of driving an HGV.

However, the government has been clear that it wanted, in the longer term, to move towards setting a levy based on the environmental performance of the vehicle, as mentioned in the original 2012 consultation on the introduction of the levy (<https://www.gov.uk/government/consultations/charging-heavy-goods-vehicles-consultation>). In 2019, the government amended the HGV levy such that, in addition to reflecting damage to the road, it reflected air quality pollution through varying the levy by EURO emissions class.

The government is now considering making a further step towards charges reflecting the environmental performance of the vehicle, reforming the levy to focus more on air quality emissions and indicative levels of CO₂ emissions.

Unlike for cars and other light vehicles, where there is a longstanding method for determining the CO₂ emissions of a vehicle, there is no such method for HGVs. Instead, the government has developed a proposal for reforming the levy so that it is varied according to the weight of the vehicle, since data shows that there is some correlation between weight and CO₂ emissions. This data is readily available for every vehicle, minimising the system development and compliance costs, and would allow for quick implementation. We are aware that relying on registered vehicle weight is only an approximation for the CO₂ emissions of a vehicle in typical use – see the section below on potential levy developments for environmental charging further discussion.

Details for moving towards charging based on the environmental performance of the vehicle

The design parameters for reforming the levy to further align with environmental performance were:

- ensuring all HGVs make a contribution when they use UK roads, whilst not creating any charges which are unfair on occasional foreign visiting vehicles on UK roads;

- continuing the move toward the general principle of setting charging based on environmental performance of the vehicle;
- continuing to meet all legal obligations;
- ensuring that the new levy continues to be easy to administer, both for government and hauliers;
- ensuring that the new levy continues to be easy to enforce, with continued high compliance rates.

Given that the relationship between weight and CO₂ is a broad one, the proposal has a simple structure, with just three weight bands, each subdivided into two bands based on vehicle pollutants.

In brief - comparing the previous levy and the proposal for reforming the levy

The previous levy took account of:

- vehicle type (rigid, rigid with trailer, articulated);
- number of axles;
- vehicle weight;
- pollutants, as indicated by the vehicle's EURO emissions class.

It had **22 bands** (eleven main bands, each divided into two emission class bands).

The reformed levy based on environmental performance would take account of just:

- vehicle weight (as an approximate proxy for CO₂ emissions);
- pollutants, as indicated by the vehicle's EURO emissions class.

It would have just **six bands** (three main bands, each divided into two emission class bands).

Whilst the government keeps all rates under review in light of the economic and fiscal outlook, the following table sets out the proposed bands and illustrative annual rates for the reformed HGV levy. The weight category applies to rigid HGVs, articulated HGVs, and rigid HGVs pulling a trailer. (In cases where a rigid HGV pulls a trailer of four tonnes or more, the weight of the trailer would be added to the weight of the rigid HGV to determine the amount to be paid. For trailers under four tonnes, only the weight of the rigid vehicle itself would be used to determine the levy.)

Weight category	Newest, cleanest vehicles (EURO VI or later)	Older vehicles (Euro V or earlier)
From 12 tonnes, and up to 31 tonnes	£150	£195
Above 31 tonnes, and up to 38 tonnes	£360	£468
Above 38 tonnes	£576	£749

Table 1 Bands and annual rates of the proposed reformed HGV levy

Shorter-term rates would be available for foreign vehicles as before, using the same rules. Specifically, the daily rate would be set at 2% of the annual rate (capped at £9 for Euro VI vehicles and £10 for Euro 0-V vehicles), and the weekly and monthly rates would be 5% and 10% of the annual rate respectively.

The impacts of these proposed changes on UK vehicles

The government continues to be mindful of the cost base faced by the haulage sector. It is for this reason that, within a simplified structure based on weight proxying CO₂, the proposed bands for a reformed levy further aligned with environmental performance seek to limit the number of vehicles that would pay more than under the previous levy. This in turn would mean that, among UK vehicles, on average vehicles would pay around 20% less than the previous HGV levy.

For historic comparison, for the most common UK vehicle types the amounts paid with this option would be the same or less than when the levy was suspended in 2020. For example:

- a modern, large articulated HGV would pay £576 for an annual levy, the same as in 2020 (Euro VI emissions class, six axles, registered to carry up to 44 tonnes).
- a modern, medium sized rigid HGV would pay £150 for an annual levy, compared with £315 in 2020 (Euro VI emissions class, two axles, registered to carry up to 18 tonnes).

For a few vehicle types, there would be some increases compared to their liabilities under the previous levy, due to the new, more environmentally focused structure of the levy. The largest percentage increases would arise because such vehicles previously paid a very low rate of levy, but these changes would remain modest in absolute terms. For example:

- a modern, smaller articulated HGV would pay £360 for an annual levy, compared with £76.50 in 2020 (Euro VI emissions class, six axles, registered to carry 31-34 tonnes)
- certain rigid HGVs pulling trailers would face a large percentage increase. However, in some cases, the previous levy rates for such vehicles are lower than the equivalent articulated vehicle, which would no longer be the case.

Although some registered vehicles with unusual weight and axle combinations may see significant percentage increases, we estimate that less than 1% of vehicles would pay more than double. These vehicles might have a large number of axles but be registered to carry only a relatively low weight; under the previous levy, such vehicles would pay a very

low rate. Therefore, one mitigating option might be for the vehicle operator to re-register the vehicle to carry a higher weight. Whilst this would increase further the HGV levy to be paid, the operator would have the flexibility to use the vehicle for a wider variety of jobs, including those requiring hauling a higher payload.

These increases for a small number of vehicles should be seen in the context of the overall running cost of an HGV, the levy having been suspended for three years, the continuing freeze in fuel duty and HGV Vehicle Excise Duty, and the temporary 12-month cut to duty on petrol and diesel of 5p per litre announced at Spring Statement 2022. For many types of HGVs operating costs are more than £100,000 a year, meaning that the levy represents a small fraction of this. The reduction in fuel duty represents a saving worth £1,500 for an average HGV when compared with uprating fuel duty in 2022-23.

In terms of the environmental impact of the proposals, as set out above, the government is aware that registered vehicle weight is only an approximation for the CO₂ emissions of a vehicle in typical use and also that the costs of the levy make up likely a small proportion of HGV operating costs. This means that any incentive effect arising from changes to the levy structure is likely to be small. However, the changes will be a further step to align the levy with the government's environmental objectives. The government is seeking views on this approach through this consultation.

The alternative

Alternatively, we seek your views on whether to maintain the structure of the previous levy, on the basis that road damage is still an important external cost of HGV usage and that the introduction of the link to EURO classes in 2019 may be viewed as a sufficient proxy for environmental impact at this time.

Under this alternative option, hauliers would continue to pay the same levy rates as before the suspension, so would be no better or worse off than before. This is in contrast to the reformed levy aligned to environmental performance, where most UK hauliers would pay less or the same and a few would pay more.

Part 2: Changing the scope of the levy for foreign vehicles

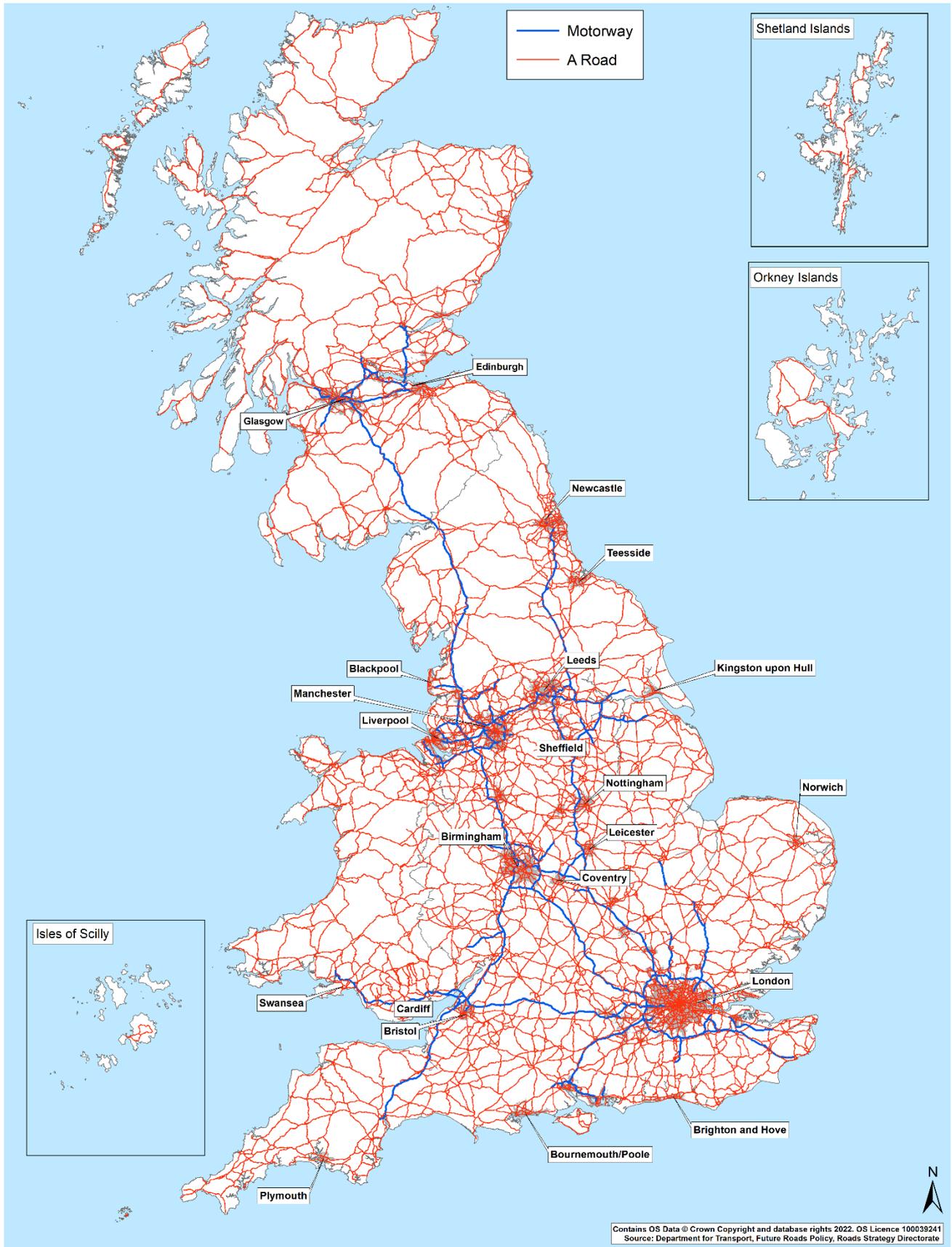
The government is also minded to reform the levy so that the liability is as closely aligned as possible to when a foreign vehicle is used on a road. The government is minded to proceed with this change irrespective of its decision on which approach to take for the structure of the levy set out in Part 1.

The HGV Levy was introduced to ensure that all HGVs made a contribution when they used UK roads. However, under the previous levy, foreign HGVs were liable to pay the levy when they were “used or kept” on a public road. This meant that a foreign HGV that was parked on a road would need to pay the levy. Moreover, foreign HGVs were expected to pay the levy when using any road on the UK road network, despite them mostly using major roads.

To ensure the levy is focused on road usage, and to further align it with the government’s international obligations, the government intends at a minimum to reform the scope of the levy in relation to the circumstances when a foreign HGV needs to pay the charge.

There are two elements to this. Firstly, the government plans to only charge foreign HGVs when they use main roads, i.e. any road classified as A-road or a motorway. Foreign vehicles driving in the UK spend most of their time on such roads. These roads comprise 13% of total road length in Great Britain, and they serve the ports that connect the UK to other countries for HGV traffic.

A map showing motorways and A-roads is shown below. Note that roads in Great Britain are shown, although the levy would continue to apply to major roads in Northern Ireland. The map gives an indication of the spread and density of the major road network.



Secondly, the government plans to reform the HGV levy such that a foreign HGV only needs to pay when it is driven on a road. At present, the legislation for the levy states that a levy must be paid when a vehicle is used or kept on a road. This is the language used previously for UK vehicles paying Vehicle Excise Duty. We are minded to change the levy language for foreign vehicles, such that they would not pay if only kept on a road. They would continue to pay if they were used on a road for any part of a day.

Both these reforms to the scope of the levy would clarify the link between the use of an HGV and paying the levy charge and make it clear that the levy is complying with international obligations.

Whereas foreign vehicles have the option to pay the levy on a daily basis to account for the fact that they do not use UK roads frequently, UK vehicles pay the levy annually or 6-monthly, alongside their Vehicle Excise Duty liability. As a result, the government does not consider it appropriate to make these changes to the scope of the levy for an annual charge. There are very few use cases for UK HGVs where a vehicle would only be using minor roads over the period of a whole year, and there are significant wider cost savings from not applying the scope changes to UK HGVs – both in terms of compliance costs for domestic businesses and administration costs for government.

Administration and enforcement

In terms of administration of the levy, this would be the same as before whichever changes outlined in the sections above are implemented. UK hauliers would pay alongside Vehicle Excise Duty. DVLA would automatically determine the rate to be paid, based on the information registered for the vehicle. There would be no additional action required by UK hauliers. Similarly, foreign hauliers would pay the levy using a new online portal, based on the previous one, with the process streamlined to reflect the simplified rates structure.

The enforcement regime for the previous levy was successful in ensuring that compliance rates were high. We estimate that compliance for foreign HGVs was around 95%, and for UK HGVs more than 99%. For UK vehicles, most enforcement has been carried out alongside VED enforcement, with DVLA taking advantage of their vehicle database to conduct enforcement “from the record”. DVSA has conducted on-the-road enforcement, which also encompasses foreign vehicles. DVSA conducted levy checks alongside the other checks that they undertake relating to vehicle safety, drivers’ hours regulations, and so on. The Driver and Vehicle Agency (DVA) undertakes these activities in Northern Ireland.

We do not anticipate that the proposed changes would have an impact on enforcement.

Potential developments for environmental charging

The levy proposal outlined in this document uses weight as a rough proxy for CO₂ emissions for vehicle categories. This is a simplification based on what is possible now. In the absence of actual data or estimates of individual HGVs' CO₂ emissions, we have looked at using registered maximum permissible vehicle weight as an approximate proxy for CO₂ of the vehicle in typical use. For both rigid and articulated HGVs, data shows there is some correlation between vehicle weight and CO₂ emissions per mile. Likewise, for both rigid and articulated HGVs, data shows some correlation between vehicle weight and number of miles driven a year, and that articulated vehicle types tend to drive more than rigid vehicles. Multiplying emissions per mile and number of miles driven in a year gives a rough indication of the emissions per year. With heavier HGVs both having higher emissions per mile and typically driving more miles per year, this means that vehicle emissions per year tend to be higher for heavier types of vehicles.

In the future however, it may be possible to set a levy using modelled CO₂ emissions for individual vehicles. The European Union (EU) has undertaken some work to address the issue of HGVs not currently having CO₂ data, with a tool that models CO₂ emissions for individual HGVs (https://ec.europa.eu/clima/eu-action/transport-emissions/road-transport-reducing-co2-emissions-vehicles/vehicle-energy_en).

At this stage however we do not think it appropriate to use this data as a basis for setting the HGV levy. The modelled CO₂ data is only available for new vehicles registered from January 2020 onwards. The majority of HGVs paying the levy therefore have no such data on which to base the levy. Furthermore the primary purpose for the modelled CO₂ data was not to enable charging for road usage, but instead to provide vehicle operators with data on which to base purchasing decisions.

Looking more broadly, there are also alternative drivetrain technologies to consider, such as battery electric or hydrogen powered HGVs, and alternatively fuelled vehicles. These will become increasingly important in the future. The government is interested in views around such vehicles and what approaches the HGV levy could take with respect to them.

In the meantime, it may be possible to have a reduced levy rate for zero emission HGVs. There is a question in this consultation on wider issues relating to alternative drivetrains and fuels.

This is all in the context of the government having recently published its [Transport Decarbonisation Plan \(TDP - www.gov.uk/government/publications/transport-decarbonisation-plan\)](https://www.gov.uk/government/publications/transport-decarbonisation-plan), which includes proposals for delivering a zero-emission freight and logistics sector. Since the TDP was published, government has announced two phase out dates for the sale of new non-zero emissions HGVs: 2035 for HGVs up to and including 26 tonnes and 2040 for HGVs greater than 26 tonnes.

What will happen next

Subject to the outcome of the consultation, the new HGV levy will come into effect from August 2023. The government will include the measure in a forthcoming Finance Bill. The standard practice for tax changes is to produce a Treasury Tax Impact and Information Note, rather than an Impact Assessment. The TIIN will be published when the policy is at or near final.

If you have questions about this consultation please contact:

Road Investment Strategy Futures Division

3rd floor

Department for Transport

33 Horseferry Road

London SW1P 4DR

0300 330 3000

HGVcharging@dft.gov.uk

Further background information can be found at www.gov.uk/government/collections/hgv-road-user-levy

Annex A: Full list of consultation questions

About you

Please provide the following information about you.

- Name, email address
- Whether you are answering within the UK or outside of the UK
- Company name or organisation, if applicable
- Choose one of the following: small to medium enterprise (up to 50 employees); large company; representative organisation; trade union; interest group; local government; central government; police; member of the public; other (please describe).
- If responding on behalf of an organisation or interest group, please say how many members you have and how you obtained the views of your members.
- If you would like your response or personal details to be treated confidentially, let us know and please explain why.

Questions relating to the proposal to reform the levy to align it more closely with environmental performance (as outlined in Part 1)

Question 1: Do you support or oppose the government's proposal to reform the levy to align it more closely with the environmental performance of the vehicle?

Support / Oppose / No opinion

Please explain your answer:

Question 2: Do you support or oppose the proposed reformed levy having three levy bands and rates?

Support / Oppose / No opinion

Please explain your answer:

Question 3: Do you have any concerns relating to specific vehicle types or circumstances (such as particular business requirements or use cases) for the proposed reformed levy?

Yes / No / No opinion

Please explain your answer:

Question 4: Do you have any other thoughts on the proposed reformed levy?

Please comment:

Questions relating to the proposal to reform the scope of the HGV levy (as outlined in Part 2)

Irrespective of the government's decision on whether to move forward with the reforms outlined in Part 1, the government intends to reform the previous levy so that liability is as closely aligned as possible to when a foreign vehicle is used on a road, to clarify that the levy design is in line with the government's international obligations, in two ways, as covered by questions 5 and 6:

Question 5: Do you support or oppose the proposal to charge foreign HGVs only on major roads (motorways and A-roads)?

Support / Oppose / No opinion

Please explain your answer:

Question 6: Do you support or oppose the proposal to charge foreign HGVs only when driven on a road, not when kept on a road (parked)?

Support / Oppose / No opinion

Please explain your answer:

Question 7: Do you have any other thoughts on the proposal to reform the scope of the levy?

Please comment:

Other questions

Question 8: Would any of the proposed reforms to the levy result in administrative or enforcement difficulties distinct from the previous levy?

Yes / No / No opinion

Please explain your answer:

Question 9: Would you support or oppose zero-emission HGVs paying a reduced rate of HGV levy under the proposed reformed levy?

Support / Oppose / No opinion

Please explain your answer:

Question 10: What suggestions do you have for how the HGV levy should treat HGVs with alternative drivetrains or fuels, such as battery electric, fuel cell or natural gas powered vehicles?

Please comment:

Annex B: Consultation principles

The consultation is being conducted in line with the government's key consultation principles which are listed below. Further information is available at <https://www.gov.uk/government/publications/consultation-principles-guidance>

If you have any comments about the consultation process please contact:

Consultation Co-ordinator
Department for Transport
Zone 1/29 Great Minster House
London SW1P 4DR
Email consultation@dft.gsi.gov.uk