

Clause 23: Vehicle excise duty: taxis capable of zero emissions

Summary

1. This clause exempts purpose-built zero emission capable taxis from the vehicle excise duty (VED) supplement for cars with a list price of over £40,000 first registered on or after 1 April 2019. The clause also provides for eligible taxis first registered from 1 April 2017 to become exempt from the VED supplement when their licence is renewed on or after 1 April 2019.

Details of the clause

2. This clause amends Part 1AA of Schedule 1 to the Vehicle Excise and Registration Act 1994 (VERA 1994) to exempt purpose-built zero emission taxis from the VED supplement for cars with a list price of over £40,000. The exact models or criteria to qualify for the VED exemption will be dealt with in regulations.
3. Subsection (2) introduces a new exemption to the VED supplement for taxis capable of zero emissions.
4. Subsection (3) inserts into Schedule 1 to VERA 1994 new provisions on the meaning of a taxi capable of zero emissions. In particular, sub-paragraph (3) of new paragraph 1GG provides that the Secretary of State for Transport may make regulations defining a zero emissions capable taxi. It then goes on to set out how regulations could define a taxi capable of zero-emissions.
5. Sub-paragraph (4) of new paragraph 1GG specifies how the Secretary of State for Transport may operate a list of eligible taxis, including that models included on the list may have backdated effect.
6. Sub-paragraph (5) of new paragraph 1GG provides that the list of eligible models may make reference to an external document, such as the Plug-in Taxi Grant (PITG). Such a reference may also be to the document as it is amended over time.
7. Sub-paragraph (6) of new paragraph 1GG introduces a retrospective power in case the regulations exempting eligible taxis from the VED supplement have not become law by 1 April 2019.
8. Subsection (4) exempts purpose-built zero emission taxis from the VED supplement that would otherwise be payable on VED renewals first registered on or after 1 April 2019
9. Subsection (5) is a transitional provision for eligible taxis first registered from 1 April 2017 which will become exempt from the VED supplement when their VED is renewed on or after 1 April 2019.

Background note

10. Since 1 April 2017, the VED system for new cars bases first licences on CO2 bands. The second licence duty is a flat standard rate, with vehicles with a list price over £40,000 paying an additional supplement for the first five years after the end of the first licence.
11. Taxis have been classed as “cars” for VED purposes since 2001, and so are liable for the supplement if priced at over £40,000. Drivers of purpose-built zero emissions taxis have a limited range of vehicles available to purchase compared to drivers of private hire vehicles (PHVs).
12. As a consequence of technical specifications (such as a minimum zero emission range, a defined turning circle and disability access), the models produced by the principal manufacturers of purpose-built zero emission capable taxis are priced at above the £40,000 threshold.
13. The Chancellor announced at Autumn Budget 2017 that from 1 April 2019, purpose built zero emission capable taxis would be exempted from the VED supplement. Other non-zero emission capable purpose-built vehicles used as taxis will not be exempted from a VED supplement.
14. If you have any questions about this change, or comments on the legislation, please contact the Energy and Transport Taxes team in HM Treasury (email: ETTAnswers@HMTreasury.gsi.gov.uk)

