



Vehicle Excise Duty: introducing a direct debit payment scheme

Who is likely to be affected?

Individuals and organisations that own a motor vehicle (cars, vans, motorcycles, buses, heavy goods vehicle, etc).

General description of the measure

Motorists will be able to pay their Vehicle Excise Duty (VED) by direct debit should they wish to do so.

Policy objective

The direct debit scheme will allow motorists to spread their VED costs, and help families and businesses in managing their finances. The scheme will support the Government's core vision to maximise the digital delivery of vehicle licences and contribute to tax administrative efficiency savings.

Background to the measure

Budget 2012 announced the Government's aim to develop a direct debit scheme to allow motorists to spread their VED payments. The Government announced in Autumn Statement 2013 that from 1 October 2014 motorists will be able to pay their VED by direct debit should they wish to do so.

Currently, motorists can pay their VED either annually or in two equal six monthly payments. Payments can be made online, on the phone, at the Post Office, at localised Driver and Vehicle Licensing Agency (DVLA) offices or by post to the DVLA Head Office. The new direct debit scheme will allow motorists to pay their VED either monthly, bi-annually or annually and enjoy the administrative convenience of having their licence renewed automatically.

At present, paying VED bi-annually attracts a surcharge of 10 per cent. Biannual and monthly payments made by direct debit will attract a lower 5 per cent surcharge.

Detailed proposal

Operative date

The measure will have effect from 1 October 2014 and will apply to all vehicles except for brand new vehicles, vehicles exempted from paying VED altogether, vehicles registered under the DVLA's car fleet scheme, and vehicles paying the HGV Levy. The direct debit scheme will be extended to vehicles paying the HGV Levy at a future date.

Current law

The Vehicle Excise and Registration Act 1994 (VERA) provides for the charging of VED on the taking out of a vehicle licence.

Section 4(1) of VERA provides that VED is payable at the annual rate of duty where a vehicle licence is taken out for a period of twelve months. Under section 4(2) of VERA, the rate of VED for licences taken out for a six month period is slightly higher. The rate in respect of each of these licences is 55 per cent of the annual rate.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to amend VERA to provide for motorists to pay their VED by direct debit should they wish to do so, and to provide for motorists to pay a 5 per cent surcharge when making direct debit payments either monthly or bi-annually.

Summary of impacts

Exchequer impact (£m)	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	-	-5	-15	-15	-20	-20
	These figures are set out in Table 2.1 of the Autumn Statement and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Autumn Statement.					
Economic impact	The measure is not expected to have any significant economic impacts.					
Impact on individuals and households	<p>It is envisaged that this measure will help motorists to spread their VED costs, and will support families and businesses in managing their finances.</p> <p>Motorists who currently buy a six month VED licence will pay a lower surcharge if in future they instead choose to pay by monthly or bi-annual direct debit payment. A typical Ford Focus driver who currently pays VED bi-annually and continues to do so would be £9 better off over the year in the direct debit scheme.</p> <p>All drivers that currently pay their VED annually can either choose to continue to remain outside the direct debit scheme or pay annually by direct debit, with no change in their VED payment levels.</p>					
Equalities impacts	The measure applies equally to all motorists and there are no particular impacts on people with protected characteristics.					
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses and civil society organisations. There are expected to be negligible one off costs from businesses in familiarising themselves with the new policy and in setting up VED direct debit payments if they wish to, and no additional ongoing costs. The new direct debit scheme will however allow businesses and motorists to enjoy the administrative convenience of having their VED licence renewed each year automatically.					
Operational impact (£m) (DVLA or other)	DVLA estimate that the scheme will cost £8 million to set up and will deliver annual net efficiency savings of £2 million by year three.					
Other impacts	Other impacts have been considered and none have been identified.					

Monitoring and evaluation

The measure will be monitored through information collected from VED receipts.

Further advice

If you have any questions about this change, please contact DVLA on 0300 790 6802 or visit the GOV.UK website.