



Zero-emission capable taxis - Vehicle Excise Duty rates: summary of consultation responses

HM Treasury ran a public consultation between 6 March 2018 and 29 May 2018 exploring the appropriate definition for a zero-emission capable taxi in order to apply an exemption from the VED supplement for expensive cars. HM Treasury received seven responses to the consultation which included the key stakeholders impacted by this change.

Alongside this summary of consultation responses, the draft clause for Finance (No.3) Bill to exempt eligible taxis has been published for technical consultation, ahead of the legislation being laid before Parliament later this year.

Following engagement with industry, the government is minded to legislate so that purpose-built zero-emission capable taxis, as defined in regulations, are not liable to pay the VED supplement. In contrast to specifying the physical requirements of eligible taxis in primary legislation, this option will provide flexibility particularly as zero-emission technology continues to develop.

Other questions in the consultation focused on whether eligibility for the VED exemption should depend on whether the registered keeper declares that they hold a valid taxi licence and the system for manufacturers/dealers declaring a vehicle as zero-emission capable to DVLA at the time of first registration.

Summary of responses

All responses were supportive of the government legislating to exempt eligible taxis from the VED supplement.

Maintaining flexibility in the face of future technical progress

Respondents recognised the issue of future technical progress impacting any definition of an eligible taxi set out in primary legislation. Given the small number of purpose-built zero-emission capable taxis, one respondent commented that the additional administrative burdens of maintaining a list of eligible models would be manageable. However, respondents were clear that certainty that models would continue to be exempt is required.

Administration

Respondents agreed that unnecessary administrative burdens would be created if the DVLA are required to seek evidence that an eligible vehicle is continuing to be used as a taxi, each time the VED comes up for renewal. There was also support for the onus to continue on the manufacturer/dealer to declare a vehicle as zero-emission capable at the time of first registration.

Liquid Petroleum Gas (LPG)

Two respondents highlighted that taxis fuelled by LPG should also be considered for a VED discount or exemption, beyond the £10 discount currently offered to alternatively fuelled cars.