Little relief for UK motorists in today’s Budget, and even higher costs down the road

Published: October 28, 2026

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Online version:

https://www.wheels-alive.co.uk/little-relief-for-uk-motorists-in-todays-budget-and-even-higher-costs-down-the-road/

Robin Roberts (WheelsWithinWales) writes...

The Budget announced today will continue freezing some costs for drivers, increase allowances but also delay implementing new charges as the Government struggles to work out how it's going to calculate duties for electric vehicles to make up for losses on petrol and diesel fuel sales.

Chancellor John Healey said he was concerned about rising fuel prices and the implications for every vehicle user so he has extended the freeze on fuel duty, maintaining the 5p-per-litre reduction on the tax until July 2027.

The freeze had been due to expire on 31 December 2026, but the total duty on fuel will now be held at 52.95p per litre.

Opposition leader Kemi Badenoch said she was "glad to see" fuel duty temporarily frozen but questioned why it couldn't be maintained at that rate for longer.

“We, the Conservative Party, froze fuel duty for 14 years; they can do better than that,” she said in the first response to the Budget outline.

Rod Dennis, senior policy officer for the RAC, said: “A freeze only avoids making an already difficult situation worse; it doesn’t make filling up any cheaper. And it’s worth remembering that pump prices still soared this summer, despite fuel duty being at this very same reduced rate.”

Edmund King, president of the AA, said the duty freeze “only delays the price shock” when it is increased and added that the government “could have gone further and cut fuel duty by an extra 5p, even if only for diesel.”

For those who charged their electric car or van at home it was good news with the temporary removal of VAT on domestic electricity extended until July 2027 but public charge points will still add 20% VAT, although the Government is looking into how this might be cut back.

Initially the Government will pump funds into reducing charging costs at low powered public sites.

In a HM Treasury note after the Budget announcement it also disclosed “proof of concept work” is underway on plans to introduce pay-per-mile Electric Vehicle Excise Duty (eVED),due to begin April 2028, when drivers will have to estimate and declare their mileage. This may include drivers linking their cars to a DVLA data base which would download their mileage automatically and bill them as a result. This eVED system will add £2 billion to VED revenues by the 2031-32 fiscal year.

The government is also raising its approved mileage rates for business drivers and for motorists covering less than 10,000 miles per year was temporarily raised from 45p per mile to 55p for the current tax year. This rise is now permanent, said the Chancellor. Those covering more than 10,000 miles annually will see the rise from 25p to 35p.

In addition, the government confirmed that benefit-in-kind (BIK) tax bands for company car users will rise by one percentage point in the 2030-31 fiscal year and anticipate this will bring in an additional £310m in 2030-31 and an extra £345m in 2031-32.

Businesses in the motor trade and industry generally welcomed the Budget but were concerned about minimum-pay rises and some thought the eVED changes would open the door to more fraudsters clocking cars with gadgets to wind-back readings and raise prices at resale.