Taxing times for motorists – how will money be raised in the future?

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MPs urge action to avoid a motoring taxation “black hole” – by Dave

Moss…

Zero emission vehicles shouldn't mean zero tax revenue, says Transport Committee

Transport committee MPs began a wide-ranging enquiry into road pricing just over 12 months ago, considering its implementation, the level of public support for it – and how the views of the public will need to be considered in developing any road pricing arrangements. It has also taken expert evidence on which road pricing or pay-as-you-drive schemes might be appropriate for the UK.

The case for its introduction – and the economic, environmental, social and taxation implications of doing so – were considered on the basis of Britain's move to ban petrol and diesel cars from 2030. The resulting report was published in early February, and reveals that the committee strongly believes the UK faces both an under-resourced and a traffic-congested future – unless the Government acts urgently to reform motoring taxation.

Currently, once registered, with very limited exceptions all licensed internal combustion engined vehicles are charged annual road tax depending on age and engine capacity. Duty and 20% VAT is also levied on all road fuels. Revenue from these sources is already declining through steadily growing electric vehicle numbers, since they don't currently pay road tax, and naturally don't use liquid fuels.

The report expresses particular concern over the approaching ban on new petrol and diesel vehicle sales, anticipating that soaring EV numbers will rapidly steepen that decline in tax revenue. Without road vehicle taxation reform, the committee believes that policies to deliver net zero emissions by 2050 might ultimately result in zero revenue from motoring taxation.

The Committee wants immediate action, to offset what it understands could be a potential combined vehicle excise and fuel duty loss of some £35 billion a year. It wants the Government to begin what it describes as "An honest conversation with the public on the funding implications of decreasing revenue for road development and maintenance – and

other essential public services". To "Promote fairness and public acceptance", it wants any alternative road charging mechanism to entirely replace the two existing main tax streams, rather than add to them – and be revenue neutral overall, so most motorists pay the same or less than currently. It is also seeking to ensure that such a fundamental taxation change doesn't undermine attempts to increase either "active" travel or public transport use, while "The impact on vulnerable groups and those in the most rural areas must be considered."

The report believes so-called Telematics technology could deliver "A mechanism that measures road use, setting the cost of motoring based on miles travelled, and the duration and time of the journey, allied to vehicle type and size". This, it believes, would allow the Government to maintain what it claims is "the existing link between motoring taxation and road usage".

Perhaps surprisingly, security and privacy safeguards necessary for management of vast daily amounts of two-way mobile data rate just one sentence: "Any data captured as part of changes should be subject to rigorous governance and oversight, and protect privacy".

The committee wants the Treasury and Department for Transport to join forces in setting up an "Arm's length" body, "to examine solutions and recommend a new road charging mechanism – by the end of 2022." The Committee Chair, Huw Merriman MP, says: "Work should begin without delay. The situation is urgent. New taxes, which rely on new technology, take years to introduce. A national scheme would avoid a confusing and potentially unfair and contradictory patchwork of local schemes, but would be impossible to deliver if this patchwork becomes too vast. The countdown to net zero has begun. Net zero emissions should not mean zero tax revenue."

The Government's response to the report is due by April 4th.

References

The 21 page Transport Committee report is available in full as a PDF here:

Parliament publications

A summary of the Transport Committee report is here:

Transport Committee