

Title: Abolition of the Tax Disc IA No: DfT00289 Lead department or agency: Driver and Vehicle Licensing Agency (DVLA) Other departments or agencies: Department for Transport & Her Majesty's Treasury	Impact Assessment (IA)		
	Date: 22/05/2014		
	Stage: Enactment		
	Source of intervention: Domestic		
	Type of measure: Secondary legislation		
Contact for enquiries: jason.donovan@dvla.gsi.gov.uk			
Summary: Intervention and Options			RPC Opinion: RPC Opinion Status

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Two-Out? Measure qualifies as
£234.12m	£73.66 m	-£6.76 m	Yes OUT

What is the problem under consideration? Why is government intervention necessary?
 Historically, the display of the tax disc has provided a visual aid for demonstrating the payment of vehicle tax and helps aid the identification of untaxed vehicles. However, new technology means the DVLA can use the vehicle register as proof of payment of vehicle tax. Since the introduction of Continuous Registration, the DVLA scans the vehicle record on a monthly basis to establish vehicle keepers who have not taxed their vehicles. The continued use of a paper tax disc is inefficient, placing unnecessary burdens on the general public and businesses. The abolition of the tax disc is a Ministerial Directive. The Chancellor of the Exchequer's announced its abolition in his 2013 Autumn Statement.

What are the policy objectives and the intended effects?
 The policy objective is to reduce tax administration costs and to remove burden on the motor industry and the public by abolishing the paper tax disc.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
 Do nothing - this will see the Driver and Vehicle Licensing Agency continue to issue a tax disc.

 Option 1 - Abolition of the tax disc - DVLA will no longer issue a tax disc following a successful application to licence a vehicle.

 Option 1 is the preferred option as this will reduce the tax administration costs and remove an administrative burden to business.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: Month/Year					
Does implementation go beyond minimum EU requirements?				N/A	
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		Micro Yes	< 20 Yes	Small Yes	Medium Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)				Traded: N/A	Non-traded: N/A

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Signed by the responsible Minister: Claire Perry Date: 03/09/2014

Summary: Analysis & Evidence

Policy Option 1

Description: Abolition of the Tax Disc

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: N/Q	High: N/Q	Best Estimate: 234.12

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	N/Q	N/Q	N/Q
High	N/Q	N/Q	N/Q
Best Estimate	4.0	0	4.0

Description and scale of key monetised costs by 'main affected groups'

The total cost of implementing the preferred option is £4m to amend DVLA IT systems. This cost will fall in 2014.

Other key non-monetised costs by 'main affected groups'

There will be some small costs to the general public from familiarising themselves with the new arrangements. The Police have highlighted some concern over reduced opportunity to detect additional offences, as absence of the tax disc/out of date tax discs can be an indication of other offences present. However, it is expected that this impact will be small as the number of notifications received from the Police in relation to vehicle excise duty enforcement has reduced significantly

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	N/Q	N/Q	N/Q
High	N/Q	N/Q	N/Q
Best Estimate	0	28.2	238.1

Description and scale of key monetised benefits by 'main affected groups'

DVLA benefits by £13.8m pa from no longer having to produce, issue and post the tax disc to motorists. Businesses benefit from not having to repost the tax disc to customers (£2m pa); replace lost tax discs (£1.6m pa); and not having to send the tax disc back to DVLA for a refund (£5.1m pa). The general public benefit from no longer replacing lost tax discs (£1.1m pa) and not having to send the tax disc back to DVLA for a refund (£4.6m pa).

Other key non-monetised benefits by 'main affected groups'

There would be additional benefits to businesses with vehicles as there will be no vehicle downtime while a company is waiting for a tax disc for a vehicle which will help support UK businesses who can operate more efficiently. No quantification of this benefit has been made by the industry.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

The impact on vehicle excise duty evasion is an unknown quantity but given the current low level of evasion there is a risk that the abolition of the tax disc might increase evasion. The DVLA employs a comprehensive and very effective package of measures to effectively control the level of vehicle excise duty evasion such as reminder letters, enforcement from the record, on road enforcement including wheelclamping so it appears that the risk is low.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0.0	Benefits: 6.8	Net: 6.8	Yes	OUT

Evidence Base (for summary sheets)

Background

The main function of the Driver and Vehicle Licensing Agency (DVLA) is the collection and enforcement of payment of vehicle excise duty (VED); and the maintenance of an accurate driver and vehicle register. The DVLA currently issues around 45 million tax discs each year.

The display of tax discs on motor vehicles in the United Kingdom dates back to 1921. Historically, this has provided a visual aid for demonstrating the payment of vehicle tax and helps aid the identification of untaxed vehicles.

However, there is now an increased reliance on the vehicle register as proof of payment of vehicle tax. In particular since the introduction of Continuous Registration (CR), the DVLA scans the vehicle record on a monthly basis to establish vehicle keepers who have not taxed their vehicles. There is a civil offence of being the registered keeper of an un-taxed vehicle which is handled by way of a penalty. This is an automated process where a Late Licensing Penalty letter is issued to the keeper of the unlicensed vehicle. The penalty is £80 but is reduced to £40 if paid within the first 28 days. The letter is sent six weeks after the tax has expired.

Enforcement from the record has helped to improve compliance with tax evasion falling from 1.4% in 2007 to 0.6% in 2013 – a historical low.

Alongside the development of the vehicle register the use of Automatic Number Plate Readers (ANPR) has significantly altered how we detect vehicle tax evasion. The DVLA currently use 10 mobile cameras throughout the UK. These cameras are type approved and the evidence gathered can be used for prosecution through the courts. The Agency's static ANPR cameras are also used to effectively encourage relicensing by issuing keepers of unlicensed vehicles with a warning that their vehicle has been seen on the road and the consequences from using an unlicensed vehicle on the road.

The development for accessing vehicle information from the roadside has meant that enforcement officers can access vehicle tax information instantly, without the need to inspect a tax disc.

Problem Under Consideration and Rationale for Intervention

Abolition of the tax disc offers significant opportunities to streamline processes and deliver monetary savings to taxpayers and businesses by:

- Making use of DVLA's digital services to offer customers the best possible experience;
- Re-engineering DVLA's current process to better support our existing digital services.

The British Vehicle Rental and Leasing Association (BVRLA) is the trade body for companies engaged in the leasing and rental of cars and commercial vehicles. BVRLA members have a fleet size of around two million vehicles which is approximately 95% of the market.

The BVRLA has advised that abolishing the tax disc would remove significant burden for their members in administration costs of around £7.5 million per year. This is in relation to renewing the vehicle tax for around one million vehicles. These costs include firms having to re-post the tax disc to customers, issue duplicate tax discs, make applications for a refund of vehicle excise duty and for staff costs associated with these activities.

The remaining one million vehicles are not impacted by this change because they are less than one year old or are disposed of as they are coming to the end of the lease.

Abolition of the tax disc would support the wider Government agenda to improve public services by accelerating the use of technology to ensure that services are tailored for individual and business needs. It also supports the principles of deregulation and removes the burden on the motor industry which will in turn aid in the elimination of overlapping activities and unnecessary layers of bureaucracy.

Consultation

In December 2012 the Department for Transport (DFT) launched a public consultation “Motoring Services Strategy” which examined how to reduce motorists paperwork including whether the DVLA should cease to issue paper copies of the Vehicle Excise Duty (VED) tax disc. This consultation closed in March 2013, and around 90% of those who commented on the abolition of the tax aspect agreed with the proposal.

During the Public Bill Committee debate on the Finance Bill 2013 clauses on VED, a number of MPs expressed their support to abolish the paper based (VED) tax disc.

The British Vehicle Rental and Leasing Association supports the abolition of the tax disc. This would reduce burdens on business as the cost to their members of administering the tax disc is in the region of £3.6 million per annum. There would be additional benefits in fleet operations as there will be no vehicle downtime while a company is waiting for a tax disc for a vehicle which will help support UK businesses who can operate more efficiently

The Chancellor announced in his Autumn Statement in December 2013 that the Government will legislate in Finance Bill 14 to reduce tax administration costs and burdens by removing the duty to issue and display a paper disc on a vehicle windscreen from 1 October 2014.

Policy objective

The policy objective is to reduce tax administration costs and to remove burden on the motor industry and the public.

Legislation

Changes to primary legislation to remove the requirement to display a tax disc have been introduced via the Finance Act 2014. Further changes to legislation will be made by secondary legislation via the negative Parliamentary procedure.

The amendments made by the Finance Act and the further secondary legislative changes will come into force on 1 October 2014.

Description of options considered

Policy Option 0: Do Nothing

The do nothing option is that the tax disc is retained. This would involve 45 million discs being printed and issued every year causing considerable costs to businesses, DVLA and the general public.

Policy Option 1: Abolition of the Tax Disc

This would involve implementing the Chancellor of the Exchequer’s announcement in his 2013 Autumn Statement that the tax disc will no longer need to be displayed on a vehicle windscreen. The DVLA would stop issuing a tax disc following any licensing application.

Where the registered keeper notifies the DVLA that their vehicle was stolen, destroyed, notified off road, sold/disposed of or exported, a refund of any outstanding duty will be automatically paid on the licence. This means that motorists will be removed from the burden of making a separate application for a refund as the automatic refund process will be generated when the vehicle record updates with the date an event took place. This will improve the customer journey through simplified services delivering efficiency savings for Government and the taxpayer whilst enhancing the range of services available to customers.

This would support the wider Government agenda to improve public services by accelerating the use of technology to ensure that services are tailored for individual and business needs. It also supports the principles of deregulation and removes the burden on the motor industry which will in turn aid in the elimination of overlapping activities and unnecessary layers of bureaucracy.

There may be an increase in motorists taxing their vehicle online as one of the reasons motorists tax at the post office is that they receive the paper tax disc over the counter. They will still be able to use the post office if they want to.

Monetised and non-monetised costs and benefits

Costs and benefits are appraised over a 10 year period. Because the option would be introduced on 1 October 2014, the costs shown below cover 11 financial years including the last 6 months of 2014-15 and the first 6 months of 2024-25).

Monetised Benefits

Government – An initial assessment of the costs and financial benefits is shown in Table 1.

Table 1: DVLA benefit (£m, 2014 prices)

Oct 2014 - March 2015	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	April 2024- Sep 2024
6.9	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	6.9

DVLA benefits total £13.8m per annum. These are broken down into the following elements:

- Disc printing and storage savings = £1.3m pa as a result of no longer having to print or store discs;
- Mailing savings = £7.9m pa. These arise from no longer having to send 31.445m tax discs at an average cost of 25.1p;
- Staff savings = £1.2m pa from not having to process tax disc refunds and not having to answer as many calls about lost/missing discs;
- £3.4m savings from no longer having to pay the Post Office for staff to manually complete and issue 17.762m tax discs at offices.

Business and Civil Society Organisations

A) Fleet Companies

BVRLA is the main representative of the fleet industry. Based on figures submitted to us by BVRLA we estimate that abolition of the tax disc would benefit the fleet business by £7.5 million per year from renewing vehicle tax for one million vehicles.¹ The benefit is made up of the following savings for fleet leasing companies:

- Avoiding postal costs from having to re-post the tax disc to customers who are leasing their cars when the new VED tax year begins;
- Not having to return the disc to DVLA to get a refund when a vehicle is sold or disposed of and there is still some time left to run on the tax disc;
- Not having to obtain duplicate tax discs for tax discs lost in the post – this includes re-ordering them from DVLA, paying for the duplicate disc and reposting the tax disc to clients.

The costs that will be avoided for BVRLA's fleet members for each of these four areas are set out in table 2 below using figures provided by the BVRLA itself. These come from avoiding postage costs, the costs of staff filling in forms and writing letters and the purchase of replacement tax discs for discs lost in the post. Wage costs are based on estimates of the median hourly wage for distribution and transport clerks from the Annual Survey of Hours and Earnings (2013) uplifted for employer oncosts and updated to 2014 prices. We assume that for future years, the costs avoided to business under each of the four categories in table 2 remain constant.

Costs avoided for fleet owners total £7.5 m for each full financial year (in 2014 prices).

Table 2: Costs avoided by fleet companies as a result of the abolition of the VED tax disc each year (£s, 2014 prices)

¹ The original submission that BVRLA made to DVLA for Budget 2013 estimated benefits to the fleet industry of £3.5m from savings on reposting of the tax disc to customers and drivers, obtaining duplicate tax discs, returning the tax discs for a refund and staff costs. We have done further work with BVRLA to break down the costs into postage and staff for reposting tax discs to customers, returning the tax disc for a refund and obtaining a duplicate tax disc for those lost in the post. These more detailed estimates indicate that costs are approximately twice as high as initially thought. We have worked intensively with BVRLA to estimate these costs and both BVRLA and DVLA have agreed them.

Activity	Cost of Activity	Number of Vehicles	Benefit to BVRLA members
1. Re-posting tax disc to customers	BVRLA indicate that 1,000,000 transactions will be affected.	1,000,000	1,990,786
Postage and stationery	£0.80		800,000
Staff - completion of letter	5 minutes at £14.29 per hour = £1.19		1,190,786
2. Returning tax disc for a refund of vehicle excise duty	BVRLA indicate that 950,000 vehicles will require a refund	950,000	4,153,739
Postage and stationery	£0.80		760,000
Staff - completion of letter	5 minutes at £14.29 per hour = £1.19		1,131,246
Staff - Filling in reclaim form to DVLA	10 mins (based on DVLA exercise) = £2.38		2,262,493
3. Obtaining duplicate for tax disc lost in the post	BVRLA estimate that 104,000 tax discs are lost each year.	104,000	1,389,767
(a) DVLA fee for duplicate tax disc	£7.00		728,000
(b) Fleet Company informs DVLA of loss of tax disc			
Postage and stationery	£0.80		83,200
Staff write letter	5 minutes at £14.29 per hour = £1.19		123,842
Staff fill out application form	10 mins (based on DVLA exercise) = £2.38		247,683
(c) Fleet company re-posts tax disc to drivers			
Postage and stationery	£0.80		83,200
Staff - completion of letter	5 minutes at £14.29 per hour = £1.19		123,842
Total annual benefit			7,534,292
1. Wage costs based on ASHE 2013, uprated to 2014. Source for other figures is BVRLA.			
2. Cost figures used are unrounded for accuracy so figures in the total benefits column may differ slightly from those obtained by multiplying the columns for cost of activity by number of vehicles.			

B) Other Business and Civil Society Organisations

As part of the vehicle registration process DVLA collects information on whether a vehicle is owned by a business/civil organisation or is owned by a private member of the public. Based on figures for the end of 2013 DVLA estimates that in addition to the 1 million vehicles covered by BVLA there are 3.88 m owned by other businesses or civil sector organisations. These other businesses will experience benefits from not having to:

- Return the disc to DVLA to get a refund when a vehicle is sold or disposed of and there is still some time left to run on the tax disc;
- Obtain duplicate tax discs for tax discs lost in the post.

These business and civil society organisations do not rent out vehicles to customers so there are no benefits to be gained from not having to send out discs to customers.

The benefits to other businesses and to civil sector organisations are set out in Table 3 below.

- Returning discs for a refund - approximately 2.9m discs are returned each year for a refund. 950,000 refunds are fleet firms covered by BVRLA in table 2, leaving 1.95m refunds to be claimed by other vehicle owners. There are 33.2m vehicles owned by non-BVRLA members. We assume that the probability that other businesses and civil

organisations will claim a refund is the same as for the general public. Dividing 1.95m refunds by 33.2 m and multiplying by 3.88m (the number of vehicles owned by other businesses or civil sector organisations) gives us a total of 277,700 refunds going to other businesses and civil sector organisations². Based on 277,700 refunds we estimate a benefit from abolishing the tax disc to other businesses and civil organisations of £995k per annum;

- Not having to obtain a duplicate tax disc – 235,800 duplicate tax discs issued in 2013-14 according to DVLA figures. If the tax disc was not abolished then DVLA's forecasts are that this volume would remain steady. The BVRLA says that 104,000 of these duplicate tax disc requests come from its members, leaving 131,800 from other businesses, civil organisations and the public.³ We assume that the rate at which duplicate tax discs are requested is the same for other businesses and civil organisations as it is for the general public. Based on the ratio of vehicles owned by other businesses and civil organisations to those owned by the general public we estimate that 15,395 requests for duplicate tax discs will be made by other businesses and civil sector organisations costing them £175k every year.

Table 3: Benefits to Non-BVRLA Businesses And Civil Society Organisations from Abolition of the Tax Disc Each Year (£s, 2014 prices)

² The higher level of refunds for BVRLA members compared to other car owners reflects the fact that the vehicle hire/leasing industry is very fluid with a high turnover of vehicles at fleet companies. Vehicles often change hands and fleet companies regularly update their fleet with newer vehicles to make them attractive to lease.

³ Fleet companies affiliated to BVRLA receive vehicle tax discs from the DVLA and then post them to individuals/business that have leased the vehicles. This means that the rate of loss of vehicle tax discs is much higher than for other vehicle owners who receive the tax disc directly. In addition, we believe that there are sometimes problems with customers of fleet vehicles who may not inform the fleet company when they change address. Hence tax discs may be sent to the wrong address.

Activity	Cost of Activity	Number of Vehicles	Total Benefit
1. Returning tax disc for a refund of vehicle excise duty	£4.37	227,771	995,361
Of which:			
Postage and stationery	£0.80		
Staff - completion of letter	5 minutes at £14.29 per hour = £1.19		
Staff - Filling in reclaim form to DVLA	10 mins (based on DVLA exercise) = £2.38		
2. Obtaining duplicate for tax disc lost in the post	£11.37	15,395	175,041
Of which			
DVLA fee for duplicate tax disc	£7.00		
Postage and stationery	£0.80		
Staff write letter	5 minutes at £14.29 per hour = £1.19		
Staff fill out application form	10 mins (based on DVLA exercise) = £2.38		
Total Annual Benefits			1,170,403
1. Wage costs based on ASHE 2013, uprated to 2014. Source for other figures is BVRLA. 2. Cost figures used are unrounded for accuracy so figures in the total benefits column may differ slightly from those obtained by multiplying the columns for cost of activity by number of vehicles.			

General public – There will be some small benefits to the general public from not having to:

- Return the disc to DVLA to get a refund when a vehicle is sold or disposed of and there is still some time left to run on the tax disc. We estimate that would be 1,722k refunds to the general public based on the total number of refunds (2.9m) less refunds to all businesses and civil society organisations;
- Obtain duplicate tax discs for tax discs lost in the post. We estimate 116k duplicate tax discs would not have to be requested by the general public based on total number of duplicated tax discs (235,800) less those requested by all businesses and civil society organisations);

Table 4 sets out the annual benefits to the general public from abolition of the tax disc. The way the calculations have been constructed is exactly the same as for Table 3 except that the DFT value of leisure time for the general public from Webtag has been used to estimate savings from filling in forms and writing letters instead of a staff hourly wage rate. Total annual benefits to the general public are £5.4m.

Table 4: Benefits to the General Public from Abolition on the Tax Disc, Oct 2014 - Sep 2015 (£s, 2014 prices)

Activity	Cost of Activity	Number of Vehicles	Total Benefit
1. Returning tax disc for a refund of vehicle excise duty	2.47	1,722,229	4,259,219
Postage and stationery	0.80		
Write letter and fill out application form (15 mins) ¹	15 minutes at £6.69 per hour = £1.67		
2. Obtaining duplicate for tax disc lost in the post	9.47	116,405	1,102,714
DVLA fee for duplicate tax disc	7.00		
Postage and stationery	0.80		
Write letter and fill out application form (15 mins) ¹	15 minutes at £6.69 per hour = £1.67		
Total Annual Benefits			5,361,934
1. Uses value of leisure time to general public taken from DFT Webtag to monetise time savings.			
2. Cost figures used are unrounded for accuracy so figures in the total benefits column may differ slightly from those obtained by multiplying the columns for cost of activity by number of vehicles.			

There will be no other benefits to the general public. They will continue to need to tax their vehicles as they currently do.

Non-Monetised Benefits

Government – there may be a small improvement in accuracy of the personal details held on the vehicle record as consumers are educated to understand that their records must be up to date for them to receive their automatic refund and reminder documentation.

General Public - There may be an increase in motorists taxing their vehicle online as one of the reasons motorists tax at the post office is that they receive the paper tax disc over the counter. They will still be able to use the post office if they want to.

Business and Civil Society Organisations – there would be additional benefits for organisations with vehicles as there will be no vehicle downtime while the organisation is waiting for a tax disc for a vehicle. This will mean organisations can operate more efficiently. No quantification of this benefit has been made by business or civil society organisations.

Monetised Costs

Government

DVLA - The total cost of implementing the preferred option for DVLA is £4m. This is a one off cost relating to updating DVLA's IT systems so that customers can license electronically via the internet. This cost will fall in 2014.

Post Office - There will also be a cost to the post office as a result of lost revenue from DVLA for manually completing and issuing 17.762m tax discs at offices. This lost revenue is estimated at £3.4m pa (17.762m tax discs x 19p per transaction). DVLA estimate that the price they currently pay for manual transactions is on average equal to the cost to the Post Office of providing the service. That is on average each tax disc application at the Post Office takes 52 seconds at a median cost per postal worker of £13.31 per hour (based on median postal worker wage costs from Annual Survey of Hours and Earnings 2013, uplifted for employer on costs and uprated to 2014). This cost is based on the time taken for a post office clerk to write out the tax disc. When multiplied by 17.762m this gives a cost of £3.4 m. **On this basis the net cost to the Post Office of abolishing the tax disc = £0 pa.**

Business and Civil Society Organisations

Costs to Royal Mail – DVLA will no longer be sending out 31.445 million tax discs each year. This will have a direct impact on the Royal Mail reducing its revenue by 7.9m pa (ie 31.445m⁴ tax discs x an average revenue per disc sent of 25.1p).

Information on Royal Mail costs is very limited. Ofcom⁵ estimate that the unit cost for UKPIL – the letter and parcel arm of Royal Mail - of sending an item was 45p in 2013-14. This figure includes all costs relevant to sending letters and parcels – including infrastructure costs and restructuring costs. Due to efficiencies and rationalisation of the estate this cost has fallen slightly in 2013-14 to 43p per item⁶. Royal Mail's 2013-14 accounts provide a breakdown which allows us to estimate the variable component (people, distribution and conveyancing costs) as being 84% of total unit costs. This produces an estimate of average variable cost of 36p per item. However, DVLA is a bulk issuer of tax discs and has special arrangements for their collection with Royal Mail which mean that the costs of handling them are lower than for general mail. In particular tax discs go straight to the regional distribution centre rather than having to be collected locally and go through local mail centres. We think this is likely to reduce costs by 30% and that on this basis a price of 25.1p per item is likely to be very close to the cost of delivery for tax discs. **On this basis the loss to Royal Mail from losing the tax disc business will be offset by the savings from reduced delivery costs so that the net cost to Royal Mail = £0.⁷**

Civil Society Organisations – there are no costs to civil society organisations from the abolition of the tax disc.

General Public – there is no cost to the public as this policy does not change motorists' requirement to pay vehicle tax.

Non-monetised Costs

There will be some small costs to the general public from familiarising themselves with the new arrangements. This may lead to an increase in general calls to DVLA's enquiry unit about what abolition of the disc means to the motoring public. It is expected that these would diminish after the first year. We expect this cost to be small to the general public and DVLA as the online Vehicle Enquiry Service will provide free information electronically on the changes.

⁴ The total of tax discs made out at post offices plus those posted through the Royal Mail (49.2m in 2013-14) is greater than the total number of vehicles that are taxed (34.2m in 2013-14) because some tax discs only cover 6 months, owners may change vehicle details (eg tax class) or sell the vehicle, or the tax disc may get lost in the post.

⁵ Ofcom, (2013), Annual Monitoring Update on the Postal Market 2012-13.

⁶ In 2013-14 Royal Mail delivered 17.55 bn letters and parcels. UKPIL's total costs were £7.488bn (including costs for transforming the group to make it more efficient). See Royal Mail PLC, Annual Report and Financial Statements 2013-14.

⁷ An alternative approach would be to try to adopt a bottom up costing methodology. However this would require us to have information on the distribution of mail across households and businesses which are not available. Given this we have decided to use the top down approach – which is the approach that Ofcom have adopted.

An initial sounding of the Police has highlighted some concern over reduced opportunity to detect additional offences, as absence of the disc/out of date discs can be an indication of other offences present. However, it is expected that this impact will be small as the number of notifications received from the Police in relation to vehicle excise duty enforcement has reduced significantly over the last 5 years.

There are unlikely to be any costs to the Post Office from the abolition of the tax disc as there will be no new processes for staff to learn as a result of its removal and therefore no additional training requirements. The vehicle licensing process will remain as current except that the Post Office will no longer issue a tax disc to the customer.

Summary Costs and Benefits

Table 5 shows the discounted present value of the costs and benefits from Option 1, abolition of the tax disc. Costs and benefits are calculated over 10 full years from the introduction of the policy.

Table 5: Present discounted costs and benefits of Option 1 (£ms, 2014 prices)^{1,3}												
	Oct 14 - March	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23	23-24	April 24 - Oct 24	Total
Costs												
One Off Costs for DVLA Systems	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
Total Costs	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0
Benefits												
DVLA Running Cost Savings	6.9	13.3	12.9	12.4	12.0	11.6	11.2	10.8	10.5	10.1	4.9	116.6
General Public												
Of which:												
Not Returning Tax Disc for a Refund	2.1	4.2	4.1	4.0	3.9	3.8	3.8	3.7	3.6	3.5	1.7	38.4
Not obtaining duplicate tax disc lost in the post	0.6	1.1	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.8	0.4	9.5
Business and Civil Sector Orgs ²												
Of which:												
Not re-posting to Consumers	1.0	1.9	1.9	1.8	1.7	1.7	1.6	1.6	1.5	1.5	0.7	16.8
Not returning tax disc for a refund	2.6	5.0	4.8	4.6	4.5	4.3	4.2	4.0	3.9	3.8	1.8	43.6
Not losing a tax disc in the post	0.8	1.5	1.5	1.4	1.4	1.3	1.3	1.2	1.2	1.1	0.6	13.2
Total Benefits	13.9	27.0	26.1	25.3	24.5	23.7	23.0	22.2	21.5	20.9	10.1	238.1
Net Present Value												234.1
Business Net Present Value												73.7
1. All figures discounted at 3.5% pa in line with HMT Green Book guidance.												
2. Benefits to Business and Civil organisations on each line obtained by summing benefits to BVRLA members in table 2 and benefits to other businesses and civil sector organisations in table 3.												
3. Benefits and costs for Post Office and Royal Mail each net to zero and so are excluded from this table to keep it simple.												

Table 5 show that the NPV of Option 1 = £234.1m.

Risks and assumptions

Increased Vehicle Excise Duty Evasion

There is a risk that the abolition of the tax disc might increase evasion. However we think this is small as the DVLA employs a comprehensive and very effective package of measures to control the level of VED evasion including:

Technological – the use of Electronic Vehicle Licensing (EVL) has continued to rise, making compliance easier for vehicle keepers and removing in most cases the need to gather documents together and physically visit a Post Office branch to tax the vehicle.

Communication – DVLA reminds motorists of the importance of taxing their vehicles, the availability of EVL as a channel and also the ultimate consequences of failing to re-tax on time. DVLA's approach is to make compliance as easy as possible with around 94% of vehicle keepers taxing their vehicle on receiving the V11 reminder form. Vehicle keepers are also sent an additional reminder letter, two weeks following the expiry of the vehicle licence. This has the dual effect of prompting the keeper to become compliant before enforcement action is taken, which in turn is a cheaper means of maintaining compliance for DVLA.

Penalties – the range of enforcement measures used to detect and curb evasion currently includes 'from the record' civil penalties; Automatic Number Plate Recognition (ANPR) systems; out of court settlements and Magistrates' Court prosecutions, together with the wheel clamping and impounding of unlicensed vehicles.

Future policy changes – the DVLA is in discussion with the Home Office on how it can increase the use of ANPR by utilising police enforcement cameras to maintain and/or improve VED compliance. In the future we envisage that more effective and shared use of ANPRs will be the cornerstone of the VED strategy. Keeping the link between police and VED enforcement in the motorist's mind is crucial to the overarching deterrent factor.

Based on the success of our mitigating actions and our strategy for the future, the DVLA believe that it is unlikely that this risk will materialise.

Wider Impacts

Small and Micro Business Assessment

A small firms and micro business assessment has been carried out. The abolition of the tax disc will impact on all firms that have vehicles including small and micro businesses. The impact of the abolition on small and micro businesses will be to remove burdens by not having to request duplicate tax discs and from not having to return the tax disc to obtain a refund when a vehicle has been sold on. Consequently the impact of removal of the tax disc will benefit small and micro businesses.

Equalities Impact

This measure applies equally to all motorists and there are no particular impacts on people with protected characteristics.

Levels of Awareness

The expiry of the tax disc can act as a reminder to people that a vehicle needs to be re-licensed. However, DVLA already re-enforces this trigger with a two-tier system of reminders. As well as the routine V11 reminder sent about a month before the tax is due, the Agency also sends a 'last chance' reminder about 2 weeks after the date of liability has passed. It is only when these reminders are ignored that a late licensing penalty is issued. In the circumstances, the Agency is confident that these reminders will maintain current levels of awareness and no extra costs are envisaged in that respect.

Policy Review

Abolition of the tax disc will reduce the burden on business, so the policy will not be the subject of a statutory review. The possibility for there to be an increase in the rate of VED evasion will be monitored continuously, but the Government is confident that the DVLA operational and compliance measures are robust and effective enough to deal with any evasion risk. These measures have helped to improve compliance and vehicle excise duty evasion is at a historic low of just 0.6 per cent.

As a result of moving to a two-yearly VED roadside survey, the DVLA will use its own ANPR data and vehicle licensing information to monitor and identify early any increase in evasion. This will enable the Agency to be proactive in responding to any drop in licensing.

One In Two Out

The measure is in scope of One In Two Out. The measure is classified as an Out because it will result in a reduction of burdens to business.

Business Net Present Value

The business net present value for Option 1, the preferred option is £73.66m in 2014 prices and discounted to 2014.

The business net present value is made up of business savings from not having to:

- Repost a tax disc to consumers = £16.85m;
- Return tax discs for a refund = £43.57m;
- Replace tax discs lost in the post = £13.24m.

Equivalent Annual Net Cost to Business (EANBC)

The EANBC of option 1, abolition of the tax disc = -£6.76m over the 10 full years of the appraisal.