

# **FINANCE ACT 2015**

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## **EXPLANATORY NOTES**

### **INTRODUCTION**

#### ***Section 58: Ved Rates for Light Passenger Vehicles and Motorcycles***

##### **Summary**

1. This section provides for changes to certain rates of Vehicle Excise Duty (VED) by amendment of the Vehicle Excise and Registration Act 1994 (VERA). Changes to the rates take effect in relation to vehicle licences taken out on or after 1 April 2015.

##### **Details of the Section**

2. Subsection (2) amends paragraph 1B of Schedule 1 to VERA to change some of the graduated rates of duty which apply generally to light passenger vehicles first registered on or after 1 March 2001. Table 1 provides the rates payable on a first vehicle licence for a vehicle and table 2 provides the rates on all other licences for a vehicle registered on or after 1 March 2001. Table 2 operates so that vehicles emitting over 225 grams of carbon dioxide per kilometre that were registered in the United Kingdom or overseas before 23 March 2006 pay a lower rate than those registered from 23 March 2006 onwards.
3. Subsection (3) amends paragraph 2(1) of Schedule 1 to VERA to increase the rate of duty by £1 to £59 for motorbicycles with an engine size of over 400cc but not more than 600cc; by £1 to £81 for motorbicycles with an engine size of over 600cc, motortricycles with an engine size over 150cc and trade licences for motorcycles.

##### **Background Note**

4. This rate of Vehicle Excise Duty (VED) chargeable on vehicles is dependent on various factors including the vehicle type, engine size, date of first registration and exhaust pipe emission data. The rate applying to cars registered on or after 1 March 2001 is generally determined by the vehicle's carbon dioxide emissions. A reduced rate of VED applies to cars using alternative fuels or featuring a hybrid fuel-electric powertrain. Alternative fuels include Liquefied Petroleum Gas, Compressed Natural Gas and high blend (at least 85% content) bioethanol.
5. Cars and vans registered prior to 1 March 2001, and all motorcycles, are taxed by reference to the engine size.
6. The government intends to increase VED rates in 2015-16 by no more than inflation for cars, motorcycles and vans.