

Tax Information and Impact Note for HGV levy: changes incentivising cleaner vehicles

Who is likely to be affected

Companies operating HGVs weighing over 12 tonnes, both UK and foreign registered, using UK roads, where the HGVs are being used for commercial purposes. People living and working near major roads.

General description of the measure

This measure changes the HGV levy which is currently up to £10 a day or £1,000 a year, depending on the vehicle's size and weight. In future the levy will also depend on vehicle emissions. The newest lorries generate 80% less nitrogen emissions than older ones, so from 1 February next year, lorries meeting the latest Euro VI emissions standards will be eligible for a 10% reduction in the cost of the HGV levy.

Note that those lorries that don't meet the latest emissions standards will be expected to pay 20% more, except where the levy is already set at its maximum rate allowable under European legislation.

This measure is being used to reduce the rates for Euro VI vehicles as The HGV Road User Levy Act¹ allows for rates to be reduced (but not increased) through secondary Regulations. Primary legislation is required for any raising of rates. That aspect of the changes will be done via the Finance Bill 2018.

Policy objective

The measure is intended to incentivise vehicle operators to move towards newer, cleaner vehicles, to reduce emissions from HGVs and improve air quality.

Background to the measure

When the HGV levy was first introduced in 2012, the Government said that it would look into varying the levy in the future by vehicle emissions. The Government's air quality plan of 2017 said that the Government would look to make changes to the levy, potentially to incentivise improved air quality and more efficient vehicle use. In November 2017 the Department for Transport issued a Call For Evidence on HGV levy reform which asked for views on general principles.

¹ <https://www.legislation.gov.uk/ukpga/2013/7/contents>

Detailed proposal

Operative date

1 February 2019 for Euro VI vehicles to qualify for a 10% reduction in levy rates and Euro V vehicles and older will also pay a 20% higher levy from that date, where legal limits allow this.

Current law

The HGV levy is established by the HGV Road User Levy Act 2013. Schedule 1 of the Act contains the current rates.

Proposed revisions

The HGV Road User Levy (Rate for Prescribed Vehicles) Regulations 2018 make provision for a reduction of 10% in the rate of HGV road user levy in respect of a prescribed class of HGVs. The term “HGV” is as defined under section 2 of the HGV Road User Levy Act 2013.

Regulation 2(1) provides for the reduced rate of HGV road user levy referred to in regulation 2(2), to apply to HGVs, prescribed at regulation 2(3).

Regulation 2(2) provides that the reduced rate of HGV levy is calculated by taking the amount of levy payable in accordance with section 6 of, and schedule 1 to, the HGV Road User Levy Act 2013, and reducing that amount by 10%.

Regulation 2(3) prescribes the class of HGVs, to which the reduced rates of HGV levy referred to at regulation 2(2) apply, as HGVs which comply with vehicle emission limits under EU law, as set out in Annex I of Regulation (EC) No 595/2009 of 18th June 2009, on type approval of motor vehicles and engines with respect to emissions from heavy duty vehicles (Euro VI) and on access to repair and maintenance information.

Regulation 2(4) provides that the reduced rate is not applicable to HGVs in respect of any day for which the levy was paid, or due to be paid, before the coming into force of these regulations.

An Explanatory Memorandum is published alongside the Regulations on www.legislation.gov.uk.

For the other changes, to implement the increase in levy for Euro V and older vehicles, primary legislation will be needed. The Government expects to use Finance Bill 2018 for this purpose.

Summary of impacts

Exchequer impact (£m)

2018-19	2019-20	2020-21	2021-22	2022-23
+0	+0	-5	-10	-15

(Impact of full changes. Euro VI reductions and Euro V and older increases. Rounded to the nearest £5m)

Economic impact

This measure is not expected to have any significant economic impacts. Businesses which are liable for the Levy may choose to pass on the extra cost to customers, but this would not be at a level to have any significant effects on inflation.

Impacts on individuals, households and families

This measure is not expected to have any significant impact on individuals, households and families. This is on the basis that the vast majority of HGVs are owned by businesses rather than private individuals.

Equalities impacts

This measure is not expected to have any significant impact on the equality of groups with protected characteristics.

Impact on business including civil society organisations

The impact on business of the instrument is small, and beneficial. There will be some impact on organisation operating HGVs weighing 12 tonnes or more where the vehicle is Euro VI. These will start to see their costs reduce from February 2019. There are no additional administrative burdens caused by the changed levy rates.

Note that the announced policy intention of increasing levy rates for vehicles that do not meet the Euro VI standard, not covered by the instrument, will involve some additional costs on operators, although in the context of overall operating costs these are small, and could be mitigated by shifting to a Euro VI vehicle.

No impacts have been identified for civil society organisations, since the measure applies only to HGVs over 12 tonnes being operated for commercial purposes.

Operational impact (£m) (HM Revenue and Customs (HMRC) or other)

There are minor impacts on the DVLA, which administers the levy for UK hauliers, and manages the contract with the company administering the levy for foreign hauliers. Both these systems will require some software changes.

Other impacts

This measure is intended to incentivise earlier change of the vehicle stock to the newest, cleanest Euro VI vehicles. The newer Euro VI vehicles produce 80% less nitrogen emissions than older vehicles. It is part of a wider range of measures with the same focus, such as clean air zones. Together these measures support the objective of reducing pollution and improving air quality.

There are no anticipated impacts on CO₂ emissions since the Euro emissions standards do not include limit values for CO₂.

No other impacts have been identified.

Monitoring and evaluation

No specific monitoring of this measure is planned.

Further advice

If you have any questions about this change, please contact Peter Steele on telephone 07966 511 853 or peter.steele@dft.gsi.gov.uk.