



Finance Act 2023

2023 CHAPTER 1

Taxation of vehicles

10 Removal of VED exemption for electrically propelled vehicles etc

- (1) The Vehicle Excise and Registration Act 1994 is amended as follows.
- (2) In Schedule 2 (exempt vehicles), in paragraph 20G (electrically propelled vehicles)—
 - (a) in sub-paragraph (2)—
 - (i) before paragraph (a) insert—
 - “(za) it is a light passenger vehicle (within the meaning of paragraph 1A(2) or 1GA(2) of Schedule 1),
 - (zb) it is a light goods vehicle (within the meaning of paragraph 1H(2) of that Schedule), or
 - (zc) it is a motorcycle (within the meaning of paragraph 2(3) of that Schedule).”, and
 - (ii) omit paragraphs (a) and (b), and
 - (b) omit sub-paragraph (3).
- (3) In that Schedule omit paragraph 25 (light passenger vehicles with low CO₂ emissions) and the italic heading before it.
- (4) In Schedule 1 (annual rates of duty)—
 - (a) omit paragraph 1GB (exemption from paying duty on first vehicle licence for certain vehicles) and the italic heading before it,
 - (b) in paragraph 1GE(1) (higher rates of duty for vehicles with a price exceeding £40,000) for paragraph (c) substitute—
 - “(c) either—
 - (i) the vehicle was so registered on or after 1 April 2025, or
 - (ii) it was so registered before that date and its applicable CO₂ emissions figure exceeds 0g/km.”, and
 - (c) in paragraph 2 (motorcycles)—

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- (i) in sub-paragraph (1)(a), after “centimetres” insert “or if the vehicle is electrically propelled”, and
 - (ii) in sub-paragraph (3), in the definition of “motorcycle”, after “vehicle” insert “of a description specified in regulations made by the Secretary of State”.
- (5) In consequence of the amendments made by [subsections \(2\) to \(4\)](#), in Schedule 1—
- (a) in paragraph 1 (rates where no other rate specified)—
 - (i) in sub-paragraph (2), after “case of” insert “an electrically propelled vehicle or”, and
 - (ii) in sub-paragraph (2A), after “case of” insert “an electrically propelled vehicle or”,
 - (b) in paragraph 1B (light passenger vehicles registered before 1 April 2017), in the Table, in column (1)—
 - (i) after “Exceeding” insert “, or, in the first row, equal to or exceeding”, and
 - (ii) for “100” substitute “0”,
 - (c) in paragraph 1GC (light passenger vehicles registered on or after 1 April 2017)—
 - (i) in Table 1, in column (1), after “Exceeding” insert “, or, in the first row, equal to or exceeding”, and
 - (ii) in Table 2, in column (1), after “Exceeding” insert “, or, in the first row, equal to or exceeding”,
 - (d) in paragraph 1J (annual rate of duty for light goods vehicles)—
 - (i) in paragraph (a), after “van” insert “or a pre-2011 electric van”, and
 - (ii) in paragraph (b), after “van” insert “or a pre-2011 electric van”, and
 - (e) after paragraph 1M insert—
 - “1N For the purposes of paragraph 1J, a vehicle to which this Part of this Schedule applies is a “pre-2011 electric van” if—
 - (a) the vehicle is first registered, under this Act or under the law of a country or territory outside the United Kingdom, on or after 1 March 2003 and before 1 January 2011, and
 - (b) the vehicle is an electrically propelled vehicle.”
- (6) The Graduated Vehicle Excise Duty (Prescribed Types of Fuel) Regulations 2001 ([S.I. 2001/93](#)) are revoked.
- (7) The amendments and revocation made by [this section](#) have effect in relation to licences taken out on or after 1 April 2025.

11 Taxable benefits: appropriate percentage for cars with a CO₂ emissions figure

- (1) In the Income Tax (Earnings and Pensions) Act 2003, in section 139 (cars with a CO₂ emissions figure: the appropriate percentage), for the table in subsection (1) substitute—

<i>“Car</i>	<i>Appropriate percentage</i>
Car with CO ₂ emissions figure of 0	3%
Car with CO ₂ emissions figure of 1–50	<i>As follows</i>

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<i>“Car</i>	<i>Appropriate percentage</i>
<i>Car with electric range figure of 130 or more</i>	3%
<i>Car with electric range figure of 70–129</i>	6%
<i>Car with electric range figure of 40–69</i>	9%
<i>Car with electric range figure of 30–39</i>	13%
<i>Car with electric range figure of less than 30</i>	15%
Car with CO ₂ emissions figure of 51–54	16%
Car with CO ₂ emissions figure of 55–59	17%
Car with CO ₂ emissions figure of 60–64	18%
Car with CO ₂ emissions figure of 65–69	19%
Car with CO ₂ emissions figure of 70–74	20%”

- (2) The amendment made by [subsection \(1\)](#) has effect for the tax year 2025-26.
- (3) In that Act, in that section, in subsection (3)(a) for “20%” substitute “21%”.
- (4) The amendment made by [subsection \(3\)](#) has effect for the tax year 2025-26 and subsequent tax years.
- (5) In that Act, in that section, for the table in subsection (1) of that section (as substituted by [subsection \(1\)](#)) substitute—

<i>“Car</i>	<i>Appropriate percentage</i>
Car with CO ₂ emissions figure of 0	4%
Car with CO ₂ emissions figure of 1–50	<i>As follows</i>
<i>Car with electric range figure of 130 or more</i>	4%
<i>Car with electric range figure of 70–129</i>	7%
<i>Car with electric range figure of 40–69</i>	10%
<i>Car with electric range figure of 30–39</i>	14%
<i>Car with electric range figure of less than 30</i>	16%
Car with CO ₂ emissions figure of 51–54	17%
Car with CO ₂ emissions figure of 55–59	18%
Car with CO ₂ emissions figure of 60–64	19%
Car with CO ₂ emissions figure of 65–69	20%
Car with CO ₂ emissions figure of 70–74	21%”

- (6) The amendment made by [subsection \(5\)](#) has effect for the tax year 2026-27.

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- (7) In that Act, in that section, for the table in subsection (1) of that section (as substituted by [subsection \(5\)](#)) substitute—

<i>“Car</i>	<i>Appropriate percentage</i>
Car with CO ₂ emissions figure of 0	5%
Car with CO ₂ emissions figure of 1–50	<i>As follows</i>
<i>Car with electric range figure of 130 or more</i>	5%
<i>Car with electric range figure of 70–129</i>	8%
<i>Car with electric range figure of 40–69</i>	11%
<i>Car with electric range figure of 30–39</i>	15%
<i>Car with electric range figure of less than 30</i>	17%
Car with CO ₂ emissions figure of 51–54	18%
Car with CO ₂ emissions figure of 55–59	19%
Car with CO ₂ emissions figure of 60–64	20%
Car with CO ₂ emissions figure of 65–69	21%
Car with CO ₂ emissions figure of 70–74	21%”

- (8) The amendment made by [subsection \(7\)](#) has effect for the tax year 2027-28 and subsequent tax years.

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