

# FINANCE ACT 2014

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## EXPLANATORY NOTES

### INTRODUCTION

*Section 84: VED: Extension of Old Vehicles Exemption from 1 April 2014*

*Section 85: VED: Extension of Old Vehicles Exemption from 1 April 2015*

### Summary

1. Section 1 of the Vehicle Excise and Registration Act 1994 (VERA) provides for the charging of Vehicle Excise Duty (VED) in respect of mechanically propelled vehicles and Schedule 1 of VERA sets out the rates of duty. Paragraph 1A of Schedule 2 of VERA provides a VED exemption in respect of vehicles constructed before 1 January 1973.
2. [Section 84](#) provides for an extension to the scope of the exemption to include vehicles constructed before 1 January 1974 and will come into force on 1 April 2014. Section 85 provides for further extension to the scope of the exemption to include vehicles constructed before 1 January 1975 and will come into force on 1 April 2015. Both sections amend Paragraph 1A of Schedule 2 of VERA.

### *Details of Section 84*

3. Subsection (1) of section 84 extends the exemption from VED contained in paragraph 1A of Schedule 2 of VERA to vehicles constructed before 1 January 1974.
4. Subsection (2) of section 84 provides for the extension of the exemption to come into force on 1 April 2014.
5. Subsection (3) of section 84 provides a transitional provision so that a nil licence does not need to be in force on 1 April 2014 for a vehicle constructed before 1 January 1974 if there is a vehicle licence already in force in respect of that vehicle. However, the vehicle licence will still need to be displayed on the vehicle. When that existing vehicle licence expires, a nil licence will need to be in force for the vehicle.

### *Details of Section 85*

6. Subsection (1) of section 85 extends the exemption from VED contained in paragraph 1A of Schedule 2 of VERA to vehicles constructed before 1 January 1975.
7. Subsection (2) of section 85 provides for the extension of the exemption to come into force on 1 April 2015. It also provides a transitional provision so that a nil licence does not need to be in force on 1 April 2015 in respect of a vehicle constructed before 1 January 1975 if there is a vehicle licence already in force in respect of that vehicle. When the existing vehicle licence expires, a nil licence will need to be in force for the vehicle.

**Background Note**

8. The Government considers classic vehicles to be an important part of the nation's historical heritage. The VED exemption is, therefore, designed to support classic vehicle industry within the UK.
9. Budget 2013 announced a measure to extend the scope of the VED exemption to classic vehicles by one additional year. From the 1 April 2014, vehicles constructed in 1973 will be added to the exemption for this category.
10. Budget 2014 announced the Government's intention to legislate in each year's Finance Bill to extend the old vehicle exemption by a further year so that vehicles which were constructed 40 years previously will be exempt from paying VED.
11. Budget 2014 announced that the extension to the exemption for vehicles constructed before 1 January 1975 would be included in Finance Act 2014. From the 1 April 2015, vehicles constructed in 1974 will be added to the scope of the exemption.