

AUTUMN BUDGET 2017 AND FLEET



On Wednesday 22nd November, the Rt. Hon Phillip Hammond, Chancellor of the Exchequer, delivered his first Autumn Budget, bringing in a raft of new measures to target productivity in the UK.

In this document, we will provide an overview of the key measures that affect the automotive industry, as well as a more in-depth analysis as to how this will affect your vehicle fleet.

THE BUDGET AT A GLANCE

1. Benefit-in-Kind Diesel Tax Supplement for cars will increase 1%, from 3% to 4%, from 6 April 2018. Diesel vans are exempt from this change. Next-generation diesel cars that meet emissions limits in real driving conditions (known as Real Driving Emissions Step 2 Standards) are exempt from paying the diesel tax supplement altogether.
2. A new Vehicle Excise Duty supplement will apply to new diesel cars first registered from 1 April 2018. Diesel vans are exempt from this change. This change will also not affect next-generation diesel cars that meet emissions limits in real driving conditions (known as the Real Driving Emissions Step 2 standards).
3. £220m Clean Air Fund for local areas with the highest air pollution, funded by the rise in the Diesel BIK tax supplement, and VED diesel tax supplement.
4. Petrol and diesel fuel rates have been frozen. Fuel Benefit Charge and Van Benefit Charge will both increase by RPI from April 2018.
5. From April 2018, there will be no Benefit-in-Kind charge on electricity that employers provide to charge employees' electric vehicles.
6. The Government wants to see fully self-driving cars on UK roads by 2021, and will introduce legislation to allow this.
7. The Government announced £400m for a charging infrastructure fund, an extra £100m for Plug-in car grants, and £40m in charging R&D.
8. £500m will be invested in technology including 5G, which will aid in transition to using driverless vehicles.
9. £1.7 billion was announced for a new "transforming cities" fund to support infrastructure growth.

AUTUMN BUDGET: DIESEL VEHICLES

Diesel cars and vans are the fleet vehicle of choice due to their superior fuel economy over petrol, and convenience over electric vehicles that do not have the supporting infrastructure. Yet, it was widely expected that diesel was going to be targeted in the Autumn Budget as part of a drive toward cleaner air.

It has been reported that older (pre-2009) diesel vehicles emit a high level of Nitrogen Oxide that have been linked to respiratory disease. Whilst the Government have announced some measures to tackle dirty air on a local level, such as the T-Charge in London, the Government have announced 2 key measures that affect new diesel vehicles registered from April 2018:

1. Benefit-in-Kind Diesel Tax Supplement for cars will increase by 1%, from 3% to 4%, from 6 April 2018.
2. A new Vehicle Excise Duty supplement will apply to new diesel cars first registered from 1 April 2018.


IMPORTANT - Next-generation diesel cars that meet emissions limits in real driving conditions (known as Real Driving Emissions Step 2 Standards) are exempt from the new VED diesel supplement and from paying the diesel tax supplement altogether. Learn more about RDE2 on [Page 5>>](#).


IMPORTANT - Commercial diesel vehicles are unaffected by any tax change.

BENEFIT-IN-KIND DIESEL TAX SUPPLEMENT

What's changed? The Diesel Tax Supplement for cars has increased by 3% to 4% from 6 April 2018.

Examples:

	MERCEDES-BENZ A CLASS		CO2	89g/km
	Diesel Hatchback A180d SE 5dr		P11D	£22,995
		Pre-April 2018	Post-April 2018	INCREASE
	BIK Rate	22%	23%	
20% TAX PAYER	Monthly BIK	£84.31	£88.14	£3.83
	Annual BIK	£1,011.72	£1,057.77	£46.05
40% TAX PAYER	Monthly BIK	£168.63	£176.29	£7.66
	Annual BIK	£2,023.44	£2,115.54	£92.10

	FORD MONDEO ST-LINE		CO2	112g/km
	2.0 TDCi 5dr		P11D	£25,030
		Pre-April 2018	Post-April 2018	INCREASE
	BIK Rate	26%	27%	
20% TAX PAYER	Monthly BIK	£108.46	£112.63	£4.17
	Annual BIK	£1,301.56	£1,351.62	£50.06
40% TAX PAYER	Monthly BIK	£216.92	£225.27	£8.35
	Annual BIK	£2,603.12	£2,703.24	£100.12



NISSAN QASHQAI

Diesel 1.5 dCi Tekna 5dr

CO2 99g/km

P11D £27,605

		Pre-April 2018	Post-April 2018	INCREASE
BIK Rate		23%	24%	
20% TAX PAYER	Monthly BIK	£105.81	£110.42	£4.61
	Annual BIK	£1,269.83	£1,325.04	£55.21
40% TAX PAYER	Monthly BIK	£211.62	£220.84	£9.22
	Annual BIK	£2,539.66	£2,650.08	£110.42



LAND ROVER DISCOVERY

Sport Diesel 2.0 TD4 180 SE 5dr

CO2 139g/km

P11D £32,610

		Pre-April 2018	Post-April 2018	INCREASE
BIK Rate		31%	32%	
20% TAX PAYER	Monthly BIK	£168.48	£173.92	£5.44
	Annual BIK	£2,021.82	£2,087.04	£65.22
40% TAX PAYER	Monthly BIK	£336.96	£347.84	£10.88
	Annual BIK	£4,043.64	£4,174.08	£130.44

ANALYSIS

The 1% increase in the diesel tax supplement, applicable from the 6 April 2018, has pushed the average company car tax bill up by approximately £4.00 to £5.00 a month for 20% taxpayers and £8.00 to £10.00 a month for 40% taxpayers.

VED DIESEL VEHICLE SUPPLEMENT

What's changed? A new Vehicle Excise Duty supplement will apply to new diesel cars first registered on or after 1 April 2018.

In practice, this means that the First-Year Rate for a diesel vehicle will be calculated as if they were in the VED band above.

Emissions (g/km) CO2	Standard Rate	First year rate	First year rate diesel	INCREASE (£)	INCREASE (%)
0	£0	0	0	0	
1-50	£140	10	25	15	150%
51-75	£140	25	105	80	320%
76-90	£140	105	125	20	19%
91-100	£140	125	145	20	16%
101-110	£140	145	165	20	14%
111-130	£140	165	205	40	24%
131-150	£140	205	515	310	150%
151-170	£140	515	830	315	61%
170-190	£140	830	1240	410	49%
191-225	£140	1240	1760	520	42%
226-255	£140	1760	2070	310	18%
Over 255	£140	2070	2070	0	

Examples:

Mercedes-Benz A Class Diesel Hatchback A180d SE 5dr

On a vehicle with emissions of 89g/km, this would attract a first year rate of £125 instead of £105 from 1 April 2018, an increase of 19%.

Land Rover Discovery Sport Diesel 2.0 TD4 180 SE 5dr

On a vehicle with emissions of 139g/km, this would attract a first year rate of £515 instead of £205 from 1 April 2018, an increase of 150%.

ADDITIONAL INFORMATION

VED rates have increased in line with the Retail Prices Index in addition to the introduction of the VED diesel supplement.

REAL DRIVING EMISSIONS STEP 2 STANDARD

Next generation diesel vehicles that comply with Real Driving Emissions Step 2 Standards are exempt from the VED and BIK diesel supplements changes.

What are Real Driving Emissions Standards?

The Real Driver Emissions standards are a supplement to the WLTP emission laboratory tests. It measures pollutants, such as NOx, emitted by cars when driven on the road. RDE ensures that cars deliver low emissions during actual use.

RDE step 1 was phased in on the 1 September 2017 and has a NOx conformity factor of 2.1. It will apply to all types as from September 2019.

RDE step 2 will apply from January 2020 for new car types, and then from January 2021 for all types. It has a NOx conformity factor of 1.0.

A conformity factor is defined as a 'not to exceed limit' that takes into account a margin for error, which is present simply because the PEMS equipment does not deliver exactly the same results for each test. For example, PEMS are not as accurate as a full laboratory system so they will not measure to the same level of repeatable accuracy as a lab test. In practice, car manufacturers must set their design objectives well below the legal limit to be certain of complying.

What does RDE involve?

An RDE test involves the installation of a Portable Emission Measuring System (PEMS) and then a practical test that takes into account:

- Motorways (high speed)
- Urban Roads (low speed)
- Rural roads (medium speed)
- Low and high altitudes
- Up and down-hill driving
- Driving with additional payload
- Year-round temperatures

What is WLTP?

The Worldwide Harmonised Light Vehicle Test Procedure (WLTP) is used to measure CO2 emissions, fuel consumption and pollutants. It replaces the outdated New European Driving Cycle (NEDC) test introduced in the 1980s, which was based on theoretical driving, whereas the new test determines values using real-driving data.

WLTP is 30 minutes - 10 minutes longer than NEDC - and is divided into 4 parts consisting of different speeds, stops, acceleration and braking phases. Powertrains and weights are also tested, as well as aerodynamics and rolling resistance of optional equipment, such as bigger tyres. This improved test means that the proportion of time at a standstill is reduced from 25% to 13%, the length of the test cycle increases from 11km to 23.5km, and the average speed rises from 34km/h to 46.5km/h.

The overall aim of the new test process is to present consumers and manufacturers with more accurate information about how a vehicle performs in actual on-the-road conditions.

For new models introduced from September 2017, manufacturers will need to publish WLTP statistics. Models in production before September will not.

However, all vehicles registered from September 2018 onwards (regardless of when the model was first produced) will be required to have published figures.

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