



## Buying a new car?

### Here's a tax implication you might need to consider



**From 1 April 2017, the system for taxing new cars in the UK is changing. Many drivers looking for a new car this year are likely to discover they'll be paying more than before.**

#### What are the changes and how will they affect you?

From the 1st of April 2017, the following changes will be made to Vehicle Excise Duty (VED) and will only affect vehicles registered on or after this date.

Under the current system, Vehicle Excise Duty (VED) is split into 13 bands, ranging from A to M. The higher the car's CO2 emissions, the more road tax you pay, while cars that emit less than 100g/km of CO2 are exempt from VED.

However, from 1 April the first year's VED will still be calculated on a vehicle's CO2 emissions, but only cars with 0g/km CO2 emissions – electric and hydrogen vehicles – will be exempt from paying the tax.

Other cars will be subject to a variable first-year rate: from £10 for cars emitting 1-50g/km CO2, to £2,000 for those emitting over 255g/km CO2 (see the full table overleaf).

In the second year, zero-emission cars remain exempt, while other vehicles move to a standard £140 flat rate, regardless of their CO2 emissions.

But, and here's 'the rub', all new vehicles with a list price of over £40,000 – including zero emission cars – will attract an additional VED rate of £310, payable each year for five years from the end of the first vehicle licence. At the end of the five-year period, the standard rate will apply.

Many are likely to find this year's new more complex system confusing and more expensive. We have a table overleaf to help clarify the new rules.

#### When are these changes coming into effect and why?

The changes come into effect from 1 April 2017 and have been introduced following an announcement by former Chancellor of the Exchequer George Osborne in the Summer of 2015.

The new rates are in direct response to falling CO2 emissions levels, meaning many motorists are paying little or no VED.

This has cost the Treasury £millions in lost revenue, prompting the Government to make the changes.

**What are the VED tax bands from April 2017 onwards?**

CO2 emissions (g/km)	First year rate	Standard rate*
0	£0	£0
1 - 50	£10	£140
51 - 75	£25	£140
76 - 90	£100	£140
91 - 100	£120	£140
101 - 110	£140	£140
111 - 130	£160	£140
131 - 150	£200	£140
151 - 170	£500	£140
171 - 190	£800	£140
191 - 225	£1200	£140
226 - 255	£1700	£140
Over 255	£2000	£140

\*Cars with a list price of over £40,000 when new will attract an additional rate of £310 per year on top of the standard rate, for five years.

**How will the changes affect me?**

How the changes affect you depends on the type of car you are buying. If you're looking at an electric vehicle costing under £40,000, you'll pay no road tax at all under the changes. Buy an economical petrol or diesel supermini or hybrid vehicle and the chances are you'll be worse off.

If you're buying a car with a list price of over £40,000 you'll pay an additional £310 per year for five years! It's worth noting that the list price is calculated after any options and accessories have been added. And although you might be able to negotiate the price down to a figure below £40,000, the Government will use the published list price, so you won't be exempt from the £310 fee.

Owners of low emission vehicles are likely to be the hardest hit. For example, if you buy a sub 100g/km car before April 2017, you'll enjoy free road tax for life. Under the new scheme, you'll pay anything up to £120 in the first year and £140 for each year thereafter.

Similarly, buy a car with CO2 emissions between 101 and 110g/km and, under the old system, you'd pay nothing in year one and £20 for each subsequent year. From April 2017, you'll pay £140 in year one and then £140 from year two. That's a big difference.

At the opposite end of the spectrum, the £2,000 rate for CO2 emissions over 255g/km might look like an expensive non-optional 'extra'!

But while you'd currently pay £1,120 in the first year and £515 thereafter, under the new system you'll move to the same flat rate as a car emitting just 1/gkm CO2. Depending on how long you keep the car, you might be better off - unless the vehicle is over £40,000.

**What do the tax changes mean for cars already registered?**

Tax rates for vehicles registered before 1 April 2017 will not be affected by this change. It's for this reason that many motorists are keen to buy a new car before the end of March 2017.

**How can we help?**

Do contact us if you would like further help or advice on this subject.

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