



Vehicle Excise Duty: abolishing the paper tax disc

Who is likely to be affected?

Individuals and organisations that own a motor vehicle (cars, vans, motorcycles, buses, heavy goods vehicle, etc)

General description of the measure

Motorists will no longer receive a paper tax disc to fix and exhibit to their vehicle as proof that Vehicle Excise Duty (VED) has been paid in respect of their vehicle.

Policy objective

The benefits of a paper tax disc have become redundant over time and abolition will provide administrative cost savings to the taxpayer and business, and removal of an administrative inconvenience to motorists.

Background to the measure

This measure was announced at Autumn Statement 2013.

Since 1 January 1921 a paper based VED licence (tax disc) has been issued for motorists to display on their vehicle windscreen as evidence that VED has been paid. The Driver and Vehicle Licensing Agency (DVLA) and the police now rely on DVLA's electronic vehicle register and tools like Automatic Number Plate Recognition (ANPR) cameras to support VED compliance.

Detailed proposal

Operative date

The measure will have effect from 1 October 2014 and will apply to all vehicles.

Current law

Section 1 of the Vehicle Excise and Registration Act 1994 (VERA) provides for the charging of VED on the taking out of a vehicle licence.

Under section 33(1) of VERA it is an offence for a person to use or keep on a public road a vehicle in respect of which VED is chargeable and there is not fixed to and exhibited on the vehicle a vehicle licence for that vehicle which is in force. Section 33(1A) of VERA contains a similar offence in relation to a nil licence.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to amend VERA to remove the legal requirement for motorists to fix and exhibit the VED licence to their vehicle in respect of which VED is chargeable including for motorists whose VED liability is nil.

Separately, secondary legislation will be introduced after Royal Assent is given to Finance Bill 2014 to make amendments to the Roads Vehicles (Registration and Licensing) Regulations 2002.

Summary of impacts

Exchequer impact (£m)	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	-	negligible	nil	nil	nil	nil
	This measure is not expected to have an Exchequer impact.					
Economic impact	The measure is not expected to have any significant economic impacts.					
Impact on individuals and households	The measure removes from motorists the administrative inconvenience of having to acquire a paper licence and display this on their vehicle windscreen.					
Equalities impacts	The measure applies equally to all motorists and there are no particular impacts on people with protected characteristics.					
Impact on business including civil society organisations	The abolition of the tax disc would benefit owners of vehicles used for business purposes around £7 million per year on aggregate. The benefit is informed by stakeholder engagement with the British Vehicle Rental and Leasing Association and is made up of no longer re-posting the tax disc to drivers, the reduced cost of returning the disc for a refund and reduced staff costs. The Post Office will benefit from savings to costs of storing, securing and transporting the paper based vehicle licence.					
			Cost		Time Period (yrs)	
	Compliance Costs					
	One-off Costs		N/A		N/A	
	Average Annual Costs		N/A		N/A	
	Total Costs (PV)		N/A		N/A	
	Compliance Benefits					
	One-off Benefit		N/A		N/A	
	Average Annual Benefit		£7m		5	
	Total Benefit (PV)		£33m		N/A	
	Net Benefit (NPV)		£33m		N/A	
	Impact on Administrative Burden (included in Net Benefit)					
	Increase		Decrease		Net Impact	
	£0m		£3.5m		-£3.5m	
	Note: The measure will take effect from 1 October 2014 so the administrative burden is half of the annual saving.					
	Operational impact (£m) (HMRC or other)	The fixed cost of abolition for the DVLA ranges from between £3 million and £6 million for ceasing the issue of a tax disc and £10 million for amending the refund process. The ongoing savings to the DVLA will be around £7 million per annum from no longer producing, issuing and posting the tax disc.				
Other impacts	Other impacts have been considered and none have been identified.					

Monitoring and evaluation

The measure will be kept under review through communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact DVLA on 0300 790 6802 or visit the GOV.UK website.



Vehicle Excise Duty: introducing a direct debit payment scheme

Who is likely to be affected?

Individuals and organisations that own a motor vehicle (cars, vans, motorcycles, buses, heavy goods vehicle, etc).

General description of the measure

Motorists will be able to pay their Vehicle Excise Duty (VED) by direct debit should they wish to do so.

Policy objective

The direct debit scheme will allow motorists to spread their VED costs, and help families and businesses in managing their finances. The scheme will support the Government's core vision to maximise the digital delivery of vehicle licences and contribute to tax administrative efficiency savings.

Background to the measure

Budget 2012 announced the Government's aim to develop a direct debit scheme to allow motorists to spread their VED payments. The Government announced in Autumn Statement 2013 that from 1 October 2014 motorists will be able to pay their VED by direct debit should they wish to do so.

Currently, motorists can pay their VED either annually or in two equal six monthly payments. Payments can be made online, on the phone, at the Post Office, at localised Driver and Vehicle Licensing Agency (DVLA) offices or by post to the DVLA Head Office. The new direct debit scheme will allow motorists to pay their VED either monthly, bi-annually or annually and enjoy the administrative convenience of having their licence renewed automatically.

At present, paying VED bi-annually attracts a surcharge of 10 per cent. Biannual and monthly payments made by direct debit will attract a lower 5 per cent surcharge.

Detailed proposal

Operative date

The measure will have effect from 1 October 2014 and will apply to all vehicles except for brand new vehicles, vehicles exempted from paying VED altogether, vehicles registered under the DVLA's car fleet scheme, and vehicles paying the HGV Levy. The direct debit scheme will be extended to vehicles paying the HGV Levy at a future date.

Current law

The Vehicle Excise and Registration Act 1994 (VERA) provides for the charging of VED on the taking out of a vehicle licence.

Section 4(1) of VERA provides that VED is payable at the annual rate of duty where a vehicle licence is taken out for a period of twelve months. Under section 4(2) of VERA, the rate of VED for licences taken out for a six month period is slightly higher. The rate in respect of each of these licences is 55 per cent of the annual rate.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to amend VERA to provide for motorists to pay their VED by direct debit should they wish to do so, and to provide for motorists to pay a 5 per cent surcharge when making direct debit payments either monthly or bi-annually.

Summary of impacts

Exchequer impact (£m)	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	-	-5	-15	-15	-20	-20
	These figures are set out in Table 2.1 of the Autumn Statement and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Autumn Statement.					
Economic impact	The measure is not expected to have any significant economic impacts.					
Impact on individuals and households	<p>It is envisaged that this measure will help motorists to spread their VED costs, and will support families and businesses in managing their finances.</p> <p>Motorists who currently buy a six month VED licence will pay a lower surcharge if in future they instead choose to pay by monthly or bi-annual direct debit payment. A typical Ford Focus driver who currently pays VED bi-annually and continues to do so would be £9 better off over the year in the direct debit scheme.</p> <p>All drivers that currently pay their VED annually can either choose to continue to remain outside the direct debit scheme or pay annually by direct debit, with no change in their VED payment levels.</p>					
Equalities impacts	The measure applies equally to all motorists and there are no particular impacts on people with protected characteristics.					
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses and civil society organisations. There are expected to be negligible one off costs from businesses in familiarising themselves with the new policy and in setting up VED direct debit payments if they wish to, and no additional ongoing costs. The new direct debit scheme will however allow businesses and motorists to enjoy the administrative convenience of having their VED licence renewed each year automatically.					
Operational impact (£m) (DVLA or other)	DVLA estimate that the scheme will cost £8 million to set up and will deliver annual net efficiency savings of £2 million by year three.					
Other impacts	Other impacts have been considered and none have been identified.					

Monitoring and evaluation

The measure will be monitored through information collected from VED receipts.

Further advice

If you have any questions about this change, please contact DVLA on 0300 790 6802 or visit the GOV.UK website.

1 Vehicle excise and registration: other provisions

Schedule 1 contains other provisions relating to vehicle excise and registration.

SCHEDULES

SCHEDULE 1

Section 1

AMENDMENTS TO THE VEHICLE EXCISE AND REGISTRATION ACT 1994

- 1 VERA 1994 is amended as follows.
- 2 In section 7 (issue of vehicle licences), omit subsections (6) and (7).
- 3 (1) Section 7A (supplement payable on vehicle ceasing to be appropriately covered) is amended as follows.
 - 4 (2) In subsection (1B) –
 - 5 (a) omit “or in respect of”, and
 - 6 (b) omit from “unless” to the end.
 - 7 (3) Omit subsection (1C).
- 8 Omit section 10 (transfer of vehicle licences).
- 9 In section 19 (rebates) –
 - 10 (a) omit subsection (6)(a), and
 - 11 (b) in subsection (7), for “and the licence is not surrendered on the making of the application, it” substitute “the licence”.
- 12 In section 22 (registration regulations) –
 - 13 (a) omit subsection (2A)(c), and
 - 14 (b) omit subsection (4).
- 15 In section 29 (penalty for keeping unlicensed vehicle) –
 - 16 (a) in subsection (4) omit from “unless” to the end, and
 - 17 (b) omit subsection (5).
- 18 In section 31 (relevant period for purposes of section 30), in subsection (7)(a), omit “surrender or”.
- 19 In section 31A (offence by registered keeper where vehicle unlicensed) –
 - 20 (a) in subsection (4) omit from “unless” to the end, and
 - 21 (b) omit subsection (5).
- 22 In section 31B (exceptions to section 31A), in subsection (9)(a)(i), omit “surrender or”.
- 23 In section 31C (penalties for offences under section 31A), in subsection (7)(a) omit “surrender or”.
- 24 (1) Section 33 (offence of not exhibiting licence) is amended as follows.
 - 25 (2) In subsection (1) –

- (a) omit the “and” following paragraph (a),
 - (b) after that paragraph insert –
 - “(aa) the vehicle is not a vehicle for which a vehicle licence is in force, and”, and
 - (c) in paragraph (b), for “licence for, or in respect of,” substitute “trade licence in respect of”.
- (3) Omit subsection (1A).
- (4) In subsection (2), omit “or (1A)”.
- (5) In subsection (3) –
- (a) for “Subsections (1) and (1A)” substitute “Subsection (1)”,
 - (b) in paragraph (a), for “have” substitute “has”, and
 - (c) in paragraph (b) for “are” substitute “is”.
- (6) In subsection (4), for “licence which is for, or in respect of,” substitute “trade licence which is in respect of”.
- (7) Omit subsection (5).
- (8) In the heading, after “exhibiting” insert “trade”.
- 13 (1) Section 33A (not exhibiting licence: period of grace) is amended as follows.
- (2) For subsection (1) substitute –
- “(1) A person is not guilty of an offence under section 33 by using or keeping a vehicle on a public road during any of the following periods.
- Renewal etc.*
- The period of 14 days following the time when a trade licence in respect of the vehicle, or a relevant declaration applying to the vehicle, ceases to be in force, but only if an application for a trade licence in respect of the vehicle to run from that time has been received before that time.
- Replacement*
- The period beginning with the time when a trade licence that is in force in respect of the vehicle is delivered to the Secretary of State with an application for a replacement trade licence, and ending with the time when the replacement licence is obtained.”
- 14 Omit section 35 (failure to return licence).
- 15 (1) Section 35A (dishonoured cheques) is amended as follows.
- (2) After subsection (2) insert –
- “(2A) For the purposes of subsection (1)(a), a relevant requirement in the case of a notice relating to a vehicle licence is a requirement to pay the amount specified in subsection (4).”
- (3) In subsection (3), after “relevant requirement” insert “in the case of a notice relating to a trade licence”.
- (4) In subsection (4), for “subsection (3)(b)” substitute “subsections (2A) and (3)(b)”.

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- (5) In subsection (6)(b), for “subsection (7)” substitute “subsection (6A) (where the requirement relates to a vehicle licence) or subsection (7) (where the requirement relates to a trade licence)”.
- (6) After subsection (6) insert –
- “(6A) In the case of a requirement in a notice relating to a vehicle licence, those times are –
- (a) the end of the month in which the notice under section 19A(2)(b) or 19B(2)(c) or the further notice under section 19A(3)(d), 19B(3)(d) or 19B(5)(f) was sent,
 - (b) the date on which the licence was due to expire, and
 - (c) the end of the month preceding that in which there first had effect a new vehicle licence for the vehicle in question.”
- (7) In subsection (7) –
- (a) for “vehicle licence” (in the first place it occurs) substitute “trade licence”,
 - (b) at the end of paragraph (b) insert “and”,
 - (c) omit the “and” following paragraph (c), and
 - (d) omit paragraph (d) and the words following it.
- 16 (1) Section 36 (dishonoured cheques: additional liability) is amended as follows.
- (2) In subsection (4)(b), for “subsection (4A)” substitute “subsection (4ZA) (where the requirement relates to a vehicle licence) or subsection (4A) (where the requirement relates to a trade licence)”.
- (3) After subsection (4) insert –
- “(4ZA) In the case of a vehicle licence, those times are –
- (a) the end of the month in which the relevant notice was sent,
 - (b) the date on which the licence was due to expire, and
 - (c) the end of the month preceding that in which there first had effect a new licence for the vehicle in question.
- (4ZB) In subsection (4ZA)(a), the “relevant notice” is the notice under section 19A(2)(b) or 19B(2)(c) or the further notice under section 19A(3)(d), 19B(3)(d) or 19B(5)(f) which contained the relevant requirement which was not complied with, resulting in the conviction of an offence under section 35A.”
- (4) In subsection (4A) –
- (a) for “vehicle licence” substitute “trade licence”,
 - (b) at the end of paragraph (b) insert “and”,
 - (c) omit the “and” following paragraph (c), and
 - (d) omit paragraph (d) and the words following it.
- (5) In subsection (6)(b), for “section 35A(3)(b)” substitute “section 35A(2A) or (3)(b)”.
- 17 In section 44 (forgery and fraud), in subsection (2), omit paragraphs (a) and (c).
- 18 In section 58 (fees prescribed by regulations) omit “7(6)(b),”.
- 19 The amendments made by this Schedule come into force on 1 October 2014.

1 Payment of vehicle excise duty by direct debit

- (1) VERA 1994 is amended as follows.
- (2) In section 4 (amount of duty) for subsections (1) to (2A) substitute –
 - “(1) Where a vehicle licence for a vehicle of any description is taken out for a period of 12 months, vehicle excise duty is to be paid on the licence –
 - (a) at the annual rate of duty applicable to vehicles of that description, or
 - (b) if the duty is to be paid by more than one instalment pursuant to an agreement under section 19B, at a rate equal to 105% of that annual rate.
 - (2) Subject to subsection (2A), where a vehicle licence for a vehicle of any description is taken out for a period of 6 months, vehicle excise duty is to be paid on the licence –
 - (a) at a rate equal to 55% of the annual rate of duty applicable to vehicles of that description, or
 - (b) if the duty is to be paid by direct debit pursuant to an agreement under section 19B, at a rate equal to 52.5% of that annual rate.
- (2A) In the case of a vehicle which is charged to HGV road user levy, the reference in subsection (2)(a) to 55% is to be read as a reference to 50%.”
- (3) In section 13 (trade licences: duration and amount of duty) –
 - (a) in subsection (3), after “calendar year” insert “(“the applicable annual rate”),
 - (b) after subsection (3) insert –
 - “(3A) Where a trade licence is taken out for a calendar year and the duty is to be paid by more than one instalment pursuant to an agreement under section 19B, the rate of duty is 105% of the applicable annual rate.”,
 - (c) for subsection (4) substitute –
 - “(4) The rate of duty applicable to a trade licence taken out for a period of 6 months is –
 - (a) 55% of the applicable annual rate for a corresponding trade licence taken out for a calendar year, or
 - (b) if the duty is to be paid by direct debit pursuant to an agreement under section 19B, 52.5% of that applicable annual rate.”,
 - (d) in subsection (5)(a), for “rate applicable to the” substitute “applicable annual rate for a”, and
 - (e) in subsection (6), for “subsection (4)” substitute “subsection (3A), (4)”.

- (4) In section 13 (trade licences: duration and amount of duty) as set out in paragraph 8(1) of Schedule 4 of VERA 1994 to have effect on and after a day appointed by order –
- (a) in subsection (4), after “twelve months” insert “(“the applicable annual rate””,
 - (b) after subsection (4) insert –
 - “(4A) Where a trade licence is taken out for a period of 12 months and the duty is to be paid by more than one instalment pursuant to an agreement under section 19B, the rate of duty is 105% of the applicable annual rate.”,
 - (c) for subsection (5) substitute –
 - “(5) The rate of duty applicable to a trade licence taken out for a period of 6 months is –
 - (a) 55% of the applicable annual rate for a corresponding trade licence taken out for 12 months, or
 - (b) if the duty is to be paid by direct debit pursuant to an agreement under section 19B, 52.5% of that applicable annual rate.”, and
 - (d) in subsection (6), for “subsection (5)” substitute “subsection (4A) or (5)”.
- (5) In section 19A (payment by cheque) –
- (a) in subsection (2)(b) omit “by post”, and
 - (b) in subsection (3)(b) and (d) omit “by post”.
- (6) In section 19B (issue of licences before payment of duty) –
- (a) after subsection (1) insert –
 - “(1A) An agreement to pay the duty payable on a vehicle licence or a trade licence may provide –
 - (a) for the duty to be paid by instalments,
 - (b) that if any of paragraphs (a) to (f) of section 19(3) apply in relation to the vehicle for which the licence was issued, for the licence to cease to be in force from the time specified in the agreement and for any instalments falling after that time no longer to be due, and
 - (c) for any instalments falling after the surrender of a trade licence under section 14(2) no longer to be due.”, and
 - (b) in subsection (2)(c) omit “by post”,
 - (c) in subsection (3)(b) and (d) omit “by post”, and
 - (d) after subsection (3) insert –
 - “(4) But subsections (2) and (3) do not apply in a case where the agreement under subsection (1) provides for the duty payable to be paid by more than one instalment (and for this case see subsection (5)).
 - (5) In a case where –
 - (a) a vehicle licence or a trade licence is issued to a person in accordance with subsection (1),
 - (b) the duty payable on the licence is not received by the Secretary of State in accordance with the agreement,

- (c) the agreement provides for the duty payable to be paid by more than one instalment,
 - (d) the Secretary of State sends a notice to the person requiring the person to secure that the duty payable on the licence (both in respect of instalments which have fallen due and in respect of future instalments) is paid within the period specified in the notice, and
 - (e) the requirement in the notice is not complied with, and
 - (f) the Secretary of State sends a further notice to the person informing that person that the licence is void from the time specified in the notice,

the licence is to be void from the time specified.”
- (7) In section 35A (dishonoured cheques) –
 - (a) in subsection (1)(a), for “or 19B(3)(d)” substitute “, 19B(3)(d) or 19B(5)(f)”,
 - (b) after subsection (7) insert –
 - “(8) In a case where a notice is sent as mentioned in section 19B(5)(f) the amounts specified in subsections (2)(b) and (4) are to be calculated on the basis of the rates described in section 4(1)(b) or 13(3A) (whichever is relevant).”, and
 - (c) in the heading, for “Dishonoured cheques” substitute “Failed payments”.
- (8) In section 36 (dishonoured cheques: additional liability) –
 - (a) after subsection (6) insert –
 - “(7) In a case where a notice is sent as mentioned in section 19B(5)(f) the amount specified in subsection (2) is to be calculated on the basis of the rates described in section 4(1)(b) or 13(3A) (whichever is relevant).”, and
 - (b) in the heading, for “Dishonoured cheques” substitute “Failed payments”.
- (9) The amendments made by this section come into force on 1 October 2014.

EXPLANATORY NOTE

VEHICLE EXCISE AND REGISTRATION: OTHER PROVISIONS

SUMMARY

1. Clause [X] introduces Schedule [Y] which makes amendments to the Vehicle Excise and Registration Act 1994 (VERA) which are required as a consequence of the Driver and Vehicle Licensing Agency's intention to no longer issued paper based vehicle licences or nil licences. These amendments to VERA will be followed by changes to secondary legislation which will remove the requirement for vehicle licences and nil licences to be displayed in the vehicles to which they relate.

DETAILS OF THE SCHEDULE

2. Paragraph (2) amends section 7 of VERA to remove a regulation making power which may be used to provide for the return of a vehicle licence when the vehicle licence has been damaged, become illegible or is lost or stolen. It also removes a requirement for a weight to be shown on a vehicle licence in respect of goods vehicles where a licence is issued at a rate of duty applicable to a lower weight than the vehicle's actual weight.

3. Paragraphs (3), (4), (7) and (9) amend sections 7A, 10, 29 and 31A respectively of VERA so that it will no longer be possible to transfer the benefit of a vehicle licence when there is a change of registered keeper. As a consequence of this, where there is a new registered keeper he/she will be obliged to take out a new vehicle licence when the vehicle to which the vehicle licence relates is transferred to him/her. The reason for now preventing vehicle licences being transferred from registered keeper to registered keeper is to avoid a new registered keeper unknowingly keeping an unlicensed vehicle. For example, in the absence of a paper licence a vehicle may be purchased supposedly with the benefit of a vehicle licence. The new keeper would believe that the vehicle was licensed, but the former keeper could apply for a refund of VED without the knowledge of the new keeper resulting on the new keeper having an unlicensed vehicle.

4. Paragraph (5) amends section 19 so that when an application is made for a rebate of VED it will not be a condition of the application that the vehicle licence is surrendered. Section 19 is also amended so that a vehicle licence ceases to be in force when an application for a rebate is made.

5. Paragraphs (8), (10) and (11) amends the sections 31, 31B and 31C respectively of VERA as a consequence of the amendments to section 19.

6. Paragraph (12) amends section 33 so that there is no longer an offence of failing to display a vehicle licence or nil licence on a vehicle which is used or kept on a public road. It continues to be an offence not to exhibit a trade licence.
7. Paragraph (13) amends section 33A so that the 14 day period of grace for not exhibiting a newly issued vehicle licence or nil licence no longer applies. The grace periods which are applicable to trade licences will still apply.
8. Paragraph (14) repeals section 35 of VERA. This section provided for an offence where a person knowingly failed to comply with section 10(3) of VERA. However, section 10(3) was repealed by Finance Act 2008. Therefore, this section is no longer required.
9. Paragraph (15) amends section 35A so that it contains separate provisions for trade licences and separate provisions for vehicles licences specifying what happens where payment for VED fails and a notice is served which voids the licence. In relation to vehicle licences the notice will no longer require the vehicle licence to be returned and instead the notice will only require payment of a sum in respect of the amount of VED which should have been paid. The period of time used to calculate the sum due has been amended. There are no substantive changes to section 35A in relation to trade licences.
10. Paragraph (16) amends section 36 so that it contains separate provisions for trade licences and separate provisions for vehicle licences setting out how the amount which may be payable where a court order is made under this section is calculated. The period of time used to calculate the sum due in relation to vehicle licences has been amended.
11. Paragraphs (17) amends section 44 to remove the offence of forging, fraudulently altering, using, or lending a vehicle licence or nil licence or fraudulently allowing a vehicle licence or nil licence to be used by another person.
12. Paragraph (21) provides that the amendments made by the Schedule come into force on 1 October 2014.

BACKGROUND NOTE

13. Currently, a paper based vehicle licence or a nil licence is issued by the Driver and Vehicle Licensing Agency (DVLA) or the Post Office following a successful application to license a vehicle. Historically, this has provided a visual aid for demonstrating the payment of VED and helped aid the identification of unlicensed vehicles.

14. There is now an increased reliance on the electronic vehicle register maintained by the DVLA as proof that VED has been paid and a vehicle is licensed or alternatively that a nil licence is in force. Largely due to electronic enforcement, motorists are better informed of their responsibility to ensure that their vehicles are continuously licensed. Enforcement from the record has helped to improve compliance with non-payment of VED running at a historical low. Current estimate of VED evasion is 0.6 per cent which implies VED is a very compliant tax.

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15. The benefits of a paper vehicle licence and nil licence have become redundant over time, as the DVLA and police now rely on DVLA's electronic vehicle register and use tools like Automatic Number Plate Recognition to ensure that vehicles are correctly licensed and that VED has been paid. The Government now believes that the requirement to display a paper licence is redundant.

16. Various provisions in VERA were drafted on the basis of there being paper based vehicle licences and nil licences so now need to be amended.

17. The requirement to display vehicle licences and nil licences is contained in the Road Vehicles (Registration and Licensing) Regulations 2002. Amendments to the Road Vehicles (Registration and Licensing) Regulations 2002 are intended to be made which will remove the requirement to display vehicle licences and nil licences.

18. If you have any questions about this change, or comments on the legislation, please contact Jason Donovan on 01792 786860 (email: jason.donovan@dvla.gsi.gov.uk).

EXPLANATORY NOTE

PAYMENT OF VEHICLE EXCISE DUTY BY DIRECT DEBIT

SUMMARY

1. Clause [X] allows vehicle excise duty (VED) to be paid by direct debit instalments with effect from 1 October 2014 and sets out what is the consequence of defaulting on payment.

DETAILS OF THE CLAUSE

2. Subsection (2) provides for a new higher rate of VED where a 12-month vehicle licence is taken out and paid for by direct debit in one more than one instalment. Where a 12-month vehicle licence is paid by more than one instalment, the rate of VED is 105 per cent of the applicable annual rate for that vehicle.

3. The rate of VED that will apply to six-month vehicle licences paid for by means other than direct debit is 55per cent of the annual rate of duty applicable to that vehicle. Where a six-month licence is paid for by direct debit, the rate is 52.5 per cent of the applicable annual rate for that vehicle.

4. Subsections (3) and (4) provide for a new higher rate of VED when a trade licence is taken out for a calendar year and paid by more than one instalment by direct debit. Where a 12-month trade licence is paid by more than one instalment, the rate of VED is 105 per cent of the applicable annual rate for that vehicle.

5. Where a six-month trade licence is taken out the rate of VED is 52.5 per cent of the applicable annual rate, where payment is by direct debit.

6. Subsection (5) provides for payment of VED to be made by instalments. In addition, it allows for the liability of the instalments to cease following a notification that the vehicle has been stolen, destroyed, application for nil licence, a Statutory Off Road Notification has been made, the vehicle has been disposed of or the vehicle has been exported.

7. Subsection (5) introduces a new provision where a person defaults on an agreement to pay monthly. Where a person defaults the Secretary of State will send a notice requesting payment of the outstanding value of VED. Failure to comply with this notice will result in a further notice being sent advising the person that the licence is void from a time specified in the notice.

8. Subsection (8) provides for the amendments made by this section to come into force on 1 October 2014.

BACKGROUND NOTE

9. These provisions enable the Driver and Vehicle Licensing Agency (DVLA) to collect VED via direct debit monthly should motorists wish to pay by direct debit. Currently VED can be paid by cash, cheque and credit or debit cards but none of these payment methods allow the cost of VED to be spread.

10. Motorists will be able to pay VED via direct debit in an annual, one-off payment or 12 equal monthly payments. Paying for VED by direct debit does not alter the fact that a new licence may only be taken out provided the customer has a valid MOT in place.

11. At present, paying for a six-month vehicle licence costs 55per cent of the applicable annual rate for that vehicle. This will reduce to 52.5per cent if the payment is made by direct debit. Where a 12-month licence is paid by monthly instalments, the cost of the vehicle licence will be 105per cent of the applicable annual rate for that vehicle.

12. If you have any questions about this change, or comments on the legislation, please contact Jason Donovan on 01792 786860 (email: jason.donovan@dvla.gsi.gov.uk).