

Taxation and investment – 1993-2008

A history of fuel duty/vehicle excise duty (car tax) and government investment in transport from 1993 to 2008 – including all key AA Motoring Trust (and former AA Motoring Policy) reports published during that period

March 1993 – the Chancellor announces in his budget an "environment tax of at least 3 per cent above inflation" on motor fuel in future years

November 1993 – the Chancellor announces in his budget that motor fuel duty would rise by 5 per cent above inflation for a number of reasons including the CO2 emissions target set by the government after the Rio de Janeiro conference

November 1994-1996 – At each budget the "fuel tax escalator", as it is now called, continues to be increased by 5 per cent above inflation

December 1996 – the AA published the report "*Who spends what on motoring in the UK?*" commissioned from Dr Stephen Glaister and Dan Graham, Greater London Group, The London School of Economics is published

July 1997 – "*The 1997 AA Lecture – Who spends what on motoring in the UK*" by Dr Stephen Glaister, Cassel Reader in Economic Geography, London School of Economics is published

July 1997 – In his Budget, the Chancellor raises fuel duty by 6 per cent above inflation

November 1997 – the AA publishes its report "*Developing an integrated transport policy. Taking Action. What the AA says needs to be done.*"

February 1998 – the joint AA/CBI document "*Transport Links and the economy – local and regional priorities of economic development officers*", is published

February 1998 – the AA commissions and publishes the report "*Fair payment from road-users, a review of the evidence on social and environmental costs*" by Professor David M Newbery, Director, Department of Applied Economics, University of Cambridge

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March 1998 – the fuel tax escalator continues at 6 per cent in the Budget. Two days later, the AA places full-page advertisements in several daily newspapers declaring that “If you were a motorist, Tuesday was a bad day”

June 1998 – the AA places an advertisement in the House Magazine (a magazine produced for and by MPs) outlining the AA’s views on future transport policy.

July 1998 – the government publishes the first Transport White Paper in a generation, entitled “*A new deal for transport: better for everyone.*”

http://www.dft.gov.uk/stellent/groups/dft_about/documents/page/dft_about_021588.hcsp

February 1999 – the AA launches the *Fair Deal for Motorists* campaign, printing and distributing 15 million information cards which stated that *In every £10 spent on fuel £8 is tax.* The cards are distributed through 10,000 garages nationwide. The campaign leads to a huge increase in public awareness of the true level of taxation on petrol and to meetings with No.10 and with the Chancellor of the Exchequer. A full-page advertisement is also placed in The House Magazine (a magazine produced for and by MPs)

March 1999 – the Chancellor announces that the fuel tax escalator would remain at 6 per cent. He also announces the reduction of VED (Vehicle Excise Duty) to £100 on cars with engines up to 1,100cc, and the intention to introduce graduated VED in autumn 2000

April 1999 – the AA commissions and publishes “*Roads to accountability. Accounting for transport expenditure, taxes and charges*” by Jim Coates CB FCIT

November 1999 – in his pre-Budget statement, the Chancellor abandons the environmental justification for the fuel tax escalator and promises that in future all receipts from above-inflation increases in fuel duty would be ploughed directly back into transport spending

March 2000 – during the Budget, the Chancellor announces no increases in road fuel duties other than the automatic inflation rise of around 2 pence a litre. He also announces a 1p per litre reduction in ULSP (Ultra Low Sulphur Petrol) fuel duty to take effect from October 2000. VED (Vehicle Excise Duty) was also to be reduced on cars up to 1,200cc (formerly cars up to 1,100cc) from March 2001 and VED on existing cars will not rise in real terms

May 2000 – “*Investment – what needs to be done. Building a transport system to rival any in Europe.*” – a joint AA,CBI, CPT and FTA report is published.

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June 2000 – the AA publishes the results of a global survey of motoring organisations “*Paying to use roads. What motorists around the world say*”

July 2000 – the government publishes its 10-Year Plan for transport, promising around £180 billion to be spent by 2010

http://www.dft.gov.uk/stellent/groups/dft_about/documents/page/dft_about_503944.hcsp

September 2000 – “*The effect of fuel prices on motorists*” by Stephen Glaister and Dan Graham, Imperial College of Science, Technology and Medicine, London is published by the AA

September 2000 – fuel protests take place across the UK.

October 2000 – fuel tax on ULSP is reduced by 1p per litre

November 2000 – in his pre-Budget statement the Chancellor announces, under the heading of *A fair deal for transport and the environment*, fuel tax cuts of 2p per litre and a freeze on duty increases until April 2002

March 2001 – in his Budget the Chancellor delivers the 2p per litre reduction on ULSP fuel tax (3p per litre on diesel) and announces extending the reduced rate of VED to existing cars up to 1,549cc from July 2001

April 2002 – the Budget announces a freeze on fuel duty, freezes on VED rates for cars and introduces a £30 reduction for low carbon-emitting vehicles

November 2002 – in his pre-Budget statement the Chancellor announces that the government would discuss with oil producers and vehicle manufacturers the potential role of a duty incentive to encourage the use of sulphur-free fuels to maximise environmental benefits. Progress on the introduction of a distance-based lorry road-user charge in 2006 is also announced

December 2002 – the AA publishes “*From Victims to Customers*” – the views of Britain’s motorists on how we pay for roads

April 2003 – in his Budget the Chancellor announces that the normal inflation-linked increases in fuel would be deferred until 1 October 2003 because of recent high and volatile oil prices, and a small reduction on the rates of duty on sulphur-

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free fuels. An increase of £5 for VED together with a new VED band for the most environmentally-friendly cars was announced

June 2003 – John Dawson, Director of The AA Motoring Trust, writes the Viewpoint page for Local Transport Today on what motorists want from universal road user charging

October 2003 – fuel tax increases by 1.28 pence a litre on ULSP (Ultra low sulphur petrol) and ULSD (Ultra low sulphur diesel)

March 2004 – in his Budget the Chancellor announces that VED rates would be frozen and that from 1 September 2004 the duty on various fuels would rise in line with inflation – low sulphur fuel by 1.9 pence a litre, sulphur-free fuel by 1.4 pence a litre and LPG by 2.4 pence a litre. Reports stated that the procurement stage of distance-based lorry road-user charging would commence with pilots and testing in 2006-7 and that equipment installation in vehicles and the start of revenue collection and fuel duty repayments would take place from 2007-8

July 2004 – Treasury announces that the rise in petrol and diesel duty due to be implemented on 1 September 2004 will be postponed for at least two months and would be reviewed in the pre-Budget report expected in November or early December

July 2004 – the government publish their white paper “*The Future of Transport – a network for 2030*”
http://www.dft.gov.uk/stellent/groups/dft_about/documents/page/dft_about_031286.pdf

December 2004 – the Chancellor announces that the increases in fuel duty, announced in the March Budget, would not be implemented

March 2005 – In his Budget, the Chancellor announces increases in fuel duty of 1.22p, deferred until 1 September 2005, in response to the sustained volatility in oil prices. Vehicle excise duty (VED) was frozen on the lowest four bands of graduated VED with a standard increase of £5 for the two most polluting bands and for the over 1549cc band for pre-March 2001 vehicles.

September 2005 – the Chancellor announces that the increase in fuel duty, announced in the March Budget, would not be implemented

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December 2005 – the Chancellor announces continuation of the freeze in fuel duties

March 2006 – the Chancellor announces a new vehicle excise duty band (G) for vehicles emitting 225g of CO₂ per kilometre or above and registered after 22 March 2006, set at £215 for diesels and £210 for petrol vehicles. Other VED rates for vehicles registered after 1st March 2001 were changed. Band A vehicle rates were reduced to zero (although it is virtually impossible to buy a car which would fit into band A); band B and C vehicles were reduced by £35 and £5 respectively and rates for vehicles in band D and E were frozen. Vehicles in band F were increased by £25. Rates for pre-March 2001 registered cars and light goods vehicles in the lower band were frozen at £110 with the higher band increased by £5, to £175. Fuel duty was increased by 1.25 pence per litre, deferred until September 2006

July 2006 - the Chancellor announced that the increase in fuel duty, planned for September, would be reviewed at the time of the autumn pre-Budget statement.

December 2006 - the Chancellor announces the increase in fuel duty of 1.25 pence per litre, the first increase since October 2003

March 2007 – the Chancellor announced a number of changes to motoring taxation, some for immediate effect and some to be introduced over the longer term. For vehicles registered from March 2001, VED rates for both petrol and diesel vehicles were aligned at the higher, diesel rate (see chart below). VED for cars in Band G was increased to £300. The rate for Band B vehicles was reduced to £35, while the rate for vehicles in Band F was increased to £205. Band A rates remain at zero rate and Band C, D and E were increased to £115, £140, and £165 respectively.

Rates for pre-March 2001 registered cars increased by £5 to £115 for vehicles 1549cc and below and to £180 for vehicles above 1549cc.

The Chancellor also announced that fuel duty would be increased in by 2ppl on 1st October 2007 and made it known that duty would increase further by 2ppl in 2008 and 1.8ppl in 2009.

Excise duty rates March 2007-2008

Cars registered on or after 1 st March 2001 based on CO2 emissions and fuel type	Change from 2006	Diesel cars 12 month rate £	Petrol cars 12 month Rate £
Band A	No change	0	0
Band B	-£15/-£5	£35	£35
Band C	£5/£15	£115	£115
Band D	£5/£15	£140	£140
Band E	£5/£15	£165	£165
Band F	£10/£15	£205	£205
Band G*	£85/£90	£300	£300
Band G (from March 2008)	£100	£400	£400

* band G only applies to cars first registered after 22 march 2006

October 2007 - Fuel duty increase of 2p per litre implemented, with VAT this increase totals 2.35p a litre. At the end of the month due to rising oil prices and the duty increase petrol and diesel prices at the pumps broke all previous records, 98.57p per litre for petrol and 101.29 per litre for diesel. Average diesel price per litre broke the £1 a litre threshold on 18th.

November 2007 - Petrol breaks the £1 a litre threshold on 6th.

January 2008 - Crude oil nudges \$100 a barrel due to ongoing supply problems, political unrest and price speculation. The new AA President, Edmund King, writes to the Chancellor asking for the planned 2p per litre duty rise on 1 April to be deferred.

March 2008 - Crude oil nudges \$105 a barrel.

March 2008 – In the 2008 Budget the Chancellor defers the 2p per litre fuel duty rise from April until October 2008. The planned duty rise of 1.84 p per litre in April 2009 remains. He also announced that from 2010 fuel duty rises will be 0.5 per cent higher than indexation. Significant changes were made to vehicle excise duty (VED) rates and the structure of the banding system (6 new VED bands from 2009 and significant rises in new vehicle VED rates from 2010) see table below.

VED band	CO ₂ Emissions (g/km)	2008/9 ¹ standard rate	CO ₂ Emissions (g/km)	2009/10 standard rate	2010/11 first year rate	2010/11 standard rate ⁴
A	Up to 100	0	Up to 100	0	0	0
B	101 - 120	£35	101 - 110	£20	0	£20
C	121 - 150	£120	111 - 120	£30	0	£35
D	151 - 165	£145	121 - 130	£90	0	£95
E	166 - 185	£170	131 - 140	£110	£115	£115
F	over 186 ²	£210	141 - 150	£120	£125	£125
G	over 226 ³	£400	151 - 160	£150	£155	£155
H			161 - 170	£175	£250	£180
I			171 - 180	£205	£300	£210
J			181 - 200	£260	£425	£270
K			201 - 225	£300	£550	£310
L			226 - 255	£415	£750	£430
M			over 255	£440	£950	£455

¹2008/09 rates take effect from 13 March 2008

²Cars registered before 23 March 2006

³Cars registered on or after 23 March 2006

⁴Alternative fuel car discounts: 2009/10 £20 bands A - I, £15 bands J - M; 2010/11 £10 all cars

The Chancellor did not increase the Approved Mileage Allowance Payments (AMAP) rate of 40 p per mile for private vehicle used on business.

On bio-fuels the Chancellor announced the removal of the 20p per litre bio-fuel incentive to fuel companies from 2010.

April 2008 – Fuel prices remain at record levels and the petrol / diesel price differential reaches the highest level ever with a litre of diesel costing 8.5p more than petrol.

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The Renewable Transport Fuel Obligation (RTFO) commences – fuel companies must ensure their mineral fuels contain 2.5 per cent bio-fuel (by energy) - failure to do so will require the companies to pay a ‘buy-out’ price currently 15 p per litre but from 2010 this will cost them 30 p per litre. Inevitably this could increase the cost of fuel at the pumps.