

FINANCE ACT 2015

EXPLANATORY NOTES

INTRODUCTION

Section 59: Ved: Extension of Old Vehicles Exemption from 1 April 2016

Summary

1. This section provides for an extension to the scope of the exemption to include vehicles constructed before 1 January 1976 and will come into force on 1 April 2016. This section amends Paragraph 1A of Schedule 2 of Vehicle Excise and Registration Act 1994 (VERA).

Details of the Section

2. Subsection (1) extends the exemption from VED contained in paragraph 1A of Schedule 2 of VERA to vehicles constructed before 1 January 1976.
3. Subsection (2) provides for the extension of the exemption to come into force on 1 April 2014. This subsection also provides a transitional provision so that a nil licence does not need to be in force on 1 April 2016 for a vehicle constructed before 1 January 1976 if there is a vehicle licence already in force in respect of that vehicle. When that existing vehicle licence expires, a nil licence will need to be in force for the vehicle.

Background

4. 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.
5. Budget 2013 announced a measure to extend the scope of the VED exemption to classic vehicles by one additional year. Budget 2014 further 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.
6. 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 1974 and will be extended to 1 January 1975 from 1 April 2015 as amended by the Finance Act 2014.
7. Finance Act 2014 extended the scope of the exemption for historic vehicles constructed before 1 January 1974 with effect from 1 April 2014 and vehicles constructed before 1 January 1975 with effect from 1 April 2015.