

FINANCE ACT 2009

EXPLANATORY NOTES

INTRODUCTION

Section 13: Vehicle Excise Duty: Rates for 2009-10

Background Note

10. Vehicle Excise Duty (VED) was reformed in 2001 when a carbon dioxide (CO₂) emissions based system was introduced for cars registered from 1st March 2001 onwards. This is part of the Government's policy to use transport taxes to create incentives for the reduction of emissions.
11. Cars and vans registered before 1 March 2001 are treated for VED on the basis of engine size, and are charged the general rate of VED. Vans registered on or after 1 March 2001 are treated for VED according to whether they qualify for a reduced rate by having met reduced pollutant emissions standards early. These standards have been agreed at a European level and are intended to improve air quality.
12. The reduced rate of VED for post-2001 cars under subsection (3) applies to cars using alternative fuels or featuring a hybrid fuel-electric powertrain. Alternative fuels include Liquefied Petroleum Gas, Compressed Natural Gas and high blend (85 per cent content) bioethanol.
13. This year the Government intends to freeze rates for the lowest emissions post-2001 cars (emitting 140g/km of CO₂ or less), and increase rates for all other cars and vans by £5.
14. The Government intends to maintain the exemption from the top rate of VED for post-2001 cars that have a CO₂ emissions value which exceeds 225g/km but were first registered between 1 March 2001 and 23 March 2006, as provided for by Subsection (3).
15. The changes in rates apply to all vehicle licences taken out on or after 1 May 2009 regardless of the commencement date on the licence.