

FINANCE ACT 2010

EXPLANATORY NOTES

INTRODUCTION

Section 11: Rates for Motorcycles

Summary

1. This section provides for changes in certain rates of vehicle excise duty (VED) applying to motorcycles by amendment of the Vehicle Excise and Registration Act 1994 (VERA). Changes to the rates take effect in relation to vehicle licences taken out on or after 1 April 2010.

Details of the Section

2. Subsection (1)(a) amends paragraph 2(1)(c) of Schedule 1 to VERA to increase the rate of duty by £2 to £50 for motorbicycles with a cylinder capacity (engine size) of over 400cc but not more than 600cc.
3. Subsection (1)(b) amends paragraph 2(1)(d) of Schedule 1 to VERA to increase the rate of duty by £4 to £70 for motorbicycles with an engine size of over 600cc, for motortricycles with an engine size over 150cc and for trade licences for motorcycles.
4. Subsection (2) provides that all new rates under this section will take effect for licences taken out on or after 1st April 2010.

Background Note

5. Vehicle Excise Duty (VED) for motorcycles was reformed in 2002 when the number of engine size based rate bands was increased from three to four. The consultation backing the reform identified motorcycles of up to 400cc in engine size as predominantly used for commuting purposes.
6. Motorbicycles weighing not more than 450 kilograms unladen fall into one of four motorcycle rate bands:
 - a. not more than 150cc (currently set at £15);
 - b. more than 150cc but not more than 400cc (currently £33);
 - c. more than 400cc but not more than 600cc (£48 before the increase now proposed);
or
 - d. more than 600cc (£66 before the increase now proposed).
7. Motortricycles weighing not more than 450 kilograms unladen fall into one of two bands:
 - not more than 150cc (currently £15); or
 - more than 150cc (£66 before the increase now proposed).

*These notes refer to the Finance Act 2010 (c.13)
which received Royal Assent on 8 April 2010*

8. The lowest rate, applicable to motorbicycles and motortricycles with an engine size of not more than 150cc has remained unchanged since 1991.
9. Where a trade licence is to be used only for motorcycles, the rate set under paragraph 2(1)(d) of Schedule 1 to VERA is applicable to the trade licence by virtue of Section 13(3)(a) to VERA. The rate is £66 before the £4 increase now proposed.
10. The changes in rates apply to all vehicle licences taken out on or after 1 April 2010 regardless of the commencement date on the licence.