



Changes to Vehicle Excise Duty

The way road tax, or Vehicle Excise Duty (VED), is calculated is changing for cars registered from 1 April 2017. Commercial vehicles are not affected.

What is changing?

In essence, the current CO2-based bands are being reformed with fewer cars exempted from the £0 Vehicle Excise Duty band.

From 1 April 2017 Vehicle Excise Duty will be split into two rates: First Year Rate and Standard Rate.

The First Year Rate (referred to as the first licence period) is still based on a graduated table of CO2 emissions, with cars falling into bands, from £0 for cars with zero emissions, all the way up to £2,000 for vehicles with CO2 emissions above 255g/km.

However, after the first year, cars will move into a second licence period known as the Standard Rate. All cars, other than those with zero CO2 emissions, are required to pay a yearly standard rate of £140.

There are some exceptions to this standard rate. Cars costing over £40,000 when first registered (which also includes zero emitting cars) are subject to a different Standard Rate for the next five years following the first licence period.

What are the new rates?

First off, it's important to note that cars registered before 1st April 2017 and commercial vehicles are not affected by these changes.

If your new leased vehicle is registered on or after 1st April 2017, your VED for the first year will be calculated based on the CO2 emissions of your vehicle (see table). After the first year the majority of vehicles move to the standard rate of VED which is £140 a year.

Exceptions to the standard rate:

- If your vehicle has zero emissions and a list price (P11D) below £40,000 at first registration you will continue to pay £0 a year for the next five years, and every year thereafter.
- If your vehicle has zero emissions and a list price (P11D) over £40,000 at first registration you will pay £310 a year for the next five years. This is made up of the £0 standard rate and £310 additional rate. After five years VED will revert to £0.
- If your vehicle list price (P11D) is over £40,000 at first registration you will pay £450 a year for the next five years. This is made up of the £140 standard rate and £310 additional rate. After five years VED will revert to the standard rate of £140 per year.
- If you have an alternative fuel vehicle you will continue to receive a £10 reduction on VED.

VED Bands (2017)

Emissions (g/km CO2)	First Year Rate	Standard Rate
0	£0	£0*
1-50	£10	£140*
51-75	£25	
76-90	£100	
91-100	£120	
101-110	£140	
111-130	£160	
131-150	£200	
151-170	£500	
171-190	£800	
191-225	£1,200	
226-255	£1,700	
Over 255	£2,000	

*After the first year, cars with a P11D value over £40,000 pay an annual supplement of £310 for five years.

How will this affect you?

When you lease a vehicle, the VED is included in your monthly payments.

If your vehicle is registered after 1 April 2017, the VED rate included in your quotation may change (refer to the table above). The actual registration date depends on the dealership supplying your vehicle, but typically a vehicle is registered on the day it is delivered.

If your delivery date is scheduled towards the end of March, we'll be in contact to discuss any potential impact. You should bear in mind that in some rare cases the scheduled delivery date of your vehicle may change due to manufacturer issues out with our control.

We do everything we can to keep your scheduled delivery date on time. However, should your delivery date change we will be in touch.

If you have any questions, or require further clarification, call or email us - we're here to help.

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