

Energy and transport tax

Transport tax

3.40 Fuel duty – Fuel duty will be frozen for an eighth year in 2018-19. Fuel duty freezes since 2011 will have saved the average driver a cumulative £850 by April 2019, compared to what they would have paid under the pre-2010 escalator plans.⁹ (10)

3.41 Alternative fuels – The government will review whether the existing fuel duty rates for alternatives to petrol and diesel are appropriate, ahead of decisions at Budget 2018. In the meantime, the government will end the fuel duty escalator for Liquefied Petroleum Gas (LPG). The LPG rate will be frozen in 2018-19, alongside the main rate of fuel duty.

3.42 Air quality – In support of the National Air Quality Plan published in July, the government will provide £220 million for a new Clean Air Fund. This will allow local authorities in England with the most challenging pollution problems to help individuals and businesses adapt as measures to improve air quality are implemented. The government is launching a consultation alongside Budget on options that could be supported by this fund. (62) This will be paid for by:

- a Vehicle Excise Duty (VED) supplement that will apply to new diesel cars first registered from 1 April 2018, so that their First-Year Rate will be calculated as if they were in the VED band above. This will not apply to next-generation clean diesels – those which are certified as meeting emissions limits in real driving conditions, known as Real Driving Emissions Step 2 (RDE2) standards (61)
- a rise in the existing Company Car Tax diesel supplement from 3% to 4%, with effect from 6 April 2018. This will also apply only to diesel cars which do not meet the Real Driving Emissions Step 2 (RDE2) standards (60)

3.43 VED – The government will:

- increase in line with RPI from 1 April 2018 VED rates for cars, vans and motorcycles registered before April 2017 and the First-Year Rates for cars registered after April 2017
- freeze the Heavy Goods Vehicle (HGV) VED and Road User Levy rates from 1 April 2018. A call for evidence on updating the existing HGV Road User Levy will be launched this autumn. The government will work with industry to update the Levy so that it rewards hauliers that plan their routes efficiently, to encourage the efficient use of roads and improve air quality (38)
- from April 2019, exempt zero-emission capable taxis from the VED supplement that applies to expensive cars, consulting in advance on how to define such taxis

⁹ HMT calculations based on OBR RPI forecasts.

3.44 Company cars – The Fuel Benefit Charge and the Van Benefit Charge will both increase by RPI from 6 April 2018.

3.45 Air Passenger Duty (APD) – Short-haul APD rates for 2019-20 will remain frozen as they have been since 2012. The long-haul rate for economy passengers will be frozen at the 2018-19 rates while the rates for premium economy, business and first class will increase by £16 and for those travelling by private jet by £47. (12)