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Budget 2024 - RAC reaction

Fuel duty – KEPT AT 52.95p PER LITRE

RAC head of policy Simon Williams said: “With a general election looming, it would have been a huge surprise for the Chancellor to tamper with the political hot potato that is fuel duty in today’s Budget. It appears the decision of if or when duty will be put back up again has been quietly passed to the next government.

“But, while it’s good news that fuel duty has been kept low, it’s unlikely

drivers will be breathing a collective sigh of relief as we don't believe they've fully benefited from the cut that was introduced just two years ago due to retailers upping margins to cover their 'increased costs'. This has meant fuel prices have been higher than they would otherwise have been.

"What's more, despite today's positive news it's still the case that drivers are once again enduring rising prices at the pumps, sparked by the oil price going up – the average cost of a litre is already up by more than 4p since the start of the year."

Notes:

- In February 2024, fuel prices rose at their fastest rate in five months. The average cost of litre of unleaded is currently 145p, diesel 153p
- Fuel prices directly contribute to inflation: ONS has also regularly called out falling fuel prices as the main reason for a reduction in the headline inflation rate. The RAC charts fuel prices and the rate of inflation on its Fuel Watch webpage: <https://www.rac.co.uk/drive/advice/fuel-watch/#is-there-a-link-between-fuel-prices-and-inflation>

Insurance Premium Tax (IPT) – NO CHANGE ANNOUNCED TODAY

RAC head of policy Simon Williams said: "It's enormously disappointing the Chancellor didn't take the opportunity to cut insurance premium tax (IPT) in the Budget, a move that would have helped keep spiralling motor insurance premiums in check.

"Instead, even the most careful and cautious of drivers will have to go on battling with rising premiums. And younger drivers are disproportionately affected as they end up paying even more in tax on top of their already high premiums. It surely can't be right those who have the least financial means to pay for car insurance end up, in many cases, contributing the most to the Government in the form of IPT.

"Those hardest hit face two options – give up driving altogether or run the gauntlet and break the law by driving uninsured, neither of which are desirable outcomes. IPT more than doubled over a two-year period in the last

decade, which is why we believe it's the stealth tax of our time. For that reason, it's high time it was looked at again."

Notes:

- IPT adds around £67 to the average insurance premium (source: ABI)
- Annual premiums were on average 25% more expensive last year than the year before (source: ABI)

Equalising VAT on public/home charging – NO CHANGE ANNOUNCED TODAY

RAC head of policy Simon Williams said: "The Chancellor has once again missed a massive opportunity to correct a bizarre tax anomaly and level the playing field when it comes to making running electric vehicles more affordable. As things stand, anyone without a driveway is penalised by having to pay four times the rate of VAT when they charge their cars at a public charger, compared to anyone who is fortunate enough to charge up at home.

"There is a huge strength of feeling about this issue, with charging networks having committed to passing the savings on in full to drivers – so it's enormously frustrating that the Chancellor has chosen to look the other way on this important issue. As campaign group FairCharge points out, the current tax rules date from 1994 and were written long before there were any electric cars on the road.

"It's also the case that the high upfront cost of electric vehicles risks continuing to put off drivers from making the switch. The UK is now an outlier in Europe in offering no up-front financial incentives. We've long argued that a new plug-in car grant, aimed at the cheaper end of the electric car market, could encourage many more drivers to make the switch. As things stand, our research shows that drivers are more likely to choose a petrol model for their next car over an electric one.

"The absence of any announcements today to support the transition to EVs is enormously disappointing and risks hampering the speed at which everyone can enjoy the benefits of cleaner driving."

Notes:

- VAT charged on electricity at public charger is 20%, while at home it is 5%
- The average cost of charging a car at a public rapid or ultra-rapid charger is currently 76.43p per kilowatt hour

The press office email address is press.office@rac.co.uk and media centre is at media.rac.co.uk. **Please note:** the press office is unable to help with individual customer enquiries - please visit the [RAC contacts page](#) to find the right contact.

About the RAC

The RAC, an iconic UK brand, provides complete peace of mind to nearly 14 million UK private and business drivers, whatever their motoring needs. As well as its premium nationwide breakdown assistance service – with an expert branded patrol workforce attending more than two million breakdowns every year – it offers a wide range of market-leading products across insurance, legal services, vehicle inspections and service, maintenance and repair. Included in this is the first-of-its-kind nationwide Mobile Mechanics service which brings the garage to homes and workplaces.

At the forefront of new solutions for business fleets and consumers, the RAC's breakdown service is electric-ready with mobile EV charging technology and can be called on using [myRAC](#) – the all-in-one route planner, fuel finder and breakdown reporting app.

Visit the [RAC website](#).

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