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RAC urges Chancellor to play fair with motorists in tomorrow's Autumn Statement

With motorists' tax contribution due to pass the £40bn mark in 2016*, the RAC is calling on the Chancellor to play fair with motorists in this week's Autumn Statement by freezing fuel duty beyond April 2017, leaving the level of Insurance Premium Tax unchanged, and committing to encourage more motorists to switch to the latest, cleanest ultra-low emission vehicles.

In 2014, the RAC estimated motorists collectively paid £39.1bn in motoring-related taxes, specifically fuel duty, VAT on fuel, Insurance Premium Tax (IPT) and Vehicle Excise Duty. Thanks in a large part to recent increases in IPT and greater quantities of fuel sold, this is now expected to rise by £4bn in 2016 to £43.1bn.*

Fuel duty is currently frozen at 57.95p per litre of fuel sold until April 2017. With the addition of VAT which is also charged on fuel, this means around two-thirds of the price of every litre of petrol or diesel sold in the UK is tax. The RAC would like the Chancellor to commit to not increasing the level of duty until at least the end of this Parliament – especially given new research by the RAC released today shows that a clear majority of motorists (61%) surveyed believe fuel prices will go up significantly (by 5p or more) in the next six months, with 44% favouring a continuation of the current fuel duty freeze and 39% keenest on a cut. If reports are to be believed, the Chancellor looks set to extend the freeze, which would be welcome.

Insurance Premium Tax (IPT), charged on the majority of insurance policies,

has risen twice in less than 12 months – with the latest hike which took the IPT rate to 10% coming into force in October. Perhaps unsurprisingly 44% of motorists surveyed said it was the motoring tax they are most concerned about, with 57% reporting that their insurance premium had risen over the last twelve months. The RAC believes there is no justification for a further rise in the standard rate of IPT, and the Chancellor should consider exemptions for young and new drivers that opt for ‘black box’ telematics-based insurance policies, that encourage safer motoring.

On **encouraging more motorists to switch to the latest, cleanest ultra-low emission vehicles**, the RAC is concerned that the proposed Vehicle Excise Duty (VED) changes will take away many of the incentives that currently exist. From April 2017, changes to VED bands will mean anyone who buys a new ultra-low emission vehicle will, after their first year, pay the same in vehicle tax as someone who drives a heavily-polluting vehicle. The RAC would like the bands to be reviewed so there remains some sort incentive to switch to an ultra-low emission vehicle, particularly when many motorists at present are not prepared to switch to a pure electric vehicle. At a time when older diesel vehicles are under the microscope for their role in contributing to poor air quality, this would be a logical step for the Chancellor.

In addition reports suggest that the Chancellor is set to announce a new £1.3bn package of road investment in this week’s Autumn Statement to tackle congestion and ‘pinch points’ on the road network. This is something welcomed by the RAC.

RAC road policy spokesman Nicholas Lyes said: “With oil and hence fuel prices still notoriously difficult to predict, and with the pound losing a significant amount of its value since the European Union vote, motorists are now a lot more focused on the cost of filling up than they were at the start of the year.

“Consequently they are very sensitive to any rise in the level of fuel duty, with 31% of motorists we surveyed saying they are likely to cut back on other spending if it were to go up. Clearly, as such it would make no sense for the Chancellor to consider raising fuel duty and we urge Mr Hammond to continue his predecessor’s track record of leaving the present rate of duty untouched.

“Insurance Premium Tax is the stealth tax of the moment, with two increases

in less than twelve months. We estimate motorists' contribution to IPT has nearly doubled between 2014 and 2016, with it due to top £1.2bn this year. Our fear about any further rises, aside from the financial impact it will have on everyone who has to buy insurance, is that they could encourage more people to risk driving without any insurance whatsoever.

“We also believe the Chancellor should reconsider some of the changes to the new Vehicle Excise Duty bands that are due to come into effect next April. As things stand, there will be virtually no tax incentive to switch to an ultra-low emission vehicle as, after the first year of ownership, duty rates will be the same as those that emit higher CO2 levels including older, dirtier vehicles. This is a retrograde step and one that the Chancellor would do well to review – especially as it is at odds with the Government's strategy of encouraging motorists into the latest, most environmentally friendly, cleanest vehicles. A commitment to extend the plug-in car grant beyond early 2018 would also be very welcome.”

Notes to Editors

* 2016 estimate comprises £27.6bn for **fuel duty** (based on HM Treasury Budget 2016 estimates for FY 2016/17); £8.8bn for **VAT on fuel** (based on September 2015 to August 2016 quantities released for consumption in August 2016 HMRC hydrocarbon oil duty bulletin); £5.5bn for **Vehicle Excise Duty**; £1.2bn for **Insurance Premium Tax** (includes IPT increase to 9.5% and then to 10%. 2014 figures calculates IPT rate based on 6%. Calculations based on Q1 2016 average premiums and DfT licenced vehicles).

The RAC's full representation to the Treasury for the Chancellor's 2016 Autumn Statement can be found online here: <http://www.rac.co.uk/press-centre#/documents/rac-autumn-statement-representation-to-the-treasury-61996>

About the RAC

With more than eight million members, the RAC is one of the UK's most progressive motoring organisations, providing services for both private and business motorists. Whether it's roadside assistance, insurance, buying a used car, vehicle inspections and checks, legal services or up-to-the-minute traffic

and travel information – the RAC offers a solution for all motoring needs. The RAC is committed to making motoring easier, safer, more affordable and more enjoyable for drivers and road users.

The RAC is the motorist's champion and campaigns to support the interests of its members and UK motorists at a national level, including advancing levels of road safety, supporting the needs of young drivers and voicing concerns about the increasing cost of motoring. The RAC's annual [Report on Motoring](#) – first published in 1989 – provides a clear insight into the concerns and issues facing today's motorists.

For the very latest news on UK fuel prices, check [RAC Fuel Watch](#) or follow [#racfuelwatch on Twitter](#). This is a comprehensive guide to the latest UK unleaded petrol and diesel prices – both at the wholesale level and at the pump. RAC Fuel Watch analyses how prices changed through the previous month and compares the most recent prices with those from three, six and 12 months before.

Key facts:

- RAC patrols fix four out of five vehicles at the roadside and on average within 30 minutes
- RAC vans carry more than 500 parts and tools to get members' vehicles going again
- 92% of members would recommend RAC Rescue to their friends and family

Contacts



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