We have advocated for several years that the use of CO_2 emissions should be applied more consistently across the various taxes, and we see this consultation as the ideal opportunity to begin that process of alignment. A simplification of car tax thresholds should increase the public's understanding of the government's objectives, and thereby enhance their appreciation of the way in which the government incentivises ULEVs, leading to increased take-up of the most environmentally friendly cars.

Use of CO_2 emissions as the sole basis for company car tax banding

You have proposed that beyond 2020 new ULEV bands could be structured in one of two broad ways, with either a large number of narrow bands or a smaller number of wider bands, but neither of these proposals take into account the 20 g/km wide band between the current ULEV threshold of 75 g/km and the current relevant threshold of 95 g/km, into which a significant proportion of cars fall.

We believe that the measures adopted beyond 2020 should also take account of this overlooked band and seek to simplify the taxation of company cars by:

- resetting the relevant threshold to 50 g/km, which would align it with the threshold for first year allowances and enable the threshold required for a car to be classed as a ULEV to be lowered;
- continuing the narrow 5 g/km band approach for cars with emissions above the new relevant threshold; and
- adopting 10 g/km bands for cars with emissions up to the new relevant threshold of 50 g/km.

Table 1, set out at Appendix 1, shows the appropriate percentages for 2020/21 if all bands were to be increased by 3%, as is the case for the transition from 2018/19 to 2019/20.

Table 2 meanwhile, also set out at Appendix 1, shows our proposed appropriate percentages if the suggestion outlined above was adopted. Compared to 2019/20 the overall tax yield in 2020/21 should still increase, with the key factors to note being:

- the appropriate percentage at the current relevant threshold (of 95 g/km) would be the same as Table 1, meaning there would be no loss of tax to the Exchequer;
- no driver with a car falling in the 76 g/km to 94 g/km would pay any less tax in 2020/21 than in 2019/20;
- for cars within the 51 g/km to 74 g/km band the 2019/20 appropriate percentage would fall at the mid-point of the new bands, meaning that the reform should be at worst tax neutral for the Exchequer;
- drivers of cars at the new relevant threshold would pay the same tax in 2020/21 as in 2019/20;
- there would be a minimal impact on tax yield for the very lowest emitting cars 50 g/km and under, given the relatively small number of cars falling in these bands.

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Use of CO_2 emissions and zero emission miles as a combined basis for company car tax banding
The consultation document acknowledges that basing company car tax on CO_2 emissions has worked well for 15 years and that introducing zero emission range via a combined basis of taxation would add complexity and, as we have noted above, distance company car taxation from other transport taxes, including capital allowances and VED.

If we were to adopt one of HMRC's own methodologies for assessing the chances of success, it would be worth considering whether adopting zero emission range, as an additional measure to be used alongside CO_2 emissions, would meet its "SMART" conditions?

S*pecific*
On the face of it, the inclusion of a zero emission range would enable HMRC to specifically target its new basis of company car taxation, but we would argue that it would merely replace one inequitable approach with another, and that the proposal would not redress the balance to the advantage of either the government or the driver.

M*easurable*
In reality, regardless of the zero emission range a plug-in hybrid is capable of driving, it is not possible to measure whether a car actually drives *any* zero emission miles, as it is not possible to determine the number of drivers who charge their cars nor how often they are charged; accordingly, the zero emission range a car is capable of achieving is likely to be meaningless.

A*chievable*
As the basis of the proposal relies on zero emission range, and actual zero emissions miles driven is not measurable this makes the proposal unachievable.

R*ealistic*
As the zero emission range can be affected by many external factors, such as use of air conditioning, headlights, windscreen wipers, or general driving and traffic conditions, it would not appear to be realistic to use zero emission range as a secondary basis for company car tax.

T*ime bound*
Given the proposal will be introduced in 4 years, time constraints would not appear to be an issue.

In all likelihood, using zero emission range as a secondary measure may seem plausible, but as we have demonstrated it will add unnecessary complexity without demonstrably adding any real or equitable value, especially as zero emission range is already taken in to account in determining the CO_2 emissions of a plug-in hybrid and emissions, when used as a single measure, can therefore be used as a simple proxy for range.

Conclusion
Recognising that around half of all new cars in the UK are purchased by companies, to forge long-term, sustainable technology that will further reduce CO_2 emissions and thereby enable tangible progress towards the government's 2050 target for the take-up of zero emission cars, the take up of ULEVs should be strongly incentivised, as set out in our suggestion for company car tax beyond 2020.

Adopting our CO_2 emissions based suggestion for the development of company car tax beyond 2020, would introduce a clear and logical incentive for manufacturers to focus on the development of cars with zero emissions, however powered, with a range to rival that of a combustion engine, and could represent the first step towards the consolidation of car taxation.

Although our suggestion answers the questions raised for 2020 and beyond as set out in your consultation, we would contend that a clear, unambiguous incentive for zero emission cars, such as an appropriate percentage of 0%, should be re-instated as soon as possible.

Should you have any queries regarding this response or wish to discuss our thoughts in more detail please contact the undersigned.

Yours faithfully

PJ Whitcombe
Director

Appendix 1 - Car benefit charge bands and appropriate percentages

Table 1

Car benefit charge - 2019/20		Car benefit charge - 2020/21	
Emissions	Percentage	Emissions	Percentage
Currently proposed		Extension of currently proposed	
0 – 50	16	0 – 50	19
51 – 74	19	51 – 74	22
76 -94	22	76 -94	25
95 – 99	23	95 – 99	26

Table 2

<table>
<tr><th colspan="2">Car benefit charge - 2019/20</th><th colspan="2">Car benefit charge - 2020/21</th></tr>
<tr><th>Emissions</th><th>Percentage</th><th>Emissions</th><th>Percentage</th></tr>
<tr><th colspan="2">Currently proposed</th><th colspan="2">Suggested reform</th></tr>
<tr><td rowspan="6">0 – 50</td><td rowspan="6">16</td><td>0</td><td>0</td></tr>
<tr><td>1 – 10</td><td>4</td></tr>
<tr><td>11 – 20</td><td>7</td></tr>
<tr><td>21 – 30</td><td>10</td></tr>
<tr><td>31 – 40</td><td>13</td></tr>
<tr><td>41 – 50</td><td>16</td></tr>
<tr><td rowspan="5">51 – 74</td><td rowspan="5">19</td><td>51 – 54</td><td>17</td></tr>
<tr><td>55 – 59</td><td>18</td></tr>
<tr><td>60 – 64</td><td>19</td></tr>
<tr><td>65 – 69</td><td>20</td></tr>
<tr><td>70 – 74</td><td>21</td></tr>
<tr><td rowspan="4">76 -94</td><td rowspan="4">22</td><td>75 – 79</td><td>22</td></tr>
<tr><td>80 – 84</td><td>23</td></tr>
<tr><td>85 – 89</td><td>24</td></tr>
<tr><td>90 – 94</td><td>25</td></tr>
<tr><td>95 – 99</td><td>23</td><td>95 – 99</td><td>26</td></tr>
</table>

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