

THE 2020 BUDGET ROUND-UP



In recent years, the fleet industry has grown accustomed to Budgets with big changes in them. The different rules around Optional Remuneration Arrangements, a reformed system of Vehicle Excise Duty, entirely new bands of Company Car Tax – all of these were delivered by a Chancellor via one of his red (or sometimes green) books.

The Spring Budget, announced on 11 March 2020, was the first to be implemented by the new Chancellor, Rishi Sunak, it felt different from other recent Budgets. Yes, it too contained big changes for fleets and their drivers – but, really, it was the sheer number of those changes that stood out. Quite aside from its measures to combat the coronavirus outbreak or to bolster public services, this was a Budget with multiple motoring-related policies. Here are summaries of the main ones.



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Mark Evans, Fleet Consultant



New rates of Company Car Tax

Last year, the Draft Finance Bill contained new rates of Company Car Tax (CCT) for the three financial years from 2020-21. These were designed both to account for the effects of the new, more accurate Worldwide Harmonised Light Vehicle Test Procedure (WLTP) emissions test and to incentivise cleaner motoring – there was even a 0% rate for zero-emission cars in 2020-21. But then a little thing called Brexit, followed by a general election, got in the way. The rates were never actually passed into law.

Budget 2020 has fixed that – and gone further. The rates from the Draft Finance Bill will now be implemented, and the rates for 2022-23 will also be frozen until 2024-25. After years of waiting, we finally know the CCT rates for the final years of contracts being signed now.

Mark Evans, Fleet Consultant, says:

“As expected, the rates proposed in the Draft Finance Bill in 2019 have been adopted. This gives clarity on BIK for the next three years and beyond, although with increases in CO₂ under WLTP, many drivers with cars registered from 6th April will experience higher BIK tax.”

Infrastructure spending

Ahead of the general election, the Conservative manifesto pledged to improve the electric charging network so that no-one was ever more than 30 miles away from a rapid charger. The Budget has allocated £500 million, over the next five years, to help make that promise a reality.

And it's not the only infrastructure spending in the Budget – far from it. Sunak also announced a new pothole fund; £2.5 billion, again over five years, to help local authorities smooth out our streets.

But it all paled beside what the Chancellor described as “the biggest ever investment in strategic roads and motorways”. £27 billion to improve various significant routes around the country. It's all very welcome – but we do have to wonder whether the spending is coming too late. The UK has some of the worst roads, for a major developed economy, in the world. Businesses have been counting the cost for decades.

Sarah Gray, Fleet Consultant, says:

“£500 million over the next five years has been allocated to support the rollout of a fast charging network for electric vehicles. Whilst we are already seeing a huge number of fast chargers being added to the network, this additional support will provide further comfort for drivers to make the move to EVs, which is exactly what is required to improve air quality in the most polluted areas.”

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Tony Greig, Fleet Consultant



Extension of the Plug-in Car Grant

Ahead of the Budget, newspapers were writing about the demise of the Plug-in Car Grant, which was due to run out of money next month. Well, the Plug-in Car Grant has confounded expectations. It will now be funded until 2022-23.

The catch? The grant has also become less generous in the process, declining from £3,500 to £3,000. It also can no longer be used for cars worth over £50,000.

Tony Greig, Fleet Consultant, says:

“Whilst the government's extension of the Plug-in Car Grant offering to 2022-23 provides much-needed peace of mind, this had been accompanied by a reduction in the grant to £3,000 and is no longer available to cars worth over £50,000. This could lead to a delay in BEV uptake for company cars and potentially hinder the journey to the Road to Zero.”

Fuel

Another policy that is going to continue into the future: the Fuel Duty freeze. The main rate of Fuel Duty has been kept at 57.95 pence a litre for the past nine years, and Sunak confirmed that it would stay there for a tenth.

According to the Institute for Fiscal Studies, this costs the Exchequer about £9 billion a year, which is money that surely, one day, a Chancellor will be tempted to recoup – particularly as, with the advance of electric motoring, Fuel Duty revenues are likely to decline in general.

Vehicle Excise Duty changes

One of the most significant policies in the Budget isn't really a policy yet. Sunak announced a consultation into Vehicle Excise Duty (VED) and how it can better encourage the uptake of cleaner vehicles. Given that the VED system is already designed so that cleaner vehicles pay less, this promises something of a CCT-style revolution for the tax – perhaps we'll eventually see entirely new and extremely cheap rates for various categories of low-emission vehicle.

In the meantime, the government is already changing VED to make it more green-friendly. The Budget contains a provision to exempt zero-emission vehicles from the surcharge that is applied to the standard rate for vehicles worth over £40,000.

Sarah Gray, Fleet Consultant, says:

“This is really great news. Adopters of EVs which are over £40,000 were unfairly hit by the £320 standard rate supplement. Removing this for EVs is another step in the right direction to encourage the uptake of EVs and support the Road to Zero.”

Savings for zero-emission vans

As of April 2021, the government will spare zero-emission vans from the van benefit charge by introducing a “nil rate of tax”.

Russ Boulton, LCV Consultant, says:

“This is a sensible and much needed approach from the government to further encourage the adoption of Electric Vans as it lowers total cost of ownership and coincides with manufacturers releasing a greater amount of electric van models. The approach will also directly impact the electric van driver, further enhancing the proposition to change to an electric van where possible.”

What next?

There are other policies that we could have mentioned: first-year allowances for zero-emission vehicles, a review of the Insurance Premium Tax... and so on. It really was a packed Budget.

But if we had to summarise it all in a sentence it would be: the government is doing more, and is promising to do even more in future, to get us into electric cars. Those new, ultra-low rates of CCT, in particular, are indicative of the road we're on; the Road to Zero.

Indeed, now might be the time to consider electric motoring for you or your business. If you would like to discuss the options, please don't hesitate to contact one of our consultants at enquiries@lombardvehiclesolutions.com.

Lombard Vehicle Solutions has helped hundreds of customers to discover whether electric can be part of their fleet mix – and can do the same for you.

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Speak to the experts

The Lombard Business Intelligence and Consultancy Team

We specialise in designing efficient and cost-effective responses to the changing fleet environment. We empower you to start transitioning your fleet to a greener mobility-based model.

Using our collective insight and expertise, we can support you with the integration of Alternatively Fuelled Vehicles and other smart mobility solutions.

Get in touch at:

enquiries@lombardvehiclesolutions.com



Matt Dale, Head of Business Intelligence and Consultancy

Matt has over 30 years' experience in the motor industry. Crowned 'Unsung Fleet Hero' by the Energy Saving Trust in 2017, Matt uses his extensive knowledge of alternative fuels and financial analysis to support businesses to develop sustainable and cost-effective mobility policies.

0772 0342544



Sarah Gray, Fleet Consultant

Specialisms: Best Practice Policy Information, Financial Analysis and Modelling, Risk Management and Employee Benefits.

Sarah uses over 14 years of industry expertise to help businesses understand how new technologies and changing legislation will impact their fleet policy decisions. Sarah's extensive knowledge of best practice policy is an invaluable resource for fleets looking to build cost-effective and operationally sustainable mobility strategies that are attractive to employees.

0787 6443287



Mark Evans, Fleet Consultant

Specialisms: Financial modelling, Total Cost of Ownership, Risk Management, Fleet Optimisation.

Mark specialises in fleet optimisation, working in a partnership with businesses to develop effective mobility policies. He has considerable experience of successfully integrating alternative fuels into the fleet mix and regularly audits current business travel to accommodate new mobility options. He brings 20 years of industry experience to his role and is adept at helping businesses find the most suitable vehicle funding methods in accordance with their fleet objectives.

0778 9208107



Russ Boulton, LCV Consultant

Specialisms: Light Commercial Vehicles, Total Cost of Ownership, Vehicle Conversions and Type Approval.

Russ works closely with fleets to identify vehicles that will provide optimal performance for the operational requirements and total cost of ownership demands of the business. He has several years' experience in the Van Conversion market, providing him a wealth of knowledge and technical understanding of the process.

0787 6443277



Tony Greig

Specialisms: Alternative Fuelled Vehicles, Carbon Footprint Analysis, Financial modelling, Fuel Management.

Tony draws on over 25 years of experience within fleet, working with businesses to adopt best practice in procurement and fuel mix. He has been at the forefront of assessing and implementing viable Alternative Fuelled Tony specialises in Vehicle/BEV strategies, reducing Carbon impact whilst delivering cost savings for businesses. He brings this wealth of experience to the Consultancy team, which enables an A to Z approach to the government's Road to Zero Strategy.

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