

STATES OF JERSEY



DRAFT BUDGET STATEMENT 2016 (P.127/2015): FIFTH AMENDMENT (P.127/2015 Amd.(5)) – COMMENTS

**Presented to the States on 14th December 2015
by the Council of Ministers**

STATES GREFFE

COMMENTS

The Council of Ministers opposes the amendment from the Connétable of St. John.

Vehicle Emissions Duty (VED) is an environmental tax designed to change taxpayer behaviour; and, to ensure that it is successful, the rates and bandings applied need to keep pace with changes in the manufacture of vehicles to make sure that it still achieves its goal of incentivising the purchase of vehicles with lower emissions.

The banding structure has not changed since the tax was introduced 6 years ago, and during this time there has been a significant reduction in the emissions of new vehicles.

On 22nd May 2014 the States Assembly unanimously adopted the Proposition: “Energy Plan for Jersey: ‘Pathway 2050’ ” ([P.38/2014](#)), which set out ambitious targets to reduce the Island’s carbon emissions in line with our international commitments. VED remains one of the few fiscal levers available to help the Island achieve these targets.

The purpose of environmental taxes (VED)

In the report accompanying his amendment, the Connétable questions the purpose of VED.

VED has a dual role. It is an environmental tax designed to incentivise the purchase of lower-emission vehicles and to compensate Islanders for the environmental damage caused by higher-emission vehicles – through the concept of ‘polluter pays’ – by reinvesting revenue raised in environmental initiatives.

The Connétable asks: *‘If this policy is something we are going overseas to show as an example of what we are doing right why are we changing it [VED]?’* The answer is that in order to remain successful, the bandings have to change to reflect changes in the market place. The rationale for changing the VED rates is twofold –

- to modernise it and bring the emissions banding structure in line with changes in the manufacture of vehicles. This ensures we continue to shift purchasing behaviour towards the lowest-emissions vehicles, in a market where emissions levels overall have decreased; and
- to encourage a change in behaviour in the second-hand market which currently benefits from a 35% discount for vehicles of between one and 2 years old, and 50% for vehicles over 2 years old; and so is not aligned with the environmental purpose of the tax.

Modernise the banding structure

The VED emissions banding structure was set up when the tax was first introduced some 6 years ago, and has not been revised. Since then, manufacturers have been driven by global targets to reduce the emissions of their vehicles. It has become easier to purchase a lower-emissions vehicle – a trend that is seen in the purchasing patterns. If Jersey is serious about its environmental responsibilities, we need to update the banding structure in order to continue to maintain pressure on purchasing choices and reward those who buy the lowest-emissions vehicles.

The actual amounts of duty payable under the updated banding structure remain modest when compared to the full purchase price of vehicles, but will signal Jersey's intent in respect of purchasing patterns. Other jurisdictions have recognised this in their revised emissions banding structures.

The proposed lowering of the nil rate band (from 120 down to 100 gms. CO₂/km.) will also align with Transport and Technical Services' Eco-Permits Scheme, which offers half-price parking for vehicles emitting less than 100 gms. CO₂/km.

Second-hand vehicles

Currently, second-hand vehicles registered for the first time in Jersey benefit from a reduced rate of duty depending on their age, and the proposal is to remove this benefit. This important change is entirely consistent with the environmental objectives of the tax.

Older vehicles are more likely to be higher-emitters, yet they are not asked to pay the commensurate amount of VED compared to new vehicles. To ensure that the 'polluter pays', then the purchasers of second-hand vehicles should pay the same rate of VED as the purchaser of a new vehicle according to their emissions.

Conclusion

There are signs that the environmental objectives of VED (i.e. to incentivise people to purchase lower-emissions vehicles) are beginning to be achieved, although overall reductions in the purchase of new vehicles (as a result of the economic downturn) cloud the patterns.

Ensuring that VED is modernised and recognises changes in the market is imperative if we are to remain true to our goals of a low-carbon future.

APPENDIX

Clarification of comments included in news release 'Pathway to Paris: UN Conference on Climate Change'

In Appendix 3 to his Budget amendment, the Connétable of St. John makes reference to a news release from the Department of the Environment: "Pathway to Paris: UN Conference on Climate Change". He notes that the Department states that they have made progress in the following areas of the energy plan (*inter alia*) – "*reduced rates of vehicle emissions duty*".

Unfortunately, the wording of that sentence was incomplete and published in error. The Minister for Planning and Environment would like to clarify the error and apologise for the confusion. The bullet point should have read – "increased uptake of vehicles that attract reduced rates of VED".

The intention was to convey that there has been a shift in purchasing behaviours and that more low-emissions vehicles are being purchased. As the overall profile of the Jersey fleet comprises more low-emissions vehicles, this assists in reaching the Island's carbon reduction goals as set out in the Proposition: "Energy Plan for Jersey: 'Pathway 2050'" ([P.38/2014](#)). Despite the regrettable error in the wording, the Minister for Planning and Environment believes that he is in agreement with the Connétable, and that there has been a shift in the purchasing behaviour towards lower-emissions vehicles (as exemplified by VED patterns); and this will help Jersey's progress towards low-carbon goals.

The Connétable also notes from the News Release that: "The Jersey Environment Team was attending [the Paris Conference of Parties (COP21)] and one of the successes we will be talking about is reduced rates of Vehicle Emissions Duty".

The Minister for Planning and Environment would like to correct the misunderstanding that representatives of the Department are attending the Paris talks. This is not the case – the treaty on climate change is extended to Jersey through the U.K., and they have attended the Conference of Parties on our behalf.

Nevertheless, we are in agreement that the shift towards purchasing low-emissions vehicles is something that Jersey would champion as helpful to achieving our energy plan goals.