

STATES OF JERSEY



DRAFT BUDGET STATEMENT 2018 (P.90/2017): SECOND AMENDMENT (P.90/2017 Amd.(2)) – COMMENTS

**Presented to the States on 27th November 2017
by the Council of Ministers**

STATES GREFFE

COMMENTS

The Council of Ministers supports the Connétable of Grouville in lodging proposals that seek to help address the issues of car emissions, pollution and air quality, although they also recognise the limitation of VED in achieving broader environmental objectives.

The amendment from the Connétable of Grouville ([P.90/2017 Amd.\(2\)](#)) contains 2 parts –

- Part 1: increases the rates of VED charged in each of the emission bands by an additional 2.5%
- Part 2: changes the emission bands so that all vehicles, with the exception of vehicles with CO₂ emissions of less than 75gm per km and those emitting more than 250gm per km, will be subject to a higher rate of VED.¹

The Connétable of Grouville has indicated in his amendment that he will propose each part separately, and it will be for the States to decide whether to adopt either part individually or both parts jointly. To help States Members understand the implications of adopting parts of this amendment, further explanatory information has been provided in the attached **Appendix**.

As VED is the only dedicated fiscal measure that addresses the issues of car emissions, pollution and air quality; the Council of Ministers recognises that the options for making changes which address these issues within the current tax regime are necessarily limited.

The Council of Ministers also recognises that the current VED regime has limitations in terms of achieving broader environmental objectives. The VED regime does not actively incentivise consumers to replace an existing, more polluting vehicle with a less polluting vehicle. With the exception of vehicles emitting less than 50gm CO₂ per km (assuming the 2018 Budget proposals are adopted), VED makes replacing an older vehicle with a new, less polluting vehicle, more expensive. If, however, a consumer has decided to purchase a new vehicle, VED does incentivise the choice of a less polluting vehicle.

The Budget 2018 proposals recognise that as vehicles become more efficient, the threshold for the nil rate band should be lowered to continue to incentivise the purchase of the lowest emitting vehicles. Hence the Budget proposal to reduce the threshold for the nil rate band from 100gm to 50gm CO₂/km.

The Council of Ministers notes that the possible VED changes under this amendment experienced by those vehicles emitting more than 250gm CO₂ per km are very limited. In the context of larger commercial vehicles, it is acknowledged that there may not be a lower emitting alternative vehicle currently available, and hence the proposal does not unduly penalise those sectors.

¹ If both parts of the amendment are adopted, vehicles emitting more than 250gm CO₂ per km will experience a limited increase in VED.

The Council of Ministers is conscious of the future fiscal challenges arising from the increasing popularity of electric cars and vehicle manufacturers' efforts to lower emissions across their fleets, and recommends that consideration is given to this issue as soon as possible. In this context, the Council of Ministers also notes the Connétable of Grouville's concerns regarding NO₂ emissions.

Statement under Standing Order 37A [Presentation of comment relating to a proposition]

These comments were submitted to the States Greffe later than the noon deadline on Thursday 23rd November, specified in Standing Order 37A, as final internal review processes had not been completed in the time available from the lodging of all the amendments to the 2018 Budget.

EXPLANATORY INFORMATION

Part 1

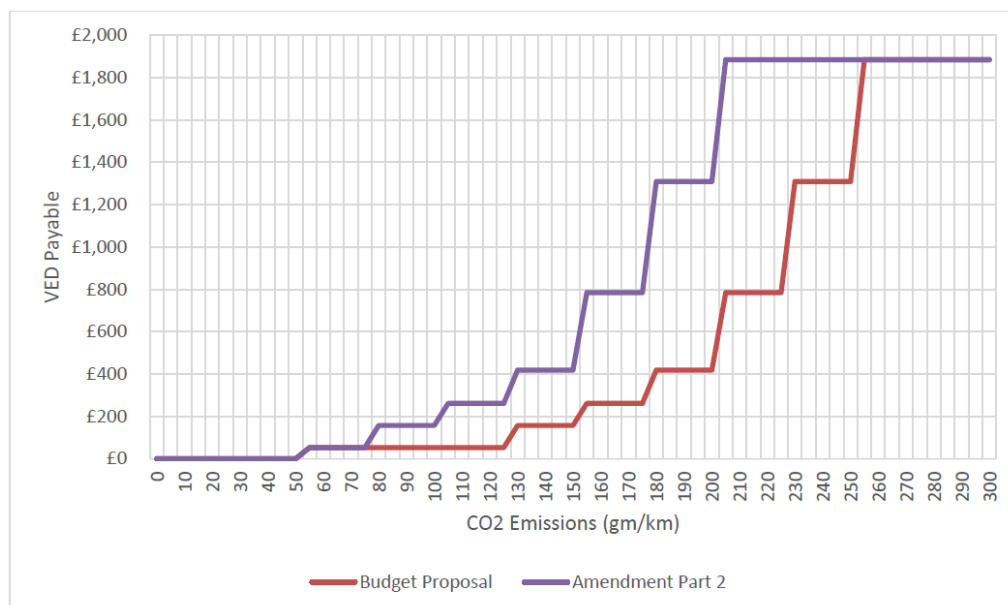
Part 1 of the amendment increases the rates of VED charged in each band by a further 2.5% (the 2018 Budget includes a proposal to increase the rate of VED charged in each band by 2.5%). The amount of additional income raised from this part of the amendment is not material. The following table will help States Members to understand the implications of this part of the amendment:

CO₂ emission (gm/CO₂/km)	Budget 2018 – proposed rate of VED	Part 1 of Amendment – proposed rate of VED	Increase in proposed rate of VED
0–50	£0	£0	£0
51–125	£52.38	£53.66	£1.28
126–150	£157.13	£160.97	£3.84
151–175	£261.89	£268.28	£6.39
176–200	£419.02	£429.24	£10.22
201–225	£785.66	£804.83	£19.17
226–250	£1,309.44	£1,341.38	£31.94
251+	£1,885.59	£1,931.58	£45.99

Part 2

Part 2 proposes changing the bands by reference to which VED is charged. By changing the bands in the way proposed by the Connétable of Grouville, all vehicles, with the exception of vehicles with CO₂ emissions of less than 75gm per km and those emitting more than 250gm per km, will be subject to a higher rate of VED. The amount of additional income raised from this part of the amendment is estimated at £2.1 million in 2018.

The impact of this proposal is most clearly demonstrated in the chart and table below.



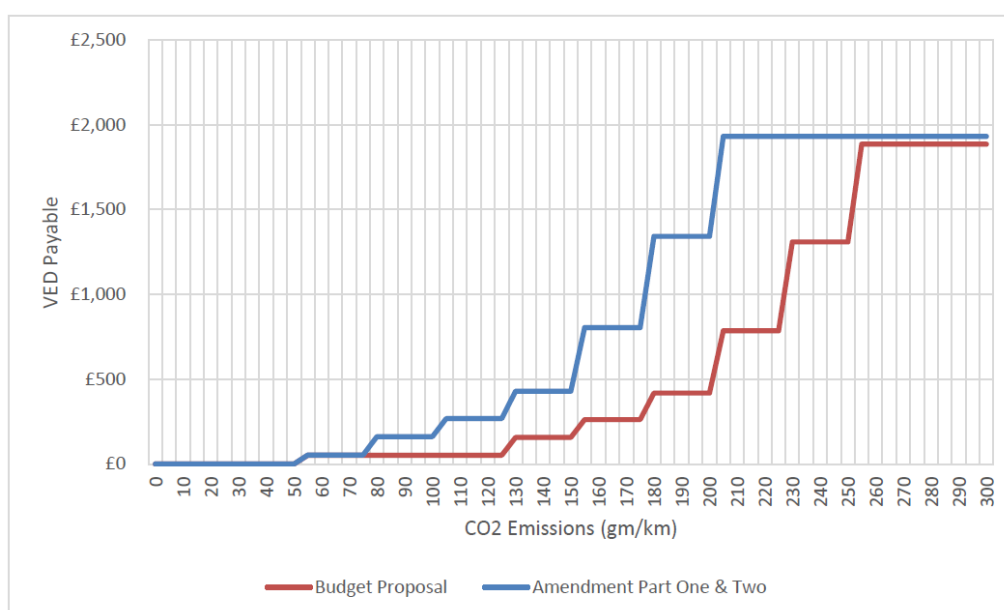
The table below shows the impact of the proposed changes at some specific CO₂ emission levels, not the VED bands that will be applied if Part 2 of the amendment is adopted.

CO ₂ emission (gm/CO ₂ /km)	Budget 2018 – proposed rate of VED	Part 2 of Amendment – proposed rate of VED	Increase in proposed rate of VED
50	£0	£0	£0
75	£52.38	£52.38	£0
100	£52.38	£157.13	£104.75
125	£52.38	£261.89	£209.51
150	£157.13	£419.02	£261.89
175	£261.89	£785.66	£523.77
200	£419.02	£1,309.44	£890.42
225	£785.66	£1,885.59	£1,099.93
250	£1,309.44	£1,885.59	£576.15
275	£1,885.59	£1,885.59	£0

Parts 1 and 2 combined

Combining both parts involves changing the bands by reference to which VED is charged and further increasing the VED rates charged in each band by 2.5%. By combining both parts, all vehicles, with the exception of vehicles with CO₂ emissions of less than 50gm per km, will be subject to a higher rate of VED. The amount of additional income raised from combining both part of the amendment is estimated at £2.2 million in 2018.

The impact of this combined proposal is most clearly demonstrated in the chart and table below –



The table below shows the impact of the proposed changes at some specific CO₂ emission levels, not the VED bands that will be applied if Parts 1 and 2 of the amendment are adopted.

CO ₂ emission (gm/CO ₂ /km)	Budget 2018 – proposed rate of VED	Parts 1 and 2 of Amendment – proposed rate of VED	Increase in proposed rate of VED
50	£0	£0	£0
75	£52.38	£53.66	£1.28
100	£52.38	£160.97	£108.59
125	£52.38	£268.28	£215.90
150	£157.13	£429.24	£272.11
175	£261.89	£804.83	£542.94
200	£419.02	£1,341.38	£922.36
225	£785.66	£1,931.58	£1,145.92
250	£1,309.44	£1,931.58	£622.14
275	£1,885.59	£1,931.58	£45.99