

# STATES OF JERSEY



## DRAFT BUDGET STATEMENT 2016 (P.127/2015): FIFTH AMENDMENT

---

Lodged au Greffe on 1st December 2015  
by the Connétable of St. John

---

STATES GREFFE

DRAFT BUDGET STATEMENT 2016 (P.127/2015): FIFTH AMENDMENT

---

**PAGE 2, PARAGRAPH (a) –**

For the figure “£622,155,000” substitute the figure “£621,433,000” and for the words “; land transactions tax and vehicle emissions duty” substitute the words “and land transactions tax”,

*and make consequential amendments to the totals in Summary Table A.*

CONNÉTABLE OF ST. JOHN

## REPORT

When Vehicle Emission Duty (VED) was originally discussed during the debate for Proposition P.31/2008 it was created as a tax to replace Vehicle Registration Duty (VRD), which was being abolished due to the introduction of Goods and Services Tax (GST).

The then Minister for Treasury and Resources was looking for a way to raise an extra £4 Million in revenue that VRD was at the time raising and suggested that VED would raise £5.2 Million of which £1.2 Million could be used for Environmental Policies.

A quote from the then Minister for Treasury and Resources regarding P.31/2008 – Hansard, 2nd April 2008 –

*“I have suggested that in a full year of vehicle emissions duty if spending patterns do not change the forecast revenue in 2009 would be £5.2 million. Because I said I needed £4 million to make good the V.R.D. shortfall.”*

VED was not introduced until 2010 and then was expected to raise £2 Million in tax revenue. In reality year on year VED has failed to raise above £1 Million in tax revenue.

Every year since 2012 in the Budget we have seen the Minister for Transport and Technical Services raise the charges for VED by 5% in the expectation of raising extra revenue and every year that the charges have gone up we have seen a reduction in the tax revenue collected. It is clear that there is a trend showing that every time the charges go up the revenue goes down.

I have attached the statements made in each Budget 2012 to 2014 as *Appendix 1*.

It is unclear what the purpose of VED is for, is it to encourage the use of lower emission cars or is it just another revenue tax?

If it is to reduce the number of high emission cars on the road it is clearly working as you can see from the figures below in *Appendix 2*.

If it is to raise tax revenue then we can clearly see that raising the charges has a detrimental effect on the possible revenue, but this does explain why the grading bands have been moved so even low emission cars will now have to pay at least some tax even if the amount is nominal.

In the 2016 Budget the reason for the reduction in revenue is explained as *‘the fall in the number of new registrations and an increase in the importation of older vehicles, rather than a switch to less polluting vehicles.’*

We can clearly see from the figures in *Appendix 2* that in fact there is a downward trend in the use of higher polluting vehicles and an upward trend in the use of low emission vehicles. Also in the 2016 Budget it does not explain how the changes to VED is going to discourage the importation of older vehicles.

On the 27th November 2015 we received a report from the Communications Unit explaining that Paris is holding the 2016 UN Conference on climate change. The Jersey Environment Team was attending and one of the successes we will be talking about is the ‘reduced rates of Vehicles Emission Duty’ as seen in *Appendix 3*. 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?

I have been in contact with the Directors of the Jersey garages who have informed me that at no time has the Minister for Transport and Technical Services consulted with the industry to find out what the effects of the charges could have to the new and used car market and by extension the economy as a whole.

Myself and my colleagues that have worked on this amendment do not think that VED could not be improved on in some form, we just do not believe that the current changes proposed in the 2016 Budget have been thought through and worked out in conjunction with the industry. We also do not think it is clear what the purpose of VED is and that the Minister for Transport and Technical Services needs to work out if VED is a revenue raising tax or a policy driven mechanism.

The Council of Ministers promised the electorate that they will not raise taxes until the required savings have been made across the public sector so if it is decided that VED is a revenue raising tax the changes cannot happen until the Public Sector Reform savings have been made.

If this is a policy to reduce carbon emissions in Jersey then we do not believe that any proof has been given in the 2016 Budget as to how the changes proposed will achieve it.

#### **Financial and manpower implications**

The loss of additional revenue in 2016 if the proposed changes to VED are not implemented is estimated to be £722,000. There are no manpower implications.

**Budget 2012 Statement regarding VED**

A low level Vehicle Emissions Duty, (VED), was successfully proposed in the 2010 Budget and was introduced in September 2010, VED had an estimated annual revenue of £2 million.

For the 2011 Budget the Minister considered that as VED had only been in operation for a relatively short period, no changes to the duty should be proposed at that time, but agreed that an informal internal review of the duty should take place during 2011 to help inform decisions on proposals for the 2012 Budget.

The review has identified that the number and type of the new vehicles registered has not proved consistent with the original modelling used to formulate the duty banding and it is considered that the total VED yield for 2011 will be considerably below the original £2 million target.

It is not known to what extent the introduction of VED has influenced consumers' decisions on vehicle purchases but the current economic situation must also be a significant contributing factor.

The Minister has carefully examined various options to increase the revenue yield from VED. To minimise the effect on the motor trade industry in the current economic climate it is considered appropriate to propose a modest increase of 5% to the duty rates.

The proposed increase would, if the current trend continues, provide an additional £60,000 yield in 2012.

**VED tax revenue reduced in 2012 by -£55,000**

**Budget 2013 Statement regarding VED**

A low level Vehicle Emissions Duty (VED) was introduced in September 2010 with an estimated annual revenue yield of £2 million.

The number and type of new vehicle registered has not proved consistent with the original modelling used to formulate the duty banding and in 2011 the total yield for VED was just below £1 million, it is estimated that the yield will be similar in 2012.

It is not known to what extent the introduction of VED has influenced consumers' decisions on vehicle purchases, but the current economic situation must have also been a factor.

In addition it is apparent that the new vehicles are being manufactured with reduced carbon dioxide (CO<sub>2</sub>) emission figures. As a result these vehicles are falling into the lower revenue VED band of the band where the revenue collection is zero.

The Minister has previously examined various options to increase the revenue yield from VED, but, to minimise the effect on the motor trade, considers it only appropriate to propose modest percentage increase to the duty dates.

For 2013 the Minister proposes an increase of 5% to all VED bands.

The Budget proposals for VED rates are forecast to raise over £1,000,000 which would contribute an additional £50,000.

**2013 Income stayed the same as 2012.**

**Budget 2014 Statement regarding VED**

Vehicle Emissions Duty (VED) was introduced in September 2010 with an estimated annual revenue yield of £2 million.

The number and type of new vehicles registered has not proved consistent with the original modelling used to formulate the duty banding and in 2012 the total yield for VED was approximately £840,000. It is estimated that the yield will be similar in 2013.

It is not known the extent to which the introduction of VED has influenced consumers' decisions on vehicle purchases, but the current economic situation must have also been a factor. In addition it is apparent that new vehicles are being manufactured with reduced carbon dioxide (CO<sub>2</sub>) emission figures. As a result these vehicles are either falling into a lower revenue VED band or the band where the revenue collection is zero.

For 2014 the Minister proposes an increase of 5% to all VED bands.

As a result of the Budget proposals, the forecast is the annual duty collected for VED will total £924,000 in 2014. This would be £76,000 less than forecast in the MTFP and £126,000 less than forecast for 2013 in the 2013 Budget. This is mainly due to different numbers and types of vehicles being imported and registered to those originally modelled.

**VED tax revenue reduced in 2013 by -£78,000**

## APPENDIX 2

VED BANDS	120g or less	121-150g	151-165g	166-185g	186-225g	226-250g	251-300g	more than 300g	Total Vehicles with CO2 captured	Total Vehicles Registered in Year
2011	1782	2763	825	599	531	154	130	62	6846	8839
2012	1518	2370	513	437	473	112	99	59	5581	7456
2013	2014	1391	425	407	296	109	75	52	4769	6504
2014	2112	1312	443	320	269	70	84	33	4643	6544
2015 (up to 27/08/15)	2104	1184	276	192	214	37	49	25	4081	

VED BANDS	120g or less	121-150g	151-165g	166-185g	186-225g	226-250g	251-300g	more than 300g
2011	1,782	2,763	825	599	531	154	130	62
2012	1,518	2,370	513	437	473	112	99	59
Difference %	-17.39%	-16.58%	-60.82%	-37.07%	-12.26%	-37.50%	-31.31%	-5.08%
2013	2,014	1,391	425	407	296	109	75	52
Difference %	24.63%	-70.38%	-20.71%	-7.37%	-59.80%	-2.75%	-32.00%	-13.46%
2014	2,112	1,312	443	320	269	70	84	33
Difference %	4.64%	-6.02%	4.06%	-27.19%	-10.04%	-55.71%	10.71%	-57.58%
2015 (up to 27/08/15)	2,104	1,184	276	192	214	37	49	25
Difference %	-0.38%	-10.81%	-60.51%	-66.67%	-25.70%	-89.19%	-71.43%	-32.00%
2011 to 2014 diff	15.30%	-133.36%	-198.91%	-211.98%	-148.13%	-316.22%	-165.31%	-148.00%

Engine CC Bands	1000 or less	1001-1400	1401-1800	1801-2000	2001-2500	2501-3000	3001-3500	Over 3500	Total
2011	858	3392	2207	959	625	405	68	325	8839
2012	839	2563	1638	1037	631	353	75	320	7456
2013	1577	1322	1456	907	603	322	59	258	6504
2014	1687	1432	1308	836	634	324	55	268	6544

ELECTRIC / HYBRID >100g	ELECTRIC	HYBRID
2011	1	40
2012	3	26
2013	0	17
2014	0	28
2015 (up to 27/08/15)	0	15

ELECTRIC / HYBRID	ELECTRIC	HYBRID	USED ELECTRIC	USED HYBRID
2011	14	67	1	6
2012	47	59	10	5
2013	20	55	10	13
2014	35	77	17	16
2015 (up to 28/09/2015)	33	60	16	17

### Pathway to Paris: UN conference on climate change

Jersey's progress in reducing greenhouse gas emissions will be highlighted next week as climate change talks start in Paris.

France is hosting the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change from 30th November to 11th December 2015. An expected outcome of the conference is a new legally binding international agreement on climate change, with the aim of keeping global warming below 2°C. Under current global emissions trends, average global temperatures could rise between 3.7°C and 4.8°C by 2100.

Jersey recognises its international environmental obligations. By becoming a signatory (through the UK) to the Kyoto Protocol in 2005, the Island has committed to take a challenging and pro-active approach to reducing its carbon emissions. The UK and the EU have adopted a Kyoto target of an 80 per cent reduction in emissions from 1990 to 2050.

Pathway 2050: An Energy Plan for Jersey was approved by the States last year. It outlines the challenges in reducing energy use by 2050 and sets out policies and actions to work towards the Kyoto target by using secure, affordable and sustainable energy.

The Department of the Environment, working with other States departments, the private sector and other community organisations, has made progress in the following areas of the energy plan:

- Planned introduction of notably higher energy efficiency standards for new homes through building bye-laws to significantly improve energy targets for new buildings.
- A planned programme of improvement in the energy efficiency standards in social housing.
- Improved energy efficiency through behaviour change programme such as the 'Turn it off' energy campaign.
- Energy efficiency improvements in the public sector through the continued roll-out of the Eco-Active States programme and eco schools initiative.
- Support for the private sector through the eco active business scheme which helps businesses and organisations to improve their energy efficiency and resource use through a supported accreditation programme.
- Encouraging the uptake of ultra-low emission vehicles through subsidised parking and charging points in all car parks.
- ***Reduced rates of vehicle emissions duty.***
- Preparing the way for utility-scale renewable energy by securing the sea bed in the Island's ownership and maintaining dialogue with other Channel Islands and European partners.