Campaign for Better Transport representation to HM Treasury

Consultation on the introduction of electric Vehicle Excise Duty (eVED).

Response by Campaign for Better Transport March 2026.

About us

Campaign for Better Transport is the leading national transport organisation working across England and Wales to make transport better, greener and fairer. Our vision is for all communities to have access to high-quality, sustainable transport that meets their needs, improves quality of life, reduces inequality, and supports a vibrant, productive and decarbonised economy. With tens of thousands of supporters, we work with politicians, civil servants, and industry to influence national and local government to maintain, expand and improve the transport offering for all.

Since 2023, we have been convening a quarterly stakeholder forum of over 40 organisations interested in motoring taxation reform. The content of this submission is informed by discussions with forum members.

We welcome the opportunity to comment on Government policy on the Consultation on the Introduction of Electric Vehicle Excise Duty (eVED). Our primary focus is the scope and design of the proposal and the potential for technological opt-ins in the future.

1. **Do you have any views on the government's proposal for the design and scope of eVED?**

Campaign for Better Transport supports the introduction of eVED as a simple per-mile tax on electric vehicles (EVs) to replace fuel duty and help address the projected revenue gap in fuel duty created by the EV transition. We have advocated for the introduction of a pay-per-mile charge that mirrors fuel duty for EVs since 2022.[1] This was in alignment with recommendations in the Transport Select Committee report on vehicle taxation reform.[2] Continually foregoing fuel duty revenue would be fiscally unsustainable for the government, reducing its ability to invest in infrastructure improvements and public services to the benefit of millions of households.

In addition, the introduction of eVED will help stem a potential increase in congestion. Current forecasts predict up to 54% increase in UK traffic by 2060.[3] Not replacing fuel duty as a use-based tax for EVs, alongside cheap home charging tariffs, would risk creating very low-cost, low-carbon – and therefore guilt-free – driving, leading to people driving more overall to the detriment of public transport use, walking and cycling. Evidence from Norway suggests generous EV incentives have led to EV owners making 10-20% more car trips than petrol car drivers.[4] eVED would help mitigate this "rebound effect".

We welcome the design of the eVED as a simple scheme that is easy to understand and administer. It closely mirrors fuel duty – the tax it aims to replace - which is effectively a distance-based charge. Our work shows that a simple charge calculated based on odometer readings would mitigate any concerns related to data privacy and be widely supported by the public – EV drivers understand the need to pay tax for road use, and petrol and diesel drivers believe it is only fair for EV drivers to pay a fair share, albeit at a lower rate than fuel duty.[5]

We understand the concern that eVED could contribute towards undermining the EV transition. However, the rate at which eVED is set ensures that EV running costs remain lower compared to petrol and diesel cars. In addition, recent fuel cost rises driven by global events have further increased this differential, with petrol cars five times more affected by the energy crisis than EVs.[6] Delaying the introduction of eVED would make it harder to implement in future, as EV drivers make up a progressively bigger proportion of the population.

Instead, we believe any impacts on EV sales should be mitigated by targeted measures to further improve

their attractiveness. We welcome the incentives already implemented by HM Treasury, including the reintroduction of the Electric Car Grant and further funding for charging infrastructure.
However, further barriers remain for many when considering moving to an EV. These include:

- High upfront costs of purchasing an EV
- An under-developed second-hand market
- An inability to utilise cheaper home charging tariffs due to lack of access to off-street parking
- Higher cost of public charging – typical ultra-rapid public charging can cost 79p/kWh compared to 7p/kWh for home charging[7]
- An insufficient public chargepoint roll-out
- Public perceptions and misconceptions of EVs' overall cost, reliability and safety.

The following measures can help address some of these barriers to further boost EV uptake:

- Maintaining the Zero Emission Vehicle mandate targets and phase-out date
- Reducing VAT on public charging from 20% to 5% to reduce operating costs for people who cannot access home charging tariffs
- Targeted grants, low-interest loans, VAT reductions or scrappage schemes for end-of-life petrol and diesel vehicles to support the second-hand market
- A social leasing scheme with preferential rates for low-paid key workers
- Continued investment in charging infrastructure
- Supporting and expanding car clubs and car share schemes.

Providing clear messaging around pricing, monitoring mechanisms and timelines for rollout to consumers and manufacturers will provide the certainty and stability needed for EV investment.
There may be an opportunity for a more sophisticated pricing structure to account for additional factors, as the eVED scheme and the EV market both continue to mature. This could include charging a graded rate based on vehicle weight in a similar way that VED rates account for emissions. This would help incentivise the use of smaller and less resource-intensive EVs compared to larger vehicles and hybrids.
The inclusion of vans within the scheme will also need to be considered in future. 'Dual-purpose vehicles', designed to carry both passengers and goods, are already defined for differential speed limits,[8] and they currently account for 19% of total vans on UK roads.[9] Their exclusion from the eVED scheme at present could lead to a rise in their uptake, further exacerbating the current trend towards larger vehicles.

2. **What should the government consider when developing guidance that supports motorists to estimate their mileage?**

The government should ensure the guidance provides clear messaging on how to conduct mileage estimates and how to submit payments, as confusion fosters misinformation and reluctance (or inability) to comply. This is particularly important around mileage estimates for newer vehicles and the responsibility for drivers to attend mileage verification at MOT centres before the vehicle's first mandatory MOT. Iceland has already implemented a scheme similar to eVED. Its website provides clear information on the scheme's rationale and operation, and can serve as an example for public engagement in the UK.[10]

3. **How could technology make eVED easier and simpler for businesses and motorists to comply with?**

The odometer read solution is relatively easy to implement and simple for people to understand. It also has the benefit of not requiring technology that tracks the vehicle's location, which means drivers do not need to be concerned about potential privacy breaches. The downside is that this system is not very sophisticated. For example, people who regularly travel abroad may consider it unfair to still be charged for mileage driven outside of the UK. Also, plug-in hybrid electric vehicle (PHEV) drivers would pay a flat 50% rate regardless of the actual proportion they drive in electric mode. In addition, a system based on odometer checks can be more prone to tampering.
A possible alternative is a system that records mileage directly via the vehicle's on-board telematics. Telematics technology, which includes an in-built SIM card and GPS and enables eCall (an automatic call to the emergency services in the event of an accident), has been required by law all new cars in the UK and Europe since April 2018.
Instead of requiring motorists and businesses to estimate and pay for mileage in advance, the correct mileage can be communicated to the charging authority and precise payment taken on a regular (potentially monthly) basis. This removes the need of reconciliation, with MOT visits only used for

verification purposes. This system could be made "privacy friendly" by limiting the information provided to what is required to calculate the correct mileage, rather than sharing location or other sensitive information, alongside enhanced encryption protocols.
Many countries currently utilise telematics or in-vehicle devices for pay-per-mile tolls or road use charges. New Zealand is transitioning to a mandatory, distance-based electronic Road User Charges (e-RUC) system for all vehicles by 2027 to replace fuel duty, likely based on an app and in-car devices that log the distance travelled and facilitate payment.[11]

4. **Would you support the consideration of technological solutions on an opt-in basis, in future?**

While the simple odometer read option will appeal to many, others would prefer the more sophisticated technology option. In fact, our research suggests there are near identical levels of support for the use of telematics and for odometer readings.[12] We suggest that telematics could operate on an opt-in basis for people who prefer this more precise approach. Having both options available side by side means drivers can choose what suits their preference best.
Motorists would have the benefit of paying a precise amount, potentially on a monthly basis, rather than estimating their mileage at the start of the year requiring a subsequent reconciliation. In addition, this would enable more accurate charging for mileage in the UK and exclude driving abroad.
Telematics technology can also enable hybrid vehicle drivers to be charged more precisely for the mileage in electric mode. While the current eVED design assumes PHEVs drive half the time in battery mode and half using fuel for the sake of simplicity, studies suggest that mileage driven in electric mode for private PHEVs range between 26-54%, although for shorter journeys the proportion can be higher.[13]

5. **What should the government consider when designing the system for managing under and over payments of eVED?**

The government should consider how payment schedules affect low-income vehicle users. We therefore welcome the option to either pay upfront or split into smaller monthly payments via Direct Debit. Overpayment reimbursements should be processed quickly, and drivers should have clear information about the reimbursement schedule. Failure to do so risks deterring many drivers from switching to EVs.

6. **The government intends to engage with garages on MOT fees and the costs of mileage checks. Are there other steps the government should take to support MOT garages to prepare for eVED?**

The government should engage with industry and car-sharing representative organisations to help identify any significant challenges posed by these engagement strategies.

7. **Do you agree that MOT garages are well placed to be accredited providers of mileage checks?**

Yes, MOT garages are well-placed to provide mileage checks to verify the mileage motorists should be charged for at the end of the year. However, as explained above, this method has downsides, and a technology-based option should be provided for motorists who prefer to be charged based on their actual mileage on a monthly basis without the need for reconciliation after the MOT check. The latter can still be used for verification purposes.

8. **Are there alternative approaches for checking mileage in the first three years after a car is registered (pre-MOT age)?**

Yes, the onboard telematics option outlined above can provide an alternative, enabling taxable miles to be reported monthly, supporting accurate and timely direct debits.

9. **What impact will the proposed approach for eVED collection have on fleets and leasing businesses?**

As eVED is a mileage-based tax, the impact on high-mileage users – such as taxi drivers, businesses with large fleets and other fleet operators – would be greater, increasing their operational costs and adding to administrative burdens. However, this reflects the current arrangements with fuel duty, whereby the same rate applied to all vehicles, whether they are a private or commercial vehicle. Moreover, vans and lorries would not be liable for eVED under the current proposals, limiting the impact on fleets.
Car clubs have higher proportion of EVs in their fleets than the general population uptake, enabling affordable EV use without the demands of ownership, while reducing congestion. eVED would increase

costs for car clubs and private hire companies' electric cars compared to now, which may affect their rate of moving to EVs in the future. Applying eVED to current leasing contracts would reduce the residual value of the vehicles for leasing companies at the end of their term.

10. **What should the government consider to minimise administrative burdens and complexity for these businesses?**

To limit the impact outlined in response to question 9, a limited exemption or a reduced rate could be considered for currently leased vehicles and car clubs. Concise guidance tailored to fleets and leasing firms on acceptable mileage estimation methods, record-keeping and audit expectations would help companies build light-touch internal processes. The use of telematics on an opt-in basis would also reduce administrative burden and error risk.

11. **What should the government consider to ensure the overall approach to tax reporting and collection is fair?**

The government should ensure that information on how to report and pay are transparent and made available through accessible channels. The current proposal is for vehicle owners to have the same set of payment options for eVED as are currently available for VED, which is welcomed. However, the ways in which drivers notify the DVLA on change in mileage must be clear and straightforward.

There is a case for broader reform of vehicle taxation to improve fairness. Set tax rates are inherently regressive, presenting a higher burden on low-paid households as a proportion of their income. For example, previous decision to continually freeze fuel duty has exacerbated inequality, as the richest tenth of households saved nearly three times as much as the poorest tenth.[14] Alongside the return to annual inflation-related uprating of fuel duty, incentives such as social leasing schemes and grants targeted at low-income households should be considered. Our research on home care workers shows that 71% rely on their cars for work, with many driving over 600 miles per month, yet low pay and high EV upfront costs mean they cannot afford the switch.[15]

12. **Which life events and other considerations should the government consider when building flexibility for changes in circumstances into the eVED scheme?**

We support the suggested list of life events associated with the vehicle.

13. **Do you agree with the proposed approach for car lifecycle events?**

Yes, we agree.

14. **Is there anything further the government should consider when designing the arrangements for car lifecycle events?**

No.

15. **What should the government consider when developing an overall compliance approach to prevent user error, avoidance and fraud?**

We support the government's approach to preventing error, avoidance and fraud.

16. **What should the government consider when designing the penalties regime within eVED, to ensure fairness to all motorists?**

The government should ensure that any penalty notice provides adequate time for repayment and offers a fair appeals process. Some drivers may require additional support to prevent error in reporting and payment (older individuals or those with disabilities), therefore any action taken (penalties, court prosecutions and fines) should make necessary accommodations.

References

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