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ELECTRIC VEHICLE EXCISE DUTY – DRAFT FINANCE BILL 2026-27 MEASURES

Response by Association of Taxation Technicians

1 Introduction

1.1 The Association of Taxation Technicians (ATT) is pleased to have the opportunity to comment on the draft Finance Bill 2026-27 measures[1], published on 13 July 2026, which introduce a new Electric Vehicle Excise Duty (eVED) from April 2028 (the 'draft legislation').

1.2 We have restricted our comments below to a key area of the draft legislation – the definition of an 'eVED vehicle'. We believe the current definition could cause confusion and open the door for future challenges by taxpayers and manufacturers.

1.3 The primary charitable objective of the ATT is to promote the education and study of tax administration and practice. We place a strong emphasis on the practicalities of the tax system. Our work in this area draws heavily on the experience of our members who assist thousands of businesses and individuals to comply with their taxation obligations.

1.4 We would be pleased to discuss any aspect of this submission further. Relevant contact details can be found in Section 5.

2 Comments on definition of 'eVED vehicle'

2.1 Clause 4 of Schedule 1 of the draft legislation introduces a new s6A into VERA 1994 which seeks to define what is an 'eVED vehicle' and therefore subject to the new charge.

2.2 S6A(1) defines an eVED vehicle as one which:

- is a 'light passenger vehicle';
- is a zero-emission vehicle or 'plug-in hybrid vehicle'; and
- is not a 'special purpose vehicle'.

[1] https://www.gov.uk/government/publications/electric-vehicle-excise-duty-eved

We comment below on two specific terms in this definition – 'light passenger vehicle' (see section 3) and 'plug-in hybrid vehicle' (see section 4).

3 Light passenger vehicle

3.1 A light passenger vehicle is defined for these purposes as 'a motor vehicle designed and constructed primarily for the carriage of passengers, with no more than eight seats in addition to the driver's seat'.

Our main concern is that this new definition could lead to confusion and is open to challenge.

3.2 We note that there is already a definition of 'light passenger vehicle' in Paragraph 1A(2) of Sch1 VERA 1994 which differs from that suggested in new s6A. Having two different definitions of the same term in the same Act does not seem sensible.

If it is not possible, or desirable, to follow the existing definitions provided for in VERA 1994, we would encourage a different term to be used in new s6A other than 'light passenger vehicle'.

3.3 We are also concerned that the current definition in s6A could cause confusion and raise the prospect of drivers and/or vehicle manufacturers challenging the classification of a vehicle for eVED purposes. In particular the phrase 'designed and constructed primarily for the carriage of passengers'.

3.4 Whether or not a vehicle is 'primarily' for moving goods or people has been the subject of much debate in the employment taxes space. For benefit in kind purposes, a vehicle will generally attract a much higher tax liability if it is classed as a company car, rather than a company van.

S115(1) ITEPA 2003 states that a vehicle will be a car for benefit in kind purposes unless it falls into an excluded category. One of those categories is goods vehicles, which are defined as vehicles 'of a construction primarily suited for the conveyance of goods or burden of any description'.

In recent years a number of tribunal cases have considered whether specific vehicles, including dual cab pick ups and off-road vehicles, were goods vehicles and therefore subject to the lower 'company van' benefit in kind charge. Most notably, the Court of Appeal was asked to consider in *Payne & Ors (Coca Cola) v R&C Commrs [2020] BTC 19* the meaning of 'construction' and 'primary suitability'. This remains a nuanced point, and the treatment of dual cab pick ups was only eventually settled by HMRC issuing specific guidance[2] on their treatment from April 2025. It is not clear how, or if, the principles derived from employment taxes caselaw and existing guidance can be applied to eVED.

3.5 We believe that the focus on primary design in the new definition opens the possibility of similar arguments and discussion regarding the scope of eVED. We would therefore strongly encourage the Treasury to consider reconsidering how they define vehicles in scope, and to use existing definitions within VERA 1994 wherever possible.

[2] https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim23151

4 Plug-in hybrid vehicle

4.1 New s6A(2)(b) defines a plug in hybrid vehicle as one where:

i. the motive power of the vehicle is capable of being derived from an electrical source external to the vehicle, but
ii. the motive power of the vehicle is also capable of being derived from other sources.

We believe this definition is unclear and may lead to uncertainty.

4.2 As a general drafting point, we believe that the use of 'but' makes the definition in s6A(2)(b) unclear, and that it would read better if 'and' were used. The explanatory notes say that *"A plug-in hybrid is a vehicle that is partly powered by an electric battery that can be plugged in to charge, but which also has another source of power."* A similarly phrased positive definition should be adopted in the legislation.

4.3 We also believe the current definition is open to challenge and creates uncertainty in certain cases. For example, would a plug in electric vehicle which is also capable of charging its own battery through regenerative braking meet both of these conditions and therefore be classed as a plug in hybrid vehicle? The condition in part (i) is met as the car can be plugged in to charge, but the recharging through ordinary driving is also arguably power derived from another source within part (ii).

4.4 Similarly, would an electric car with external solar panels meet the definition? The solar panels, if fixed to the car, are not an 'electrical source external to the vehicle' so would appear to fall within part (ii).

4.5 We would recommend that the definition of plug in hybrid vehicle in new s6A(2)(b) be tightened to avoid any ambiguity, perhaps by specifically referencing petrol or diesel engines in part (ii) of the definition.

5 Contact details

5.1 We would be pleased to join in any discussion relating to this consultation. Should you wish to discuss any aspect of this response, please contact Emma Rawson (erawson@att.org.uk)

The Association of Taxation Technicians

6 Note

6.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government and academia.

The Association has more than 10,000 members and Fellows together with over 7,000 students. Members and Fellows use the practising title of 'Taxation Technician' or ‘Taxation Technician (Fellow)’ and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.