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CONSULTATION ON THE INTRODUCTION OF ELECTRIC VEHICLE EXCISE DUTY (EVED)

Response by Association of Taxation Technicians

1 Introduction

- 1.1 The Association of Taxation Technicians (ATT) is pleased to have the opportunity to respond to the HM Treasury consultation 'Introduction of Electric Vehicle Excise Duty (eVED)' ('the Consultation') issued on 26 November 2025¹.
- 1.2 The ATT has submitted its response to the Consultation using the online form². For reference, the content of our response is reproduced below.
- 1.3 We would be pleased to discuss any aspect of this submission further. Relevant contact details can be found in Section 4.

2 About you

2.1 What is your name?

2.2 Association of Taxation Technicians

2.3 What is your email address?

2.4 atttechnical@att.org.uk

2.5 Which category in the following list best describes you?

2.6 A professional body

The Association has more than 10,000 members and Fellows together with over 7,000 students.

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.

¹ <https://www.gov.uk/government/consultations/consultation-on-the-introduction-of-electric-vehicle-excise-duty-eved>

² <https://www.smartsurvey.co.uk/s/eVEDconsultation/>

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.

The Association is UK based.

This response is informed by the experiences of our members. We contacted members by email to request their views, and the feedback received has been reflected in this consultation response.

2.7 **Would you like your response to be confidential?**

2.8 No

3 **eVED design, liability and collection**

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

3.2 We recognise the rationale behind the proposed policy measure. As Electric Vehicle (EV) uptake is expected to increase as the UK moves towards phasing out the sale of new petrol and diesel vehicles, fuel duty revenues have declined and will continue to fall significantly. It is therefore reasonable for the Government to consider suitable measures to replace this revenue.

Whilst this is an understandable goal for the Government, it is unclear as to how eVED as currently proposed will be a viable alternative to fuel duty given the Budget 2025 forecasts³ that eVED is expected to raise £1.865bn in 2030–31, compared with the more significant reduction in fuel duty revenue of £12bn by the 2030s. Fuel duty revenue will also continue to decline over time thereafter as the number of second hand petrol and diesel vehicles reduces. As VAT is charged on the price of petrol and diesel including fuel duty, this further increases the lost revenue to the Exchequer to be covered.

We would therefore urge the Government to reconsider its long-term approach and undertake significant reform that better aligns with wider policy objectives for vehicles of all fuel types and ensures that reduced fuel duty revenues are sustainably replaced. We also urge the Government to carry out further consultation and dedicate resources to learning from other jurisdictions that have implemented similar measures.

In addition, we believe that the current proposal raises several issues that merit further consideration.

Perception risk

The decision to introduce "eVED" exclusively for EVs and Plug in Hybrid Electric Vehicles (PHEVs) risks being perceived as a targeted tax on EVs, rather than a reform to replace declining fuel duty. Another perception is that drivers of EVs are being expected to pay for the cost of road maintenance and repairs required as the result of the usage of drivers of vehicles with all fuel types.

The measure to introduce eVED singles out EV drivers, which has:

- Reinforced negative narratives around EV affordability and potential resale values,
- Affected consumer confidence, and
- Attracted media scrutiny focused specifically on EVs.

³ <https://www.gov.uk/government/publications/budget-2025-document/budget-2025-html>

In practice, what is being introduced is a form of Mileage Excise Duty (MED). If the Government was instead to frame and design this as a broader long-term reform applicable to all vehicles, it would enable a more constructive debate about fairness, rates, and long-term sustainability, rather than appearing as an additional charge on EVs which could affect their attractiveness compared with petrol and diesel vehicles.

We would recommend that the Government considers and consults on alternative options to the current proposed eVED, using the experiences of other jurisdictions that have implemented similar measures to inform its decision. One possible approach could be replacing fuel duty with MED for all vehicles, which would enable the Government to charge a higher rate per mile for petrol and diesel vehicles, which would then act as an incentive for drivers to move to EVs as part of achieving the Government's Net Zero goals.

In any case, we would recommend that the Government re-considers the naming of the measure, as EVs already pay Vehicle Excise Duty (VED). The name eVED risks causing confusion, as it could be interpreted as being a replacement for VED for EVs, when in fact it is an additional charge on top of VED.

Impact on EV sales

The Office for Budget Responsibility (OBR) expects the measure to result in reduced sales of EVs, forecasting 440,000 fewer EVs (with 320,000 of this offset by the expected increase in sales due to other Budget measures).⁴ As well as direct EV sales, the introduction of eVED might also impact on the appetite for employers to offer salary sacrifice schemes for EVs.

Other jurisdictions that have implemented similar measures have faced a decline in EV sales:

- **Iceland:** When a kilometre-based fee for EVs and PHEVs was introduced in early 2024, initial reports indicated significant reductions in new EV sales, with some sources suggesting a drop of up to 50% compared to the previous year. Iceland has now expanded the fee to all road vehicles from 2026, mitigating perception issues but highlighting the sensitivity of EV markets to targeted charges⁵.
- **New Zealand:** In April 2025, New Zealand introduced a "Road User Charge" for EVs. Early analysis suggests that EV sales declined following the introduction of the charge, even where broader incentives remained in place⁶.

These cases demonstrate that introducing a mileage-based charge exclusively for EVs risks slowing take up of EVs. While taxation is only one factor influencing consumer behaviour, targeted charges can have a measurable effect, and the UK should consider these lessons carefully to avoid undermining the Government's Net Zero objectives.

Design

Fuel duty indirectly rewards efficiency: drivers of more fuel-efficient vehicles pay less per mile. Under the current proposal, eVED introduces a flat 3p per mile rate (1.5p per mile rate for PHEVs) regardless of vehicle efficiency, weight, or energy consumption. It may therefore be worth exploring whether the design of eVED could better reflect vehicle efficiency to maintain an incentive structure aligned with Net Zero goals.

⁴ https://obr.uk/docs/dlm_uploads/OBR_Economic_and_fiscal_outlook_November_2025.pdf

⁵ <https://www.cittimagazine.co.uk/news/road-user-charging-tolling/iceland-moves-to-nationwide-fuel-neutral-per-kilometre-charging-for-all-road-vehicles.html>

⁶ <https://cleantechnica.com/2025/10/19/what-happened-to-ev-sales-in-new-zealand-september-update/>

Applying eVED to EVs and PHEVs only risks creating further complexity. A more coherent approach may be to carry out a broader reform and develop a mileage-based system applying across all vehicle types. This would:

- Avoid the perception of singling out EVs,
- Provide long-term revenue sustainability for the Government, reducing the need for incremental “patching” of a declining fuel duty base,
- Encourage drivers to choose EVs before the sale of new petrol and diesel cars has been stopped, and
- Provide an opportunity to align better with Net Zero and industrial strategy objectives.

Access to affordable, reliable charging facilities

Many EV drivers without off-street parking face high charging costs. Where charging facilities are available, those facilities are often of variable quality, particularly in rural areas. Whilst the Government committed an additional £100 million in the Budget towards infrastructure, some might argue this is not enough and it will take time before drivers have full confidence in the reliability of public charging facilities, particularly where they are travelling longer journeys on a regular basis.

Introducing eVED before resolving these issues is unfair. It also adds to the costs of those already facing higher running costs following EVs being required to pay the standard VED and the expensive car supplement from 1 April 2025. We welcome the announcement that the Government will be launching a consultation on permitted development rights for cross-pavement EV charging, which will make gaining access to EV charging quicker and cheaper for households without driveways.

Mileage driven outside the UK

eVED applies to total recorded mileage, irrespective of where driving takes place. Unlike fuel duty, which is paid on UK-purchased fuel, this approach may result in UK taxation of mileage driven abroad. This will be of particular concern in Northern Ireland, where drivers may cross the border on a regular basis.

The government may wish to consider whether a mechanism for deducting verifiable overseas mileage would be appropriate, particularly for drivers undertaking regular international travel. Iceland has introduced a similar measure⁷.

Interaction with employment taxes issues

eVED will increase the costs of running an EV in the UK. The HMRC advisory fuel rates⁸ for company cars has a separate rate for reimbursing mileage travelled in EVs and PHEVs. We would suggest that the additional cost per mile of running an EV is taken into account when determining the EV advisory fuel rates, given that the fuel price (which will be inclusive of fuel duty) is taken into account in the advisory fuel rates for petrol and diesel vehicles.

As noted in our Budget Representation⁹ on the mileage allowance that can be paid to/claimed by employees using their own car for work, the existing rates have been unchanged for over 14 years. Whilst we believe that these need to be increased for all vehicles, the additional cost of running an EV or PHEV also needs to be better reflected in those rates.

⁷ <https://www.cittimagazine.co.uk/news/road-user-charging-tolling/iceland-moves-to-nationwide-fuel-neutral-per-kilometre-charging-for-all-road-vehicles.html>

⁸ <https://www.gov.uk/guidance/advisory-fuel-rates>

⁹ https://www.att.org.uk/sites/default/files/2025-10/att_representation_on_mileage_allowances_autumn_budget_25.pdf

Plug-in Hybrid Vehicles (PHEVs)

While the reduced 1.5p per mile rate recognises that PHEVs continue to pay fuel duty when operating in petrol mode, the flat assumption that 50% of mileage is electric may not be an accurate reflection of actual usage. Some PHEV drivers predominantly use petrol mode, potentially resulting in combined fuel duty and eVED liabilities that exceed those of conventional petrol vehicles. Indeed, the electric range on some PHEVs is such that the majority of the mileage travelled on longer journeys will be from using petrol. This creates both fairness and perception risks and the current proposal does not reflect the nature of usage of PHEVs. Moving to MED for all fuel types would remove this perceived unfairness as PHEVs would be treated consistently with petrol and diesel vehicles.

We consider the 1.5p per mile rate to be excessive and recommend that it be reduced or that its introduction be deferred until pure electric range has improved to a level that makes longer journeys in PHEVs practical, alongside improved access to charging infrastructure, including home charging solutions for those without off-street parking.

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

3.4 Guidance should be clear and simple, ensuring that motorists can estimate their mileage without fear of penalty if their actual usage differs from their reasonable estimate.

Motorists should not be required to perform detailed calculations, maintain daily logs, or reconcile mileage with MOT records. Guidance should focus on straightforward methods for estimating annual mileage, such as referencing previous year's usage.

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

3.6 Where possible, the Government should explore the use of technology to simplify eVED reporting and payment processes.

Many modern vehicles have internet connectivity, allowing them to contact emergency services in the event of an accident. A similar system could be used to report mileage on an opt-in basis, allowing drivers to choose whether their vehicle automatically submits mileage data. We recommend that the Government consults with specialists in the motor industry to determine how technology could be most effectively integrated. Any technology-based solutions should remain optional, and the Government should ensure that support is available for those motorists who are digitally excluded or unable to afford access to technology solutions.

Whilst motorists should not be required to maintain daily logs, the Government could consider devising an app that they could use to record their mileage during the year and at the annual declaration, if they so wish.

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

3.8 Yes, as long as proportionate and appropriate protections and alternatives are in place.

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

3.10 We strongly suggest that motorists are given the option to receive refunds of eVED overpayments. It would be fairer to give motorists this option, instead of it being carried forward to the next year. If the level of mileage in subsequent years reduced, it is possible that there could be a significant delay in the motorist receiving the

benefit of the credit and this could give an incentive for motorists to understate mileage to avoid this being an issue.

We welcome the options for flexibility for balancing payments for underestimated mileage, allowing payments to be spread over the following year or made in a single adjustment. As eVED is in effect calculated on estimated mileage, the motorist should not be penalised in any way for underestimated mileage.

Communications and guidance should clearly explain how under and over payments are calculated and how motorists can manage any adjustments. Motorists should have access to sufficient information to determine how under and over payments have been calculated.

Whether interest is payable / receivable on under / over payments should also be considered carefully. We note that HMRC's current late payment interest rates are very high (base rate + 4%) and we would not like to see such high rates apply to underpayments where a driver has made a reasonable estimate of their mileage. This is especially the case if underpayments will be repaid over the course of a year.

3.11 Question 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?

3.12 The proposal to use MOT test centres as accredited providers to verify mileage for eVED compliance will utilise existing infrastructure, however there are several practical issues that need addressing:

Misalignment of eVED and MOT timing: eVED reporting periods will do not necessarily coincide with MOT dates (for instance, where a vehicle has been registered at some point as off the road via a SORN), and vehicles under three years old are not required to have an annual MOT. This misalignment may make it difficult to ensure that motorist-supplied mileage estimates are accurate and verifiable. The annual data may not reflect mileage at the point of VED payment, creating potential inconsistencies.

Need for a clear correction process: There should be a straightforward, accessible mechanism for motorists to correct mileage readings in cases of genuine errors.

Impact on MOT centres and costs: While the government intends to fund the additional mileage checks, care should be taken to ensure that MOT test centres do not pass on any actual or perceived administrative costs to motorists beyond the cost of the MOT test. If the process becomes burdensome, there is a risk that MOT centres will lobby for the maximum cost for a MOT to be increased in order to pass costs on to motorists. In some cases, the additional administration may result in garages who operate MOT centres choosing not to offer that service, reducing choice and availability for motorists.

Accredited providers: The Government should consider whether additional "accredited providers" beyond MOT centres are necessary, given that MOT centres are already trusted partners with mileage data readily available. Introducing accredited providers could increase administrative complexity and cost, this should be proportionate to the expected eVED revenue generated.

3.13 Question 7: Do you agree that MOT garages are well placed to be accredited providers of mileage checks?

3.14 (see Question 6).

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

- 3.16 A simpler alternative would be a fixed annual charge for pre-MOT years. This reduces administrative burden, and avoids extra costs for motorists or garages. A reconciliation could then be carried out once the vehicle undergoes its first MOT or changes ownership.
- 3.17 **Question 9: What impact will the proposed approach for eVED collection have on fleets and leasing businesses?**
- 3.18 Fleet operators will face increased administrative burdens in collecting accurate mileage data from multiple drivers. Without clear systems, there is a risk of delays or errors in payments and reconciliations, which could create operational and reputational issues.
- 3.19 **Question 10: What should the government consider to minimise administrative burdens and complexity for these businesses?**
- 3.20 We support the idea of providing an option for bulk or centralised reporting and payment. It will be essential that the Government engages with affected stakeholders to understand the practical challenges the proposed eVED system introduces.

Where bulk or centralised reporting is used, there should be the option to credit an overpayment of eVED on one vehicle against an eVED liability on another in the fleet.

- 3.21 **Question 11: What should the government consider to ensure the overall approach to tax reporting and collection is fair?**
- 3.22 It is inherently unfair that lessors are legally responsible for eVED, as the tax is based on mileage rather than vehicle ownership. Lessors will need to incorporate the cost into lease agreements, but for existing contracts, they may have limited or no ability to pass charges on. This could result in lessors bearing costs they cannot reasonably recover. In addition, any attempt to pass eVED on to the customer will form part of the taxable supply and will therefore be subject to 20% VAT. This VAT will not be recoverable for individuals and is typically subject to a 50% restriction for businesses. As a result, passing eVED costs on to customers are likely to increase the cost of leasing EVs, which could undermine broader government policy objectives around EV adoption and Net Zero.
- 3.23 **Question 12: Which life events and other considerations should the government consider when building flexibility for changes in circumstances into the eVED scheme?**

Motorists should not be penalised for unforeseen changes in driving patterns, such as changes in commuting, relocation, illness, or lifestyle events. Guidance should explicitly recognise that mileage estimates are based on the information available at the time of eVED payment, and that changes in usage during the year are a normal and expected part of the process.

Whilst different forms of taxation, the Government should consider adopting a similar approach to what is used for Income Tax payments on account under self-assessment¹⁰ where a motorist has become aware that their mileage estimates have been overstated. If motorists were able to update their estimate during the year, this may allow them to reduce their eVED payments if their circumstances change. If they became aware that their mileage levels had increased, they should not be obliged to increase their eVED payments unless they previously requested for them to be reduced.

Whilst there is a suggestion in the Consultation that there may be a mechanism for the DVLA to have a fully automated system for payment adjustments and refunds “in due course”, it would be fairer to motorists if such

¹⁰ <https://www.legislation.gov.uk/ukpga/1970/9/section/59A>

a system could be in place before the introduction of eVED . Alternatively, the Government could delay the implementation of eVED until such times as such a system could be in place.

3.24 Question 13: Do you agree with the proposed approach for car lifecycle events?

3.25 The proposal for mileage already paid to remain with a vehicle when it changes ownership is a departure from the existing approach for VED since the abolition of tax discs in 2014. It appears inconsistent that a motorist would receive a refund of unused full months of VED paid when they sell their vehicle (for instance, if they have paid a year in advance), but there is no adjustment of the mileage charge under the eVED being proposed, regardless of whether this is an over or under payment.

At present, the seller of a vehicle has the option to note the mileage of the vehicle when notifying the DVLA about the transfer. The Government could instead make this a mandatory field, so that the buyer and seller could pay any eVED liability based on their actual mileage rather than mileage travelled by another motorist.

3.26 Question 14: Is there anything further the government should consider when designing the arrangements for car lifecycle events?

3.27 While eVED is a mileage-based charge, we recognise the administrative simplicity of aligning liability with the registered keeper, consistent with the existing VED framework. However, where prepaid mileage or mileage deficits remain attached to a vehicle on sale or transfer, the Government should ensure that mechanisms are in place to prevent unfair outcomes. These could include unrecoverable overpayments, double payments, or disputes between buyers and sellers.

It is unreasonable to assume that the eVED status of a vehicle—whether it carries pre-paid mileage or a mileage deficit—will be reflected in the sale price. The administrative burden of attempting to adjust sale values for eVED would far outweigh any realistic price change, making the current proposal unfair. This is especially the case in private sales of EVs between drivers, who may have much lower awareness and understanding of the rules than second hand car businesses. There is a risk that such private sales could result in unexpected liabilities being passed to the purchaser, in turn damaging confidence in the second hand EV market and reducing take-up. Not all drivers will be able to afford to purchase or lease a new EV, so a functioning second hand market is essential if the Government is to succeed in eventually phasing out petrol and diesel vehicles.

Furthermore, where a taxpayer sells their vehicle and purchases another, it is likely that they will incur eVED liabilities twice, despite eVED being intended as a tax on the miles they are expected to drive. We strongly recommend further consultation on how the Government intends to prevent this double taxation.

In addition, where a taxpayer opts to pay eVED monthly, there will be at least a perceived unfairness as they may find themselves making two monthly payments during the transition from one vehicle to another.

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

3.29 Administrative burden

The requirement to estimate mileage, make advance payments, and then reconcile annually may increase the risk of error and non-compliance.

The administrative cost to DVLA, motorists and MOT providers should be carefully weighed against revenue benefits. It is currently unclear whether the Government has factored in the compliance costs when calculating the revenue generated by eVED.

3.30 Question 16: What should the government consider when designing the penalties regime within eVED, to ensure fairness to all motorists?

As eVED is in effect calculated on estimated mileage, the taxpayer should not be penalised in any way for underestimated mileage where they have made a reasonable attempt at coming up with an estimate, or their circumstances have subsequently changed.

4 Contact details

- 4.1 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 us at atttechnical@att.org.uk.

The Association of Taxation Technicians

5 Note

- 5.1 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.

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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.