

IMPORTANT INFORMATION FOR CUSTOMERS ABOUT CHANGES TO ROAD FUND LICENCE

The methodology by which Road Fund Licence is calculated is changing on 1 April 2017. This document explains what is changing and what this means for customers.

BACKGROUND

In the summer 2015 Budget Statement, the Chancellor announced that reforms to Road Fund Licence (RFL) would be introduced in April 2017. The changes only apply to cars registered on or after 1 April 2017 and all vehicles registered before this date will be unaffected by the changes.

The changes are intended to make RFL costs fairer for motorists by ensuring that those who can afford a 'premium' vehicle pay more. The reforms are intended to be cost neutral from a Government perspective. The new regime should raise broadly the same level of funds as the existing scheme, but will provide a more sustainable revenue stream for the Government.

WHAT IS CHANGING?

The existing methodology for calculating RFL charges is being replaced with an entirely new system, aimed at making the costs fairer for motorists. The key changes include:

- The first licence rate will continue to be based on CO₂ emissions, but the bandings are changing
- A standard rate of £140 will apply to all cars from the second licence onwards, with the exception of zero CO₂ emitting cars where the standard rate will be £0
- An additional charge of £310 per year will apply from the second licence for a period of 5 years for any car with an 'RFL List Price' over £40,000. After 5 years the RFL will revert back to the standard rate
- Cars with an 'RFL List Price' over £40,000 but which emit zero CO₂ will still have to pay the £310 additional rate for a period of 5 years from the second licence, but will revert back to the £0 rate after 5 years
- Alternative Fuel cars will continue to receive a £10 reduction on RFL rates

WHAT IS THE 'RFL LIST PRICE'?

As the new scheme includes a £40,000 'RFL List Price' threshold at which a substantial additional charge will be incurred, it is important to understand how this 'RFL List Price' is calculated.

What is included

- Manufacturer List Price including VAT as at the day before the vehicle is first registered
- Option prices including VAT applicable as at the day before the vehicle is first registered (as fitted by the manufacturer)
- Delivery charges including VAT, including any pre-delivery inspection charges (where applicable)

In the case of electric cars, the 'RFL List Price' is calculated before any OLEV grant is applied.

It is also worth noting that any options which have been set up to be P11D exempt will NOT be exempt from the 'RFL List Price' calculation.

What is not included

- First registration fee and the cost of the first licence
- Warranty/insurance and servicing packages
- Options fitted by the dealer or another third party
- Modifications such as police packs or fire engine/ambulance modifications
- Modifications for disabled drivers

WHAT ARE THE EXISTING RFL CHARGES...?

RFL costs for cars registered before 1 April 2017 will continue to be assessed based on the existing methodology, with costs likely to continue to be subject to annual incremental charges. RFL costs under the existing regime for this year are as follows:

VED Band	CO ₂ emissions (g/km)	2016/17 First Year Rate [#]	2016/17 Standard Rate [#]
A	Up to 100	£0	£0
B	101 – 110	£0	£20
C	111 – 120	£0	£30
D	121 – 130	£0	£110
E	131 – 140	£130	£130
F	141 – 150	£145	£145
G	151 – 165	£185	£185
H	166 – 175	£300	£210
I	176 – 185	£355	£230
J	186 – 200	£500	£270
K	201 – 225	£650	£295
L	226 – 255	£885	£500
M	Over 255	£1120	£515

[#] alternative fuel discount of £10 on all qualifying cars

... AND HOW DOES THIS COMPARE TO THE NEW RFL CHARGES?

Cars registered on/after 1 April 2017 will be subject to the new RFL regime as shown in the table below. Cars registered before this date will be unaffected by the changes.

CO ₂ emissions (g/km)	First Year Rate [#]	Standard Rate ^{##}
0	£0	£0
1 – 50	£10	£140
51 – 75	£25	£140
76 – 90	£100	£140
91 – 100	£120	£140
101 – 110	£140	£140
111 – 130	£160	£140
131 – 150	£200	£140
151 – 170	£500	£140
171 – 190	£800	£140
191 – 225	£1200	£140
226 – 255	£1700	£140
Over 255	£2000	£140

* cars costing over £40,000 pay £310 additional rate for 5 years

alternative fuel discount of £10 on all qualifying cars

EXAMPLE CALCULATION: EXISTING REGIME vs NEW REGIME

The below quote is for illustrative purposes only and shows the difference in RFL cost and monthly rental cost between the existing RFL regime and the new RFL regime. It is based on a 36 months / 20,000 miles per annum contract for a vehicle costing >£40,000 (i.e. above the threshold at which the additional RFL rate becomes payable)

Range Rover Evoque Diesel hatchback 2.0 Td4 HSE Dynamic	2016/17 RFL Regime	1 April 2017 Onwards
VED List Price	£41,345	£41,345
VED Year 1	£0	£160
VED Year 2	£110	£450
VED Year 3	£110	£450
Total Monthly Rental	£524.53	£548.75

EXAMPLE CALCULATION: NEW REGIME <£40,000 vs >£40,000

The below quote is for illustrative purposes only and shows the difference in RFL cost and monthly rental cost under the new regime for a vehicle costing less than the £40,000 vs the same vehicle with two very common options added which take it above the £40,000 threshold. Again this is based on 36 months / 20,000 miles per annum.

BMW 5 Series Diesel Touring 520d Luxury 5Dr Step Auto	No Options Added	With Leather & Metallic Paint
VED List Price	£39,009.37	£40,459.97
VED Year 1	£160	£160
VED Year 2	£140	£450
VED Year 3	£140	£450
Total Monthly Rental	£541.44	£580.32

ACTION REQUIRED BY CUSTOMERS

No specific action is required on the part of customers as a result of the changes. However, we would strongly recommend that customers consider the potential impact of the changes for their fleet and work closely with their Car Network account management teams to ensure that appropriate action is taken to minimise the impact of the changes. For example, a fleet policy review might be prudent in light of the changes, in particular any vehicles on the choice list which could be impacted by the £40,000 'RFL List Price' threshold.

NEXT STEPS & FURTHER INFORMATION

Your account management team will be on hand to discuss the changes to Road Fund Licence with you, and help you to understand the specific impact of the new regime for your fleet. They will also be able to advise on how you can ensure that your fleet is optimised so as not to be unduly disadvantaged by the changes, particularly for vehicles around/above the £40,000 'RFL List Price' threshold.

For more information or should you have any immediate questions about the RFL regime changes, please contact your account management team who will be pleased to help.