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NEWS RELEASE

CHANCELLOR CONTINUES THE ATTACK ON DIESELS, BUT DOES NOTHING TO REMOVE OLDER POLLUTING VEHICLES FROM THE ROAD

The Chancellor's Autumn Budget brought a raft of measures designed to encourage the use of more environmentally friendly vehicles at the expense of new sales of the more polluting diesel cars.

The impact of the change to Real World Emissions standards was evident in both changes to VED and BIK rates. The new standards already place a significant burden on retailers in 2018 and it is interesting that the Chancellor is using this as the basis for his taxation policy moving forwards.

From April 2018 the first year VED rates for diesel cars not meeting the latest RWE standards will increase by one band. This could provide a boost to registrations for non-compliant vehicles for our key month of March, in a similar way that we saw earlier this year as customers seek to avoid the additional charge. Additionally, the diesel supplement for company car tax will increase by 1% to 4%, with the aim of encouraging company car drivers to transition into an alternative vehicle. Surprisingly there was no general change to diesel VED rates meaning that the more polluting vehicles are left on the road with no cost increase.

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The rate increases have been balanced against additional funding for electric vehicles which includes an extra £400m for charging infrastructure and £100m for plug-in grants. This new funding is welcome, but unlikely to be enough to build the infrastructure required for the number of cars on the road, or the extra electricity capacity the country will need to power them. At least, if you plug your car in at work to charge, the government has announced that they won't be looking for the benefit in kind tax on that electricity.

Many dealers are embracing new technology and the increase in the R&D tax credit by 1% to 12% from January 2018 will assist developments in motor sport and rally sectors. General motor retailers who invest in technologies such as vehicle and systems development will also benefit.

The announced 4.4% rise in the National Living Wage and increased National Minimum Wage will hit retailers at the same time as other cost increases, such as the increase in pension contributions and the effect of the new credit card charge. Whilst this was not a surprise it will further squeeze profit margins which are forecast to be tight as we become accustomed to lower levels of new vehicle registrations. Finally, for dealers restructuring their groups or funding arrangements, the freezing of indexation allowance from January 2018 could affect the cost of property transactions such as sale & lease backs as well as outright disposals.

In general, there was not a huge amount in the text of the budget, although we will be unpicking the detail over the coming days. Whilst the rate increases appear manageable, the decrease in productivity assumptions announced by the Chancellor and the slower than forecast recovery rate, will mean less money in consumer pockets, and this reduction in confidence will continue to provide a drag on sales.

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ASE work with thousands of motor dealers, all the major manufacturers and finance houses around the world to improve dealer, and network, profitability. With a team of 220 operating out of 13 offices and in 50 markets around the world.

ASE's 40 years' of experience; providing practical advice to improve dealer performance, providing motor trade tax, audit and accounting services, as well as analysing data from thousands of dealer transactions every month; means that it's expertise is unique.

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