



Roads: HGV road user levy

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This note provides information on the implementation of the HGV road user levy, to be introduced in the UK from 1 April 2014.

The UK road haulage sector is facing many pressures – from high fuel prices to competition from European hauliers. It is in this context that successive governments have looked at levelling the playing field for UK hauliers whose competitors can refuel across the Channel (where in general the level of fuel duties paid is lower than in the UK) and who do not pay UK road taxes, which go towards the maintenance and improvement of the road network.

One of the solutions most often put forward by the industry is some sort of road user charge or levy whereby foreign hauliers would be required to pay a charge for the use of UK roads. While UK hauliers would be required to pay the same charge, this would be balanced by a reduction in domestic taxes such as Vehicle Excise Duty (VED). Any scheme would have to comply with the complex rules set out at a European level in the Eurovignette Directive, as amended.

The last Conservative Government looked at this and the previous Labour Government even put some framework legislation on the statute book, but neither of them introduced a scheme.

The Coalition Government consulted on the introduction of a scheme in January 2012. The *HGV Road User Levy Act 2013* took forward the proposals in that consultation. It provides for the introduction of an HGV road user levy from 1 April 2014.

Information on other road charges such as the London Congestion Charge and toll roads can be found on the [Roads Topical Page](#) of the Parliament website.

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1 HGV Road User Levy Act 2013

In October 2012 the Conservative-Liberal Democrat Coalition Government published the *HGV Road User Levy Bill* (Bill 77 of 2012/13). The main features of the Bill passed through Parliament without amendment and it received Royal Assent on 28 February 2013.¹ The Parliamentary stages of the Act can be followed [here](#); background, including information on the Eurovignette Directive and the policies of the previous and present governments, can be found in [HC Library research paper RP 12/62](#). The *HGV Road User Levy Act 2013* itself can be viewed [here](#).

The Act provides for a scheme with the following features:

- the levy would apply to both foreign and UK-registered hauliers with vehicles weighing more than 12 tonnes;
- the maximum daily charge would be the equivalent of €11 (subject to change) and would be set in accordance with Vehicle Excise Duty bands;
- UK hauliers would receive an offset in their VED so that they would be, by and large, no better or worse off from the implementation of the levy;
- it would be an offence not to pay the levy, for which the maximum fine would be £5,000.

The levy is expected to raise in the region of £80 million in total between 2013/14 and 2017/18. All monies raised would go into the Consolidated Fund.

The scheme would extend to the whole of the UK.

2 Implementation

The levy will begin operating from 1 April 2014. In pursuance of this in September 2013 Northgate Public Services was appointed to develop a foreign operator payment system for the levy. The foreign operator payment system will enable foreign operators or drivers to purchase the levy in advance of entering the UK through a number of sales channels including online, telephone and at point of sale terminals. The system will also create a database to enable authorities to identify hauliers who have not paid.²

Also in September 2013 the Department for Transport published a consultation on several pieces of secondary legislation required to bring the levy into force. These relate to two main

¹ DfT press notice, "[Fairer deal for UK hauliers in HGV Road User Levy Act](#)", 28 February 2013

² DfT press notice, "[Charging foreign hauliers in the UK moves a step closer](#)", 4 September 2013

areas: financial deposits and penalties; and vehicle construction and use (changes to weight bands).³

In terms of **financial deposits and penalties**, it will be an offence under section 11 of the 2013 Act to use a vehicle on a UK road without paying the levy. It will be possible to give a fixed penalty notice (FPN) for this offence. Secondary legislation would set the FPN at £300: this sum was chosen so that it would be in line with offences of a similar nature (e.g. breaches of drivers' hours rules, vehicle roadworthiness rules etc.). There is a separate arrangement for drivers who do not have a satisfactory UK address (e.g. foreign hauliers) called a 'financial penalty deposit' (FPD). Secondary legislation would set the FPD at £300, to ensure that the penalty is consistent for all drivers, no matter their domicile.

In terms of **changes to weight bands**, to accommodate and offset the cost of the levy for most UK vehicles a decision was made to reduce vehicle excise duty (VED) to bring the relevant bands into line with relevant European rules.⁴ This will mean that UK vehicles whose plated weight is on a band limit will fall into a lower band in the Directive, enabling VED to be reduced by a greater amount. The paper illustrates this change with the following example:

As a result of the way bands are set in the UK, vehicles tend to be plated voluntarily at the top of their respective bands. For example, a three-axle vehicle plated at exactly 21,000kg will fall into VED band B* in the UK, where the top of the VED weight range is "not over 21,000kg". The amount of VED paid is currently £200 per year. Under the Directive the same vehicle will fall within the band spanning "not less than 21,000kg" to "less than 23,000kg", which sets a minimum VED rate of €222 (using an illustrative exchange rate of £1=€1.16 this is £192).

[...]

Using the example above, in future the three-axle vehicle plated at exactly 21,000kg will not be able to be used on a road legally if it equals that weight and is taxed at VED band B. Instead, as far as the Directive is concerned, it will be within the band from "not less than 19,000kg" to "less than 21,000kg". The Directive specifies a lower minimum rate for this band of €144 (around £125) and enabling us to lower VED further.⁵

The paper stated that this is unlikely to have any impact in practice.

The outcome to the consultation was published in December 2013, indicating that the Government would proceed with the regulations as originally intended.⁶

Separate legislation provides for some roads to be exempt from the levy under the 2013 Act. These are: the M6 Toll road located near to Birmingham; and approximately seven miles of road that weaves across the border between Northern Ireland and the Republic of Ireland, comprising of the A37 in Northern Ireland, and the two sections of the A3 in Northern Ireland to the west of Clones.

³ DfT, *Secondary Legislation relating to the HGV Road User Levy Act 2013: Consultation Document*, 26 September 2013

⁴ *Directive 1999/62/EC*, 17 June 1999

⁵ op cit., *Secondary Legislation relating to the HGV Road User Levy Act 2013: Consultation Document*, p11

⁶ DfT, *Secondary Legislation relating to the HGV Road User Levy Act 2013: Consultation Response*, 19 December 2013

The relevant regulations are:

Fixed Penalty (Amendment) (No.2) Order 2013 ([SI 2013/1840](#));

Road Safety (Financial Penalty Deposit) (Amendment) Order 2014 ([SI 2014/267](#));

Road Safety (Financial Penalty Deposit) (Appropriate Amount) (Amendment) Order 2014;⁷

Road Vehicles (Construction and Use) (Amendment) Regulations 2014 ([SI 2014/264](#)); and

HGV Road User Levy (Exemption of Specified Roads) Order 2014.⁸

Finally, there will be changes in the 2014 *Finance Bill* to tax VED at the new rates for re-weighted lorries, allowing it to be offset against the levy.⁹

⁷ currently only in [draft](#), considered by the House of Commons: [HC DL Committee, 5 February 2014](#)

⁸ currently only in [draft](#), considered by the House of Commons: [HC DL Committee, 12 February 2014](#)

⁹ HMT, [Budget 2014](#), HC 1104, 19 March 2014, p76; for an overview see: HMRC, [Vehicle Excise Duty: heavy goods vehicles and reduced pollution certificates](#) [accessed 19 March 2014]