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EXCHEQUER SECRETARY TO THE TREASURY

HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Sue Robinson
Chief Executive
National Franchised Dealers Association
201 Great Portland Street
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17 May 2022

Dear Sue,

Thank you for your letter of 21 March to the Chancellor of the Exchequer, ahead of the Spring Forecast 2022, on behalf of the automotive retail industry. Please accept my apologies for the delay.

Regarding electric vehicles (EVs) and the Plug in Car Grant, the Government is committed to supporting the transition to zero emission vehicles to help the UK meet its net-zero obligations. The Government is supporting consumers buying EVs through the Plug in Car Grant, which provides up to £1,500 for those making the switch to electric cars. In Spending Review 2021, we announced a further £620 million to support the rollout of charging infrastructure and targeted plug-in vehicle grants. This will support greater uptake of zero emission vehicles for greener journeys. This grant has been committed to at least the 2022/23 financial year.

The increasing choice of new vehicles, growing demand from customers, and rapidly rising number of chargepoints means that while the level of funding remains as high as ever, we are re-focusing our vehicle grants on the more affordable zero emission vehicles and reducing grant rates to allow more people to benefit. We keep the grant under constant review as the market grows.

We are also starting to see more vehicles come on to the second-hand market. This will increase over the coming years and will make EVs more accessible to those who do not purchase new vehicles.

We recognise that the benefits of electrification may not be felt equally across different groups at this stage in the transition. We will continue to monitor this and consider how government can further target intervention to ensure all motorists can realise the benefits of owning an EV.

The Plug in Car Grant is not the only way Government incentivises the uptake of zero emission cars. The March 2020 Budget extended favourable benefit in kind tax rates for zero emission vehicles out to 2025: company car tax was 1% in 2021/22 and 2% in

2022/23 through to 2024/25. Further, all zero emission cars are exempt from vehicle excise duty and zero emissions vans pay a nil rate of tax on the van benefit charge.
On your point about National Insurance, it is right that health and social care has a new, completely dedicated and sustainable source of revenue not just today but into the future as well. Every penny collected from the Health and Social Care Levy goes direct to the NHS, health and social care. The increased spending takes immediate effect this year to deliver the Government's ambitions to tackle the NHS elective backlog, which is why it cannot cancel the introduction of the Levy.

However, the Government is committed to supporting businesses and incentivising investment to support growth. As announced at Spring Statement, the Government is increasing the Employment Allowance - a relief which allows eligible businesses to reduce their employer National Insurance contributions (NICs) bills each year - from £4,000 to £5,000. Around 495,000 businesses will benefit from this increase, including around 50,000 businesses which will be taken out of paying NICs and the Health and Social Care Levy entirely. In total, 41% of businesses will not be affected at all by the Health and Social Care Levy due to the Employment Allowance.

Businesses also continue to benefit from measures like the super-deduction, which is the biggest two-year business tax cut in modern British history, the Annual Investment Allowance, and the package of changes to business rates worth £7 billion over the next five years that was announced at Autumn Budget 2021.

On Digital Services Tax (DST), in support of the Organisation for Economic Co-operation and Development (OECD) agreement reached on 8 October 2021, the UK has agreed a way forward on how we transition from our DST to the new two-pillar solution. This solution represents a major reform of the international tax framework which will help ensure multinational businesses pay their fair share, with the right companies paying the right amount of tax in the right place.

It has always been the Government's intention for the DST to serve as a temporary solution before a global solution through the OECD is secured and remove the DST once this is in place.

You ask for an extension to the Apprenticeship Levy clawback. Payers already have 24 months in which to spend the funds available to them before they begin to expire on a rolling, month-by-month basis. We consider this period is sufficient to give employers time to develop their apprenticeship programmes and encourage them to create new apprenticeship opportunities without delaying new starts.

Employers can continue to recruit and train apprentices and benefit from a range of additional support available from the Government.

Thank you again for taking the time to write to me with these suggestions.

Yours sincerely,

Helen Whately
EXCHEQUER SECRETARY TO THE TREASURY