

Consultation on the HGV Levy: government response

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Executive summary

This document summarises the responses to the recent consultation on potential changes to the [the recent consultation on potential changes to the HGV levy](#).

A total of 45 responses were received. The government thanks all respondents for their contribution.

This document also includes the government's responses and decisions for future implementation after considering the contributions received.

Whilst there was a range of views, most respondents were broadly supportive of the government's proposals, although concerns were raised about the costs faced by the haulage industry and potential impacts on cabotage and lorry parking of proposed changes to levy rules for foreign vehicles.

Having considered these views, the government has decided to take forward all the proposals contained in the consultation document. Given concerns related to heavy goods vehicles (HGVs) parking on unsuitable roads, the government will keep under particular review whether the removal of levy liability for parked vehicles contributes to inappropriate parking.

The changes will be legislated for in the Finance Bill, and the reformed levy will come into effect when the current suspension ends as planned in August 2023.

On potential future changes relating to zero or low carbon technologies, the government will consider the views expressed in the consultation, as the technology develops and is increasingly deployed on the roads.

Responses to the consultation and government response

Overview

A total of 45 responses were received from a range of organisations and individuals in response to this consultation document. The following table provides a breakdown of those who responded. See [this section of this document for a full list of the organisations who responded to the consultation](#).

Stakeholder group	Number of responses
Individuals	19

Stakeholder group	Number of responses
Organisations	26
Of which:	
Haulier, freight or delivery company	5
Trade association	6
Interest groups and local government	5
Retailers, including specialist providers	5
Consultancy/toll provider	3
Construction	2

A number of responses included in the above table (12 from individuals and one from an organisation) are not included in the following analysis, largely because the written responses are often not clear or relevant. See [this section of the document for more information about the respondents](#).

Question 1 - Do you support or oppose our proposal to reform the levy to align it more closely with environmental performance?

Respondents

Total	Support	Oppose	No opinion
32	21	11	0

Organisations

Total	Support	Oppose	No opinion
25	16	9	0

Summary of responses

The majority view was in support of those proposals to align the HGV Levy more closely with the environmental performance of an HGV. Participants also recognised the importance of supporting the sector to decarbonise road freight, through a range of complementary fiscal and other measures.

A repeated concern was the rising cost of business and living. There was also concern over the financial health of haulier companies individually and as a sector as the UK continues to recover from the Covid-19 pandemic. Some respondents asked for the re-introduction of the HGV Levy to be further paused for what would be a fourth consecutive year, or otherwise abandoned, or replaced with a modified levy.

Other respondents suggested that a distance-based charge for HGVs, as used in Europe and elsewhere, would be a preferable method of taxation and time should be taken to evaluate such suggestions. Some preferred the original levy's focus on road damage.

Government response

Government decision: The government will proceed with this reform.

This suggested reform has the support of a majority of respondents, including haulage, delivery and retail companies. The government has long signalled that it would move toward an environmental basis for the charging of the levy and the time is now right to provide policy reinforcement as the government supports the haulage sector in particular, and road transport more broadly, to decarbonise in line with our international obligations.

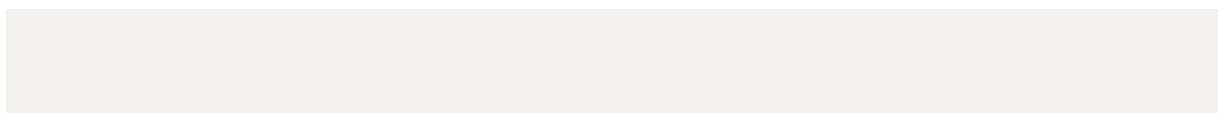
The rising cost of living due to wider global inflationary pressures, such as the war in Ukraine, recovery from the pandemic and supply chain issues, are of key concern to the government. The government has taken action, through the Cost-of-Living Support package to support households and businesses and the government is taking further steps to address inflation and underline the UK's reputation for fiscal constraint and responsibility.

The cost of the HGV levy to haulier businesses is small and represents less than 1% of the annual running costs of an HGV for the vast majority of road users and the reforms, once in effect, will see a 20% reduction in the overall amount paid by hauliers as compared with the levy before it was suspended. This is also in the context of government support to tackle the HGV driver shortage and in improving parking facilities for HGV drivers.

The UK and the global economy face a significant economic challenge. Amid this backdrop fiscal sustainability is critical to ensure stability and growth and safeguard public services. It is important that hauliers, international and domestic, pay their fair share, and it is right to ask the sector, including non-UK hauliers, to once again contribute to the UK's road network and address the negative costs of road freight movements, in particular, the health of residents close to roads and the battle against climate change.

The government's proposal to vary the levy based on vehicle weight was developed because there is no longstanding method for determining the CO2 emissions of an HGV, unlike the case for cars and other light vehicles, and data shows there is some correlation between weight and CO2 emissions, and the data are readily and quickly available. Whilst the levy originally related to road damage, the government signalled as far back as the original levy consultation in 2012 that it wanted to consider moving towards charges related to the environmental performance of the vehicle.

Other proposals raised during this consultation, such as charging by distance using a Global Navigation Satellite System, would take time to develop and are not realistic in the short term.



Question 2 - Do you support or oppose a reformed levy having 3 levy bands and rates?

Respondents

Total	Support	Oppose	No opinion
32	16	13	3

Organisations

Total	Support	Oppose	No opinion
25	13	10	2

Summary of responses

By a small margin respondents supported the suggestion that the levy be simplified from its current structure to just 3 band rates citing that this was a simpler structure for hauliers to understand and implement. However, taking both questions 1 and 2 together, of those 16 organisations supporting aligning the levy to environmental performance (question 1), 12 also supported having three levy bands and rates (question 2). Many respondents provided suggestions for alterations or alternative structures.

The broad principle that heavier vehicles produce greater externality costs on a per journey basis was widely recognised by respondents. Nonetheless, some questioned whether a better metric would be the volume of goods moved, suggesting that larger vehicles would have a lower overall externality where an individual vehicle could carry more cargo per journey.

Some participants felt that the existing model, which reflects damage done to road surfaces, should be retained in some form or continue as a rationale for the levy.

A number of respondents suggested that additional bands should be added for vehicles capable of being driven on alternative fuels and fuel blends. It was a common viewpoint, especially when considered alongside answers to question 9, that there should be a band between HGVs which are Euro VI, and HGVs which are zero carbon at the tailpipe.

Some trade associations raised concerns that while the proposed restructure would result in a lower overall tax burden for the sector, some classes of vehicle would pay more. These respondents generally favoured a delay in reintroduction, or abandonment of the levy altogether, or that no vehicle should pay more than before. A suggestion was made for an additional lower levy rate for the lightest vehicles.

Conversely, some interest groups gave the view that the charges were low, especially by European standards, compared to similar levies and that a reduction in the tax burden would send an inappropriate message to the sector, rewarding more polluting vehicles with a reduction in charges, which may act to disincentivise road decarbonisation.

Government response

Government decision: The government will proceed with this reform.

The simplification of the levy system to 3 bands and rates will support hauliers, particularly those with large fleets, to manage their levy obligations in the UK and ease the administration of the levy for government and hauliers alike. This is very much in the spirit of the government's intention to further reduce red tape through taking deregulatory measures where possible.

The broad principle that heavier vehicles produce higher externality costs was widely recognised. While there may be a case to say that a heavier HGV carrying a set load may have a lower overall externality cost than two smaller HGVs carrying the same load over multiple journeys, in practice HGVs are heavily utilised vehicles and there is not usually a trade-off of that sort.

While the suggestion that vehicles rated to use bio-diesel, or other diesel fuel mixes, or less carbon producing fuels should be recognised in the levy structure is noted, it is also the case that HGVs with engines capable of using these fuels can also often use diesel.

The simplification of levy bands and rates from 11 to 3 main bands will mean that rates are averaged, and this does mean some HGVs may pay more than before, as set out in the consultation. HGVs in the current Band B were given as an example by some respondents, however increases that are high in percentage terms are usually relatively small in cash terms. Around 8.5% of levy eligible vehicles paid the Band B rate of £94.50 in 2020. Under these proposals they would pay £150 on an annual basis, an increase of £55.50 a year, equivalent to £4.63 a month.

There would be many vehicles paying less than before, with an average reduction of around 20%. For instance:

- a modern, large articulated HGV would pay £576 for an annual levy, the same as in 2020 (Euro VI emissions class, six axles, registered to carry up to 44 tonnes)
- a modern, medium sized rigid HGV would pay £150 for an annual levy, compared with £315 in 2020 (Euro VI emissions class, two axles, registered to carry up to 18 tonnes)

More broadly, increases for a small number of vehicles should be seen in the context of:

- the levy having been suspended for 3 years
- the continuing freeze in fuel duty and HGV Vehicle Excise Duty
- the further temporary fuel duty cut announced at Budget 2023

For many types of HGVs operating costs are more than £100,000 a year, meaning that the levy represents a small fraction of this. The government announced at Spring Budget that the planned increase of 11p in fuel duty this year was cancelled, representing a saving worth over £4,300 for the most common type of HGV when compared with uprating fuel duty in 2023-24.

The issue of banding for zero emission at the tailpipe HGVs is addressed in the response to question 9.

Question 3 - Do you have any concerns relating to specific vehicle types or circumstances (for example particular business requirements or use cases) for the proposed reformed levy?

Respondents

Total	Yes	No	No opinion
32	12	14	6

Organisations

Total	Yes	No	No opinion
25	11	11	3

Summary of responses

Some respondents raised concerns that various use cases may be disproportionately impacted by these proposals.

Specialist vehicles, such as bespoke recovery vehicles, moving plant, or machinery rated for road use may be used sparingly, with low or very low mileage in a year, and low economic rationale to upgrade an engine for that particular use, vehicle and mileage, with the suggestion that such vehicles may pay a disproportionate amount on a mileage driven basis.

There was discussion from participants that the supply chain for newer vehicles is currently weak, with substantial delays in procuring EURO VI vehicles. While the HGV Levy has incorporated a differential between Euro VI and Euro I-V vehicles since 2019 some respondents suggest haulier firms may not be able to upgrade vehicles to EURO VI in short order and may be disadvantaged as a result.

One respondent identified that a tractor unit or lorry may pull many different weight rated trailers, including being able to pull a trailer above and below 4 tonnes for different jobs or use cases.

Government response

One consultee suggested that there should be exemptions for additional special use vehicles, such as plant, recovery and machinery. It is already the case that vehicles charged at the basic goods vehicle rate are exempt from the levy and these vehicles are not currently charged the HGV Levy. This situation would remain under these proposals.

The government is sensitive to supply chain difficulties in terms of procuring new Euro VI engines and vehicles. However, the tax differential for Euro VI and Euro I-V vehicles has been in place since 2019 and it would not be correct to move away from encouraging the move towards cleaner vehicles.

In the matter of a tractor unit pulling different weight rated trailers the maximum registered pull weight of the tractor unit should be the basis for payment of the levy as is the case at present.

Question 4: Do you have any other thoughts on the proposed reformed levy?

Summary of responses

Respondents suggested a number of alternative methods or changes to the tax regime. One example was a suggestion of amalgamation of the HGV Levy and HGV Vehicle Excise Duty to create a single tax. A number of respondents also suggested charging based on distance would be fairer.

Several respondents suggested that the real emission production of an HGV should be the basis for charging, although, as discussed in the consultation document, weight as a proxy for CO2 emissions was the core of the proposal based on what available information and data there is about HGVs in circulation on UK roads.

Some respondents suggested that government and agency record keeping should be future proofed and improved to include more details about an individual HGV, including its emissions, and whether that vehicle was zero emission at the tailpipe. Others suggested harmonisation and improvement of the refund rules and operation for domestic HGVs who sought to make their vehicles SORN.

One respondent suggested that changes to cabotage rules as a result of the UK's exit from the European Union, limiting the number of cabotage missions an international operated HGV can perform in the UK before leaving, might lower the necessity of collecting the levy from foreign operated vehicles.

Government response

For the reasons given in the consultation and above, a distance-based charge, as used in some parts of western and central Europe would take a substantial amount of time to implement, and there is not at present a database of sufficient coverage and quality to charge on the basis of individual vehicle emissions.

Despite changes to cabotage, the government believes it is important that all HGV road users, including international hauliers, make a contribution to the use of the UK road network, and the externalities caused by the use of HGVs. As HGV VED cannot be levied on international hauliers owing to international agreements, and as both VED and the HGV levy have different aims, the government believes it is important to maintain them separately.

Question 5: Do you support or oppose the proposal to charge foreign HGVs only on major roads (motorways and A-roads)?

Respondents

Total	Support	Oppose	No opinion
32	8	18	6

Organisations

Total	Support	Oppose	No opinion
25	5	15	5

Summary of responses

Respondents, particularly haulier and trade associations were against this proposal. Repeated themes were a concern that the rules should be as aligned as possible for domestic and international hauliers, the concern of sending a signal to international operated HGVs that they could or should make greater use of local roads, including for parking at locations which do not have appropriate facilities, and concerns around whether such a proposal could be adequately enforced or vehicles tracked to ensure they are not using major roads.

As other respondents also pointed out, using the strategic road network road, motorways and major A-roads is largely unavoidable for most routes in the UK, especially to and from points of entry to the UK and her ports. Additionally, the UK has a robust enforcement regime in place, utilising the expertise of the police service, the DVSA, DVA and ANPR cameras.

Government response

Government decision: The government will proceed with this reform.

As stated in the consultation document, this proposal is intended to better align the levy with the government's international commitments. It is, however, worth clarifying that the levy for international hauliers is charged on a minimum time period of a day. Any use of a major road would trigger liability for the charge for that day; a vehicle would have to use only minor roads for an entire day to avoid liability for the levy. Major roads are difficult to avoid from UK ports and the saving of avoiding the charge (£9 for EURO VI and £10 for EURO I-V HGVs) would not likely outweigh the time, operation and staff costs of avoiding major roads.

Although we are sympathetic to concerns that international HGVs may be incentivised to unnecessarily use local roads to evade the charge, we judge this risk to be low, owing to the cost-benefit trade-off of doing so.

Enforcement is, at present, mostly undertaken on major roads and this is intended to continue without any deterioration in the ability to enforce or monitor levy requirements. Given that most international hauliers will also use UK ports, almost all of which are connected to the road network by major roads, we do not expect any reduction in the very high levels of compliance already in place.

The government considers that this change will clarify the link between the use of an HGV operated by a foreign haulier and paying the levy, and make it clearer that the levy is complying with international obligations.

Question 6: Do you support or oppose the proposal to charge foreign HGVs only when driven on a road, not when kept on a road (parked)?

Respondents

Total	Support	Oppose	No opinion
32	14	11	7

Organisations

Total	Support	Oppose	No opinion
25	11	8	6

Summary of responses

A small majority of respondents supported this change, including a small majority of organisations.

Those opposing commented that it is not rational for a road user charge to apply to vehicles when they are not used, and that a parked vehicle is not causing road wear or emitting CO2 or pollutants. Some pointed out that it is unlikely that operators would be parked for a significant length of time.

There were some strongly expressed points made against the change. Respondents suggested that it would incentivise foreign hauliers to park on public roads rather than in lorry parks, taking up space on the road and meaning the drivers did not have access to toilets and other facilities. They suggested it would encourage drivers to stay in the UK looking for cabotage work, stating that foreign hauliers often stay beyond the 7-day limit, with this not being enforced.

Government response

Government decision: The government will proceed with this reform, although keeping under review whether there are appreciable impacts on lorry parking.

As set out in the consultation, this clarifies for foreign vehicles that payment of the levy is linked to the use of a vehicle, and makes it clear that the levy is complying with international obligations.

With respect to concerns that this change could encourage foreign hauliers to park in inappropriate places, evidence shows that international hauliers are more likely to use truck stops than UK hauliers (80% of non-UK HGVs parked at on-site parking facilities, compared to 60% for UK vehicles, according to the national survey of lorry parking 2022, page 79). The potential saving of £9 for not doing so is not considered high enough to substantially change behaviours. The department, National Highways and private partners consultation on the HGV Levy 14 are also working to improve the number and quality of MSA spaces to improve driver welfare.

This will however be kept under review, as an HGV uses a large amount of road space when parked in a layby or on a local road, and such drivers do not have access to necessary facilities such as toilets. This in turn is a welfare issue for foreign drivers visiting the UK.

Concerns that other rules, such as those around time limits relating to international cabotage as set out under Article 462 of the Trade and Co-operation Agreement are not being adhered to will continue to be monitored by enforcement agencies.

Question 7: Do you have any other thoughts on the proposal to reform the scope of the levy?

Responses to this question have been included in the comments above for questions 5 and 6.

Question 8: Would any of the proposed reforms to the levy result in administrative or enforcement difficulties distinct from the previous levy?

Respondents

Total	Yes	No	No opinion
31	9	13	9

Organisations

Total	Yes	No	No opinion
24	6	10	8

Summary of responses

Most respondents were of the view that the reforms would not cause additional administration or enforcement difficulties.

Some said that administration and enforcement have worked satisfactorily so far, and that the limited changes would not have much of an impact.

Others however suggested that enforcement might suffer from the changes to levy scope for foreign vehicles, with it being challenging for enforcement authorities to spot vehicles being used on minor roads, or time consuming to check, for a parked vehicle, when it had previously been driven.

There were also comments about cabotage restrictions not being effectively enforced at the moment.

Government response

The government concurs with the majority of respondents that the proposed reforms would not significantly alter the administrative or enforcement effectiveness of the HGV levy as previously deployed.

Enforcement of and compliance with the HGV levy has been effective and high to date. Enforcement has not often been conducted on minor roads and moving liability to major roads would remove any necessity to conduct enforcement checks for vehicles using minor roads, since they would not be liable to pay on such roads, simplifying enforcement. Further, current practice generally is for enforcement authorities to check vehicles that are being driven, not whilst they are parked and this will not change.

Question 9: Would you support or oppose zero-emission HGVs paying a reduced rate of HGV levy under the proposed reformed levy?

Respondents

Total	Support	Oppose	No opinion
32	21	10	1

Organisations

Total	Support	Oppose	No opinion
25	17	7	1

Summary of responses

Most respondents supported a zero or reduced HGV levy rate for zero emission HGVs. It was described as an obvious, low cost, no regrets policy.

Among supportive respondents, views were mixed as to whether it should be a zero or reduced rate. Some pointed out that there are significant financial costs associated with such vehicles, so a zero rate should be applied. Indeed, several said that such a measure, whilst welcome, should form part of a much wider incentive and investment package.

Others favoured a reduced rate, given that fossil fuels are still used to generate electricity, or because all HGVs result in particulate pollution through brake, tyre and road wear.

Those opposing the proposal suggested it added complexity to the levy with little benefit, and that all HGVs use and cause wear to the road.

Government response

Government decision: The government will further consider introducing a zero-emission band and rate as the technology develops.

The government's aim with these reforms is, in part, to further signal the policy imperative of road decarbonisation and we will consider further ways we can support hauliers to operate low, and eventually, zero emission vehicles in future.

This will, however, require further thought and investigation. Concerns that heavy vehicles produce pollutants other than carbon dioxide and other greenhouse gases are relevant.

There is also the question of whether the HGV levy would be the best way to support and incentivise development and adoption of zero emission HGVs, or whether another mechanism would be more effective. There are limited numbers of HGVs which have any form of zero carbon at the tailpipe technology at present and given the various recently completed and ongoing HGV zero emission pilots currently taking place with government support ([UK Hydrogen Strategy](#) 17/8/22; [Zero emission road freight hydrogen fuel cell truck demonstration](#) 15/8/22; [Zero emissions road freight trials](#) 16/9/22), it would be prudent to consider this matter in the future once the government have had time to consider the results of these trials.

Question 10: What suggestions do you have for how the HGV levy should treat HGVs with alternative drivetrains or fuels, such as battery electric, fuel cell or natural gas powered vehicles?

Summary of responses

Various views were provided in answer to this question.

Some suggested that all low carbon technologies or fuels should have a reduced levy, with there being no clear technology winner at the moment, and that all such technologies involved higher costs for hauliers.

Some said that natural gas should not be counted as a low carbon fuel, and others said hydrogen powered vehicles should not receive a levy reduction because hydrogen should be reserved instead for aviation, for which there are fewer low-carbon alternatives.

A number pointed out that where an engine is modified to use low-carbon fuels, but it can still operate using diesel, then it would not be appropriate to have a lower levy rate, because the vehicle might in fact be used with diesel. Respondents suggested that incentivising through fuel duty would be more appropriate.

Others re-iterated that the levy's focus should be on road damage, rather than environmental issues.

Government response

The response to this question highlights that there is difficulty in applying the HGV levy to the fuel used where that fuel is lower, but not zero, emission. As such, the government is minded to keep the HGV levy based on simple principles.