



ELECTRIC VEHICLE EXCISE DUTY (eVED)

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ICAEW welcomes the opportunity to comment on the draft legislation for the new electric vehicle excise duty (eVED), published by HMRC on 13 July 2026, a copy of which is available from this [link](#). The draft legislation amends the Vehicle Excise and Registration Act 1994 (VERA 1994) and the Road Traffic Act 1988 (RTA 1988). References below to “the government response” are to the government’s response to the consultation on the introduction of eVED, published in July 2026.

ICAEW welcomes this draft legislation as a broadly workable implementation of the eVED policy announced at Budget 2025. However, our review has identified a number of respects in which the draft does not yet deliver commitments made in the government’s response to the consultation – including on rate uprating and rebate entitlements – together with a small number of drafting errors that should be corrected before introduction, and some operational gaps that would benefit from confirmation of the intended approach.

This response of 7 September 2026 has been prepared by ICAEW’s Tax Faculty.

Internationally recognised as a source of expertise, ICAEW’s Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW’s membership. The Tax Faculty’s work is directly supported by over 130 active members, many of them well-known names in the tax world, who work across the complete spectrum of tax, both in practice and in business. ICAEW Tax Faculty’s Ten Tenets for a Better Tax System, by which we benchmark the tax system and changes to it, are summarised in Appendix 1.

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KEY POINTS

1. The policy paper states that eVED rates will be uprated annually in line with CPI, but the draft legislation sets fixed rates with no indexation mechanism or order-making power. We would welcome confirmation of how future uprating is intended to operate.
2. Step 7 of new s19ZB(3) repeats the same sentence twice and does not explain how a positive result is to be treated, leaving the calculation incomplete in cases where duty is payable rather than refundable.
3. New s44A(6), RTA 1988 would allow regulations to remove the right to challenge the mileage recorded against a vehicle, even where that record is demonstrably wrong. We would welcome confirmation of what right of correction or appeal is intended.
4. Where a vehicle is stolen, destroyed, exported or sold at the same time as a mileage record failure, neither of the two new rebate routes appears to apply, and there may be no route to a rebate of the mileage element.
5. The draft legislation does not address how mileage is to be determined where an odometer has been replaced or reset, or how the mileage declared on first registering an imported vehicle is to be verified.
6. The top-up re-pricing mechanism appears capable of allowing mileage to be bought at the current rate shortly before an announced increase, eroding the real-terms value that annual uprating is intended to preserve.

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COMMENTS ON DRAFT LEGISLATION**CPI uprating**

7. The policy paper confirms that “the rate will be uprated in 2029 to 2030, and in future years, in line with Consumer Prices Inflation (CPI), to ensure that the tax maintains its real-terms value”.
8. However, the draft legislation sets the per-mile rate as fixed figures – 3p and 1.5p per mile respectively – with no accompanying order-making power, indexation formula, or other statutory mechanism by which the rate may be varied other than by further primary legislation.
9. In practice, increasing the rate would require an amendment in a future Finance Bill – a discretionary decision to be taken each year. Fuel duty shows the risk in that approach: planned increases were postponed in every Budget between 2011 and 2026, at a cumulative cost to the Exchequer estimated by the OBR at around £120bn, and the government has now legislated automatic annual RPI uprating for fuel duty from April 2027.
10. As eVED is intended to replace fuel duty revenue as it declines, we would ask HMRC to confirm how future uprating is intended to operate, and whether a statutory indexation mechanism should be included in new s6B(5), consistent with the tenets of Certainty and Stability set out in ICAEW’s Ten Tenets for a Better Tax System.

No statutory right to challenge an assessment based on a “conclusive” mileage record

11. New s44A(6), RTA 1988 allows regulations to provide that a required mileage record is “conclusive evidence” of the mileage a vehicle has been driven, and that an eVED assessment “may not be challenged on the grounds that the vehicle has been driven for a different number of miles” than the record shows.
12. This goes beyond the ordinary evidential basis for a tax assessment. Under the Taxes Management Act 1970 and the Value Added Tax Act 1994, an assessment may be based on an estimate or a figure taken to be correct in the first instance, but the taxpayer keeps a statutory right of appeal under which the tribunal may consider evidence and find the true facts. Section 44A(6), by contrast, would appear to remove the right to challenge the recorded mileage: even clear evidence that a record is wrong – because of a faulty odometer, a software fault, or a clerical error at MOT – could not be used to dispute the resulting assessment.
13. Respondents to the consultation already raised the related concern that motorists “should not be penalised for third-party or system errors” and should have access to a clear and accessible appeals process (para 8.6).
14. We would ask HMRC to confirm what right of correction or appeal is intended to accompany the power in s44A(6), and whether the power should be qualified – for example, to allow challenges where the motorist can show device fault, software error, or administrative mistake – consistent with the ninth tenet of ICAEW’s Ten Tenets for a Better Tax System, that all taxpayers should have timely access to independent appeal and redress.

Duplicated text in new s19ZB(3)

15. Step 7 of the deemed credit amount calculation in new s19ZB(3) is drafted as follows: “Where the result of step 6 is a negative number, express it as a positive number. Where the result of step 6 is a negative number, express it as a positive number.”
16. The second sentence duplicates the first. We assume that it was intended to address the treatment of a positive result, consistent with the convention used elsewhere – for example, ss6C(5)(b) and 19ZA(3)(b), both of which provide that a result less than zero is to be expressed as a positive number and a result more than zero as a negative number.
17. As drafted, s19ZB(3) does not explain how a positive Step 6 result should be treated. This appears to leave the calculation incomplete where duty is payable rather than refundable.

18. We recommend the second sentence of Step 7 is corrected to read, in substance: “Where the result of step 6 is a positive number, express it as a negative number”, so that the provision operates correctly in both directions.

£100 refund

19. The government response states that a refund is available where “the refund requested is in excess of £100” (para 5.11), and new s6C(4)(c)(i) reflects this, requiring the credit amount to be “more than £100”. The explanatory notes, however, describe the threshold as “£100 or more” – which would also include a credit amount of exactly £100.
20. Although the difference is a single penny, we flag it because the intended threshold is not clear from the three documents read together. We ask HMRC to confirm which threshold is intended, and to align the government response, the clause and the explanatory notes accordingly.

Clarifying the interaction between new ss6B(2) and 6B(9)

21. New ss6B(2) and 6B(9) both refer to “the amount of the eVED charge determined under subsection (1)”. For the carry-over mechanism in subsection (9) to work, this must be the amount calculated before subsection (2)’s zero-floor is applied, as a figure already reduced to zero could never be “less than zero”.
22. We consider the drafting supports that reading, as subsection (9) uses the fuller “determined under subsection (1)” formulation rather than the shorter “eVED charge”. However, we suggest a defined term for the pre-floor figure would put the point beyond doubt.

Rate-change timing incentive created by the top-up re-pricing mechanism (new ss6D(1) and 6C(2)(b)(i))

23. Where the per-mile rate rises between one licence and the next, new s6D(1) increases the value of an earlier top-up, so that it keeps its value in miles rather than pounds. Because the top-up was paid for in cash at the older, lower rate, this allows a motorist to secure today’s rate for mileage not yet driven by topping up before an announced increase takes effect.
24. For example, a £30 top-up at 3p per mile buys 1,000 miles. If the rate then rises to 4p, that top-up is re-priced to minus £40 ($\text{£}30 \times 4\text{p} \div 3\text{p}$), which cancels the £40 charge for the same 1,000 miles – so the motorist pays £30 for mileage that would otherwise cost £40.
25. New s6C(2)(b)(i) places no cap on top-up amounts and permits them even when an account is already in credit. Combined with the fleet bulk-payment arrangements in Ch 7, this appears capable of facilitating large-scale pre-purchasing of credit ahead of rate increases, eroding the real-terms increase that uprating is intended to deliver.
26. We note that Sch 1 includes a specific anti-forestalling provision ahead of scheme commencement (para 49), but no equivalent safeguard against forestalling an in-scheme rate rise. Given this risks undermining the real-terms revenue yield expected from annual uprating, we ask HMRC to confirm whether this dynamic has been considered, and whether a cap on top-ups, or an anti-forestalling rule tied to announced rate changes, will be introduced.

Statutory basis for the financial hardship refund eligibility gateway (new s6C(4)(b))

27. The government response sets out a three-part test for refunds arising from a change in financial circumstances: the refund requested is in excess of £100; the applicant has had an unforeseen change in financial circumstances; and the applicant declares they are at risk of financial hardship, with no requirement to supply supporting evidence (para 5.11).
28. New s6C(4)(b) only requires the Secretary of State to be satisfied that “the person is suffering financial hardship”. There is no statutory reference to the “unforeseen change in circumstances” limb of the test described in the government response, and the self-

certification, no-evidence approach to establishing eligibility does not appear in the primary legislation at all.

29. We would ask HMRC to confirm whether the “unforeseen change” criterion, and the self-certification mechanism, are intended to be introduced by regulations under s6C(3).
30. If so, we would ask HMRC to consider whether the eligibility test itself – rather than the process for applying – is more appropriately set out in primary rather than secondary legislation, given that it determines an individual’s entitlement to a refund, consistent with the first tenet of ICAEW’s Ten Tenets for a Better Tax System, that tax legislation should have a clear statutory basis.

Mileage continuity and verification gaps (new s44A, RTA 1988 and s6B(6), VERA 1994)

31. New s6B(6) calculates the actual mileage adjustment amount for a licence period by reference to the difference between the odometer readings at the start and end of that period. Two scenarios are not addressed by Sch 1, in each of which that comparison breaks down.
32. First, new s44A, RTA 1988 does not address how “actual mileage” is to be determined where a vehicle’s odometer has been replaced or reset – for example, following an instrument cluster failure – such that there is no continuous reading between one licence’s assessment date and the next, leaving no clear statutory basis for calculating the actual mileage adjustment for the affected period.
33. Second, for a vehicle imported and first registered in the UK, the mileage declared at that point becomes the baseline (R0) against which the actual mileage adjustment under s6B(6) is calculated at the following licence, but that declaration (on form V55/5) is self-certified, with no requirement for photographic or other independent evidence.
34. Age is not a safeguard here. The three-year MOT threshold applies to how long a vehicle has been on UK roads, but an imported vehicle has no UK MOT history at the point of first registration regardless of its age, since it has previously been driven and maintained under a different country’s regime. There is therefore no mechanism by which the declared import mileage could be checked against an independent UK source for any imported vehicle, nor any prior UK MOT trend data of the kind referred to at para 8.10 of the government response.
35. This is not simply a gap that later MOT checks would close for any inflated figure. The algorithm DVLA describes checks that mileage continues to rise between readings, so it can catch an inflation large enough that the true subsequent reading falls at or below the declared baseline. It cannot, however, distinguish a genuine increase from one that has been suppressed by a smaller, earlier inflation: provided the true mileage accumulated before the next check exceeds the amount by which R0 was inflated, the reading will still appear to rise plausibly, and the understatement is not detectable.
36. Because the first licence for a vehicle is charged on the estimated mileage amount only, with no actual mileage adjustment (s6B(11)(a)), an inflated R0 has no effect on the amount payable at import. Its effect falls on the actual mileage adjustment calculated at the following licence, which is reduced or eliminated because the measured mileage (R1 – R0) is understated.
37. Further, because R0 and the motorist’s own mileage estimate for the first licence period (Est1) are independent inputs to that calculation, an inflated R0 can be paired with a correspondingly reduced Est1 so that the benefit is realised immediately, as a lower payment at the point of import, rather than as a credit at the following licence. Because the two adjustments offset one another, the actual mileage adjustment calculated at the next licence would show no credit, shortfall, or other discrepancy: it would appear identical to the position of a motorist whose original estimate had simply proved accurate.
38. Unlike an inaccurate mileage estimate on its own, which is corrected in full at the following licence and so affects only the timing of payment, this combination permanently reduces the total amount of eVED paid, without leaving any trace in the reconciliation calculation for HMRC or DVLA to identify.

39. The scale of this benefit is accordingly bounded by the vehicle's own rate of genuine use: the inflation cannot exceed the mileage the vehicle will actually accumulate before the next verification point without risking detection as an implausible reading. We would nonetheless ask HMRC to confirm whether this constraint has been factored into the design of the verification checks described at para 8.10, given it still permits a material, undetectable understatement for vehicles in ordinary use.
40. We also note that the false declaration offences introduced by para 10, Sch 1 (amending s45, VERA 1994) do not appear to extend to this declaration.
41. In both cases, we would welcome confirmation of the intended approach: for odometer replacement or reset, whether a reasonable estimate (based on service history or prior mileage trend) is intended to bridge the gap; and for imports, whether the mileage declaration is intended to be brought within the scope of the false declaration offences, and what verification mechanism, if any, is envisaged for vehicles under three years old.

Rebate gap where multiple conditions coincide (new ss19ZA and 19ZB)

42. New s19(3E) removes the mileage-based element of VED from the ordinary rebate mechanism in s19 for eVED vehicles, and creates two dedicated routes instead: s19ZA, covering theft, destruction, export and certain sales; and s19ZB, covering the specific case where a required mileage record cannot be provided.
43. Section 19ZA(1)(d) requires that the rebate condition in s19(3)(gb) – a required mileage record failure serious enough that regulations require the licence to cease – is not also met. Section 19ZB, in turn, applies only where the triggering condition is specifically s19(3)(ga) (mileage record not possible), not s19(3)(a), (b) or (g).
44. Where a theft, destruction, export, or sale coincides with a mileage record failure under s19(3)(gb) for the same vehicle (for example, where a vehicle is sold while in a state of pre-existing record failure), neither route appears to apply: s19ZA is expressly disapplied by s19ZA(1)(d), and s19ZB does not apply because its trigger is s19(3)(ga). As the ordinary s19 rebate mechanism has already been disapplied for the mileage element, there may be no route to a rebate in these circumstances.
45. We would ask HMRC to confirm whether this outcome is intended, and, if not, which of the two provisions is intended to apply – or whether a further provision is needed to address this combination.

Simplification of new s19ZB(3), Steps 2–3

46. We recommend Steps 2 and 3 of new s19ZB(3) are combined into a single calculation. The current two-step formula reaches the same result as a direct calculation, but does so less clearly and with unnecessary risk of implementation error.
47. Steps 2 and 3, as drafted, calculate:
 - a. Step 2: residual mileage = (estimated mileage ÷ 12) × unexpired months
 - b. Step 3 (non-12-month licences only): adjusted residual mileage = residual mileage ÷ (licence length in months ÷ 12)
48. Combining these two steps gives **[(estimated mileage ÷ 12) × unexpired months] ÷ (licence length in months ÷ 12)**, which cancels to **(estimated mileage × unexpired months) ÷ licence length in months**.
49. This is the same calculation Step 2 alone would reach for a 12-month licence. Steps 2 and 3 together therefore do no more than divide estimated mileage by licence length and multiply by unexpired months. A single step would reduce the risk of implementation errors in DVLA's systems and make the provision easier to follow, consistent with the tenet of Simplicity set out in ICAEW's Ten Tenets for a Better Tax System.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. **Statutory.** Tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament. A clear statutory basis ensures legitimacy, accountability, and public trust in the tax system.
2. **Certain.** As far as possible, the application of tax rules and compliance processes should be certain. Taxpayers should not normally need to resort to the courts to understand how the rules apply to their affairs.
3. **Simple.** The tax system should be easy to understand for all taxpayers and advisers. Complexity undermines trust, creates unfairness, and discourages compliance.
4. **Easy to administer.** Tax liabilities should be straightforward to administer for HMRC, agents, and all taxpayers. Taxes should be designed to work effectively in a digital environment, while administration must remain accessible to those with limited digital capability.
5. **Properly targeted.** Anti-avoidance rules and other targeted measures should be proportionate, clearly defined, and carefully scoped to achieve their policy objective without undermining simplicity or certainty. Poorly targeted measures add complexity and uncertainty, harming compliance.
6. **Stable.** Changes to the tax system should only be made when clearly justified by economic, social, or environmental goals. Transparent, purposeful reforms build confidence and move the system toward greater coherence and long-term stability.
7. **Subject to proper consultation.** Other than in exceptional circumstances, tax changes should be subject to open and meaningful consultation. Adequate time for stakeholder input improves policy quality, practicality, and public trust.
8. **Regularly reviewed.** Tax rules, reliefs, and policy-driven interventions should be subject to regular, transparent review to assess whether they remain relevant, effective, and aligned with current policy goals. Outdated or unjustified provisions should be reformed or repealed to maintain coherence.
9. **Fair and accessible.** The tax system should be fair and accessible in design and in operation, ensuring equitable treatment of taxpayers. Revenue authorities must exercise their powers proportionately, and all taxpayers should have timely access to HMRC assistance, independent appeal, and redress.
10. **Efficient.** The tax system should raise revenue in a way that minimises unnecessary distortions, compliance burdens, and resource misallocation. While all taxes affect behaviour to some degree, tax design should avoid cliff edges, unintended incentives, or inefficiencies that reduce economic wellbeing unless these serve a clearly defined policy aim.

For more information, please see [Ten Tenets for a Better Tax System | ICAEW](#)