



INTRODUCTION OF ELECTRIC VEHICLE EXCISE DUTY (EVED)

Issued 18 March 2026

ICAEW welcomes the opportunity to comment on the Introduction of Electric Vehicle Excise Duty (eVED) published by HM Treasury on 20 January 2026, a copy of which is available from this [link](#).

We recognise the necessity of revenue replacement as the UK vehicle fleet transitions to zero-emission vehicles. In principle, we acknowledge that a usage-based charge is a logical mechanism to ensure long-term funding for road infrastructure.

However, feedback from ICAEW members indicates significant concern regarding the administrative complexity of the proposed system. Transitioning from a simple, flat-rate vehicle tax to a highly variable, self-reported system introduces new costs, cash flow risks, and compliance burdens for both the taxpayer and the DVLA.

The principal risk is the creation of a fragmented, high-friction compliance landscape that inadvertently disincentivises the uptake of electric vehicles. If the system is not carefully designed around automation and frictionless reporting, it will undermine the government's own environmental and strategic objectives.

This response focuses on how eVED can be introduced in a way that balances the need for Exchequer revenue with administrative simplicity. We emphasise the importance of maintaining a fiscal lockstep with fuel duty, designing a “set and forget” automated reporting model, building secure APIs for commercial fleets, and ensuring a robust, fair penalty regime that distinguishes between genuine human error and deliberate evasion.

ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
T +44 (0)1908 248 250 F +44 (0)20 7920 0547 icaew.com

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

This response of 18 March 2026 has been prepared by the ICAEW 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 more than 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.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of sustainable economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 210,000 members and students around the world. 98 of the top 100 global brands employ ICAEW Chartered Accountants. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

© ICAEW 2026

All rights reserved.

This document may be reproduced without specific permission, in whole or part, free of charge and in any format or medium, subject to the conditions that:

- it is appropriately attributed, replicated accurately and is not used in a misleading context;
- the source of the extract or document is acknowledged and the title and ICAEW reference number are quoted.

Where third-party copyright material has been identified application for permission must be made to the copyright holder.

For more information, please contact: Tax – taxfac@icaew.com

KEY POINTS

1. The government must carefully monitor the interaction between eVED and fuel duty to ensure the tax differential between internal combustion engine vehicles and EVs is maintained. If fuel duty is repeatedly frozen – as we have seen in recent years, albeit for understandable reasons designed to absorb price shocks from the general motorist – while eVED increases with inflation, the fiscal incentive to transition to an EV will be rapidly eroded. Furthermore, to alleviate investment uncertainty for commercial fleets, the government should publish a clear timeline or market-maturity milestones detailing when eVED will be extended to commercial vehicles.
2. The eVED system should be built around an automated “set and forget” model to minimise user error and administrative friction. The digital journey should feature auto-populated estimates based on historical MOT data, alongside guardrails to prevent motorists from intentionally suppressing their mileage estimates year-on-year.
3. To ensure fairness, the system must include frictionless mechanisms for mid-year adjustments, straightforward cash refunds for overpayments, and automatic final mileage reconciliation and refunds for life events like theft or bereavement. We also recommend a straightforward reclaim mechanism for international miles driven outside the UK tax jurisdiction.
4. To reduce human error and protect MOT garages from liability, the government should subsidise and standardise the use of automated data extraction tools, such as OBD-II diagnostic readers. The government should also actively work towards a secure, opt-in facility allowing motorists to voluntarily link their (new) vehicle's built-in telematics to the DVLA, eventually removing the need for manual estimation entirely.
5. Transferring eVED liability with the vehicle risks unfairness and market distortion, as buyers of second-hand EVs could unknowingly inherit a tax position based on the previous owner's driving behaviour or mileage estimates, creating uncertainty at point of sale and undermining confidence in the second-hand EV market.
6. The proposed system scales up the administrative burden for fleets and creates significant cash flow and credit risks for leasing companies, who are legally responsible for the tax as registered keepers. To mitigate this, the government should permit recognised leasing companies to defer the final eVED reconciliation and settlement until the end of a lease agreement. The DVLA must also develop secure application programming interfaces (APIs) to allow commercial fleet management software to automate bulk reporting and mass payments.
7. Transitioning to a usage-based tax is a monumental shift; therefore, the government must implement a penalty-free or light-touch “soft landing” period of at least 12 months. The penalty regime must be proportionate, clearly distinguishing between genuine human error and deliberate evasion, and must include a clear statutory “reasonable excuse” framework. Compliance enforcement must focus upstream, actively targeting the commercial “mileage correction” businesses that facilitate odometer tampering at scale.

ANSWERS TO SPECIFIC QUESTIONS

Question 1: Do you have any views on the government's proposal for the design and scope of eVED?

8. We recognise the necessity of revenue replacement as fuel duty revenues decline due to the EV transition. We also acknowledge the government's acceptance that the proposed charge will have some impact on EV uptake.

9. Furthermore, we agree, in principle, that eVED rates should be indexed to inflation to maintain their real-term value. However, we urge the government to be highly mindful of the interaction between eVED and fuel duty. Experience has shown that fuel duty uprating is not guaranteed – fuel duty was frozen for 14 consecutive years between 2011 and 2025. If fuel duty is repeatedly frozen in the future while eVED steadily increases with inflation, the fiscal incentive to transition to an EV will be rapidly eroded. The government must monitor this risk closely to ensure that the tax differential between internal combustion engine vehicles and EVs is maintained to support the zero-emission transition.
10. We recognise the government's rationale that using total odometer readings is by far the simplest administrative approach. Nevertheless, it unfairly charges overseas use. Many members consider it fundamentally unfair to pay a UK road tax for miles driven outside the UK tax jurisdiction – for example, European driving holidays or routine cross-border commuting from Northern Ireland into the Republic of Ireland.
11. To balance administrative simplicity with fairness, the government could introduce a straightforward reclaim mechanism. Motorists who drive significant international miles could submit standard evidence (such as ferry or Eurotunnel bookings alongside photos of their odometer) to claim a rebate on those specific miles.
12. We welcome the government's intention to delay the inclusion of light commercial vehicles (vans) and heavy goods vehicles until those zero-emission markets mature. However, as commercial fleets operate on rigorous procurement cycles, the current open-ended timeline creates investment uncertainty that risks delaying the electrification of commercial fleets. Rather than leaving this open-ended, the government should publish an estimated timeline – or a clear set of market-maturity milestones – detailing when eVED is likely to be extended to commercial vehicles. This will provide businesses with the clarity they need to factor these future variable costs into their current fleet procurement decisions.
13. Several members raised concerns regarding the disproportionate wear and tear heavier EVs inflict on road infrastructure. While introducing a flat-fee, weight-based VED is economically inefficient – as it taxes ownership rather than negative externalities (eg, a heavy car parked on a driveway would be taxed more than a light car driven 20,000 miles a year) – the government should consider a hybrid approach for the medium-to-long term.
14. A truly proportionate road pricing model may eventually factor vehicle weight into the pence-per-mile rate, ensuring that an electric SUV contributes more to infrastructure maintenance than a lighter electric city car driven the exact same distance.

Question 2: What should the government consider when developing guidance that supports motorists to estimate their mileage?

15. When developing guidance, the primary focus must be on minimising user error and administrative friction. While the consultation notes that motorists are familiar with estimating mileage for insurance purposes, interacting with a statutory tax system carries different expectations and perceived risks. We recommend the government considers the following when designing the guidance and the associated digital journey:
 - a. **Auto-population and “nudge” defaults:** Where a vehicle has been on the road for more than three years, the DVLA already holds historical MOT mileage data. At VED renewal, rather than asking the motorist to start from a blank slate, the digital system should offer a pre-calculated suggested estimate based on the vehicle's historical annual average. Motorists could simply confirm this figure or manually override it if their circumstances have changed.
 - b. **Standard mileage baselines:** For new cars or new keepers lacking historical data, the guidance should prominently provide the national average mileage (eg, the

8,900 miles for the average EV driver) as a benchmark to help motorists anchor their estimates.

16. **Clarity on consequences and adjustments:** The guidance must clearly articulate that estimates are not binding tax liabilities, but a mechanism to smooth payments. It should plainly explain how underpayments and overpayments are reconciled and reassure motorists that mid-year adjustments are straightforward if life events occur, such as a change in employment.
 - a. **Interactive tools:** Rather than relying solely on static written guidance, the DVLA online portal should include a simple interactive calculator. This would allow a user to input their typical weekly commute and estimated weekend driving to generate an annual total and an immediate forecast of their monthly eVED liability.

Question 3: How could technology make eVED easier and simpler for businesses and motorists to comply with?

17. We recognise that a manual estimation system may be the most viable starting point for the April 2028 launch. However, as the EV transition accelerates and millions more vehicles fall into the scope of eVED, a highly manual system will become increasingly burdensome and costly for both taxpayers and the DVLA.
18. We recommend the government actively explores the following technological solutions as a medium-to-long-term roadmap to automate compliance and reduce friction:
 - a. **Automated data extraction at checks** (short-to-medium term): we welcome the government's intention to consider methods to more efficiently and reliably extract data from cars to reduce human error. Standardised diagnostic port (OBD-II) readers should be rolled out to MOT garages and accredited providers, making official mileage checks faster, cheaper, and far less susceptible to tampering.
 - b. **API integration for fleet management** (medium term): the government acknowledges that fleets and leasing companies may require special arrangements. For these businesses, the requirement to manage individual driver estimates will be a severe administrative bottleneck. Developing secure application programming interfaces (APIs) would allow commercial fleet management software to link directly with DVLA systems, enabling automated bulk reporting and payment.
19. **Voluntary telematics for automated reporting** (long term): the consultation notes that the large majority of EVs and PHEVs have in-built vehicle telematics. While we fully support the decision not to mandate their use to protect privacy, the government should strongly consider the option of a secure, opt-in facility for the future. We would encourage the government to explore this through a carefully scoped pilot, to test motorist appetite, assess the privacy implications in practice, and evaluate the administrative savings against the costs of implementation. .
20. **Addressing PHEV inequities** (long term): the proposed flat rate of 1.5 pence per mile for PHEVs is a pragmatic administrative compromise now, but several members have raised concerns that it creates unfair outcomes for those who drive predominantly in petrol mode – who have already paid fuel duty on their petrol miles. We encourage the government to keep this anomaly under review as the system matures.

Question 4: Would you support the consideration of technological solutions on an opt-in basis, in future?

21. Yes, we strongly support the consideration of technological solutions on an opt-in basis in the future.
22. While we appreciate the government's priority to protect motorists' privacy by ensuring any potential technology-based solutions will only ever be optional, relying indefinitely on a purely manual estimation system is not sustainable. An automated alternative would

significantly reduce the compliance and administrative burden for both the taxpayer and the DVLA.

23. Allowing drivers to voluntarily utilise in-built vehicle telematics would eliminate the friction of manual estimation, mid-year adjustments, and year-end reconciliation. It would ensure tax is paid accurately and efficiently, representing a modernisation of the tax system that aligns with broader digital tax administration goals.
24. However, we stress that any future opt-in system must operate alongside a robust, easy-to-use manual system. It is vital that no taxpayer is financially penalised, or subject to a two-tier level of customer service, simply because they choose not to share their data or because they drive an older vehicle without compatible technology.
25. The government must also ensure that any opt-in telematics system is built to the highest cybersecurity standards.

Question 5: What should the government consider when designing the system for managing under and over payments of eVED?

26. We recognise the government's intention to help motorists smooth their payments and manage cash flow. However, the proposal to allow underpayments to be spread across the following year creates a structural vulnerability. Without careful design, this mechanism could incentivise systemic under-declaration, leading to snowballing consumer debt and disproportionate administrative burdens for the DVLA.
27. To mitigate this while keeping the tax efficient to collect, we recommend the system is designed around a “set and forget” automated model, underpinned by strict guardrails:
28. **“Set and forget” auto-renewal via an annual statement:** to prevent motorists from intentionally suppressing their estimates year-on-year to defer tax liabilities, the system should feature safeguards. If a motorist under-declares their mileage by more than a set tolerance, the DVLA system should automatically use their actual mileage as the minimum baseline estimate for the subsequent year, restricting their ability to submit another artificially low estimate.
 - a. The statement must empower the taxpayer with clear calls to action, such as:
 - i. “This is the mileage we have estimated for the next year. These will be your monthly payments. If you think your mileage will be significantly different, log on here to provide a new estimate.”
 - ii. “If you would like your credit refunded, log on here to request this.”
 - iii. “If you would like to clear your balance, log on here to pay this.”
29. Where motorists interact with the system or where variances occur, the following guardrails should be considered:
 - a. **Restricting manual overrides:** to prevent motorists from intentionally overriding the auto-calculated estimate to defer tax liabilities, the system must feature guardrails. If a motorist manually overrides their estimate and then under-declares their mileage by more than a set tolerance, the DVLA system could limit the amount by which the driver can manually lower the auto-calculated baseline in the subsequent year unless the motorist provides supporting evidence of a genuine change in circumstances – such as a change in employment, relocation, or a relevant life event – in which case the override should be permitted and logged.
 - b. **Tolerance thresholds for spreading debt:** while spreading a small deficit over the following year is a pragmatic customer service measure, there must be strict tolerance thresholds. If the underpayment exceeds a certain percentage (eg, 20% of the original estimate), the facility to spread the cost should be withdrawn, triggering a mandatory lump-sum balancing payment. This protects the Exchequer and prevents motorists from accumulating unmanageable, multi-year tax debts. The government should also clarify the relationship between this spread-forward mechanism and HMRC's existing Time to Pay framework. Unlike TTP arrangements – which are discretionary, subject to affordability assessment, and accrue interest –

an automatic right to spread an eVED deficit operates on quite different terms. The government should set out explicitly what this mechanism is, what limits apply, and how it interacts with the broader penalty regime, to ensure there is no unintended perception that eVED creates a more permissive deferral route than exists elsewhere in the tax system.

- c. **Frictionless refunds for overpayments:** the consultation proposes that overpayments will be provided as a credit carried forward to offset the following year's liability. While acceptable as an automated default within the "set and forget" model, taxpayers must have a clear, frictionless mechanism to request a direct cash refund. This is a fundamental principle of tax fairness, particularly vital for those who may be selling their vehicle or facing financial hardship.
 - d. **Automated adjustments:** where the end-of-year reconciliation results in an insignificant variance (eg, under £5), this should simply be rolled into the following year's liability calculation. This ensures the system remains highly efficient and avoids generating unnecessary friction over trivial amounts.
30. The proposed reliance on MOT mileage readings as the primary reconciliation point assumes a reasonable alignment between MOT dates and VED renewal periods. In practice, particularly for used vehicles, MOT dates are often many months out of sync with VED renewal. This misalignment increases the risk of inaccurate estimates, repeated mid-year adjustments and disputes at point of sale, especially where ownership changes between MOTs. Without a mechanism to re-baseline mileage or align reconciliation more closely with the liability period, this timing mismatch risks undermining the objective of a simple, low-friction system.

Question 6: The government intends to engage with garages on MOT fees and the costs of mileage checks. Are there other steps the government should take to support MOT garages to prepare for eVED?

31. By integrating eVED compliance into the MOT process, the government is effectively turning MOT testing stations and accredited providers into integral components of the tax verification system. While MOT garages already record and transmit mileage data for a range of purposes, this introduces new operational risks and administrative burdens for these businesses where an error that previously had limited consequences could now trigger an unexpected tax demand for the motorist.
32. To support garages, the government must consider the broader operational impact:
- a. **Clear dispute resolution framework:** currently, a minor error in recording an MOT mileage reading has few immediate financial consequences. Under eVED, an incorrect reading could trigger a direct, unexpected tax demand for the motorist. Garages risk facing significant pushback and disputes from taxpayers. The government must establish and clearly communicate a standardised, DVLA-managed dispute resolution process, ensuring garages are not forced to act as frontline customer service for tax disputes.
 - b. **Standardised data extraction tools:** to protect garages from liability for human error (such as mistyping an odometer reading from a dashboard display), the government should support the rollout of automated data extraction tools. Subsidising or standardising the use of OBD-II diagnostic readers to pull mileage directly from the vehicle's computer into the DVSA system would protect the garage, speed up the process, and provide the DVLA with highly robust, tamper-proof data.
 - c. **Frictionless reimbursement for pre-MOT checks:** The consultation notes that for vehicles under three years old, the government will fund the additional mileage checks so there is no charge to the motorist. For garages to willingly participate as accredited providers, the government's reimbursement mechanism must be entirely frictionless. Garages should not be subjected to complex invoicing or delayed payment terms for performing these statutory checks; the process should be as automated as the current MOT logging system.

- d. **Guidance on suspected tampering:** Given the direct financial incentive for motorists to under-report mileage, garages may encounter more instances of suspected odometer tampering or “clocking”. Garages must be provided with crystal-clear guidance on their reporting obligations in these scenarios, ensuring they are not expected to act as tax enforcement officers or put in legally precarious positions with their customers.

Question 7: Do you agree that MOT garages are well placed to be accredited providers of mileage checks?

33. MOT garages are logically the best-placed entities to act as accredited providers for vehicles of MOT age. They already possess the necessary infrastructure, have established digital relationships with the DVSA, and routinely record vehicle mileage as part of the existing annual testing regime. Establishing a separate, parallel network of bespoke mileage verification centres would be highly inefficient and introduce unnecessary costs.
34. However, their ongoing suitability relies heavily on the government protecting them from the new risks associated with tax verification. If a garage is forced to rely on manually transcribing numbers from a dashboard, human error will inevitably lead to incorrect tax demands and subsequent disputes. To remain well placed, garages must be supported with automated data extraction tools (such as OBD-II readers) to ensure data is tamper-proof and to shield the garage from liability for transcription errors.

Question 8: Are there alternative approaches for checking mileage in the first three years after a car is registered (pre-MOT age)?

35. Syncing the annual eVED reconciliation with the existing annual MOT test is the most logical foundation for verification. However, the system must be resilient enough to handle the practical realities of the UK motor industry. The UK MOT network is already severely overstretched, with Institute of the Motor Industry (IMI) data indicating a national shortfall of roughly 16,000 qualified testers.
36. We strongly recommend the government adopts more integrated and automated approaches for these newer vehicles:
- a. **Integration with routine servicing:** most new vehicles undergo annual servicing to maintain their manufacturer warranties. Rather than mandating a separate trip to an MOT test centre, the government should expand “accredited provider” status to include franchised dealerships and VAT-registered service centres. This would allow the official mileage check to be seamlessly integrated into the car’s routine annual service.
 - b. **Over-the-air data feeds:** vehicles under three years old are invariably modern, connected cars. The government should work with vehicle manufacturers to allow for a voluntary, automated data handshake. On the registration anniversary, the vehicle could simply transmit its verified odometer reading directly to the DVLA via a secure API, completely removing the need for a physical check.
 - c. **Smartphone optical character recognition (OCR):** for motorists who do not wish to opt into connected-car data sharing, the DVLA could provide a digital self-service option. Using a secure DVLA smartphone application, the motorist could capture a photograph of their dashboard display, using OCR technology and secure metadata to extract and verify the official reading without requiring a physical appointment.

Question 9: What impact will the proposed approach for eVED collection have on fleets and leasing businesses?

37. We acknowledge that the fleet and leasing sector is already adept at tracking vehicle mileage and charging drivers for excess miles at the end of a lease agreement. However, while the concept of billing for mileage is not new to the sector, the proposed eVED system

significantly scales up this administrative burden and fundamentally changes the cash flow dynamics.

38. Because leasing companies are typically the registered keepers, they will be legally responsible for the tax. This creates a disconnect between the entity generating the tax liability (the driver) and the entity paying it. We foresee the following impacts:
- a. **Scaling up the administrative burden:** currently, leasing companies reconcile mileage privately with the driver, typically once at the end of a multi-year contract, and only for excess miles. Under eVED, lessors will need to manage statutory tax estimates, process annual DVLA reconciliations, and handle the re-billing of every mile driven across the entire fleet. Without automated systems, this represents a vast increase in processing overhead.
 - b. **Cash flow and credit risk:** if lessees systematically underestimate their annual mileage to defer payments, the leasing company – as the registered keeper – will face aggregated, lump-sum balancing tax demands from the DVLA at year-end. This exposes fleet operators to unexpected cash flow pressures and credit risk, particularly if an end-user defaults or disputes the final mileage reading.
 - c. **End of lease and residual value friction:** under the proposed rules, paid-for mileage (or tax deficits) will remain with the vehicle when ownership changes. If a vehicle is returned at the end of a lease with a significant eVED deficit attached to it, it will negatively impact the vehicle's residual value and create immediate friction during the remarketing process. Lessors may be forced to withhold deposits to hedge against this risk.
 - d. **Interaction with employment taxes:** for company cars, the introduction of a variable, mileage-based tax creates immediate complexities regarding benefit-in-kind (BiK) and business mileage reimbursement. If an employer pays the eVED centrally, clarity is urgently needed on how to separate business from private mileage to avoid inadvertently creating a new taxable benefit, potentially reintroducing a heavy tracking burden that the transition to EVs had previously simplified.

Question 10: What should the government consider to minimise administrative burdens and complexity for these businesses?

39. To prevent the eVED system from disproportionately penalising the fleet and leasing sector with administrative overheads, the government must design bespoke, commercially aware compliance mechanisms. We recommend the following:
- a. **End-of-contract reconciliation for fleets:** the government should explore allowing recognised leasing companies to defer the final eVED reconciliation and settlement until the end of a lease agreement, rather than enforcing an annual cycle. Aligning the tax point with this existing commercial touchpoint would drastically reduce the annual administrative burden of estimating and billing millions of vehicles every year. Crucially, settling the liability at the end of the lease would also prevent tax deficits from attaching to the vehicle and impacting its residual value in the second-hand market.
 - b. **Bulk processing via API:** if annual reconciliation is strictly mandated, the DVLA must provide secure application programming interfaces (APIs). Fleet operators must be able to link their commercial fleet management software directly to the DVLA to automate bulk mileage reporting and mass payments, replicating the efficiency of existing bulk VED licensing systems.
 - c. **Clarity on benefit-in-kind:** the government must urgently clarify whether an employer paying the total eVED liability centrally triggers a BiK charge on the employee's private mileage portion. Reintroducing the need to painstakingly track business versus private mileage would offset some of the administrative simplifications achieved during the transition to EVs.

- d. **Updating statutory mileage rates:** the government must provide clear guidance on how eVED interacts with approved mileage allowance payments and advisory electric rates. Businesses need certainty on whether the pence-per-mile eVED cost should be factored into the reimbursement rates for employees using their own EVs for business travel, ensuring employees are not left out of pocket.

Question 11: What should the government consider to ensure the overall approach to tax reporting and collection is fair?

- 40. For any tax system to be considered fair, it must be accessible, transparent, and proportionate in its enforcement. The transition from a flat-rate vehicle tax to a usage-based eVED introduces new complexities that the government must carefully manage to ensure equitable outcomes for motorists.
- 41. We recommend the government considers the following principles to ensure fairness:
 - a. **Digital inclusion:** while eVED will inherently rely on digital platforms, a fair tax system must not penalise the digitally excluded. Taxpayers who lack internet access or digital literacy must be provided with robust alternative channels (such as automated telephone lines or paper submissions). Crucially, these non-digital users must not be subjected to a lower level of customer service or face additional administrative fees simply for using offline channels.
 - b. **Proportionate penalty regimes:** the compliance framework must clearly distinguish between genuine human error and deliberate tax evasion. Under a manual reporting system, a taxpayer mistyping a digit on their odometer reading is a high probability. Penalties should be reserved for repeated, deliberate under-declaration or odometer tampering (“clocking”), rather than penalising honest mistakes. The system should issue warnings and allow a window for correction before any financial penalties are applied.
 - c. **Accessible dispute resolution:** if an accredited provider or MOT garage incorrectly records a vehicle's mileage, the resulting tax demand will fall on the motorist. The government must establish a clear, frictionless, and transparent appeals process. Taxpayers must be able to easily challenge and correct erroneous official readings without incurring legal or professional costs.

Question 12: Which life events and other considerations should the government consider when building flexibility for changes in circumstances into the eVED scheme?

- 42. The transition from a fixed-rate vehicle tax to a usage-based tax means that a taxpayer's liability is now highly sensitive to their personal circumstances. To ensure fairness, the eVED system must accommodate the reality that driving habits are highly elastic. The government must build in flexibility for the following key life events:
 - a. **Changes in employment:** starting a new job, facing redundancy, or retiring drastically alters commuting miles. Motorists must be able to easily adjust their mid-year estimates and direct debits to prevent unintended balancing payments.
 - b. **Relocation:** moving home can alter vehicle dependency. Updating a residential address with the DVLA could trigger an automated, simple prompt to review the current mileage estimate.
 - c. **Family and health changes:** events such as having a child, separation, long-term illness, or disability can instantly change driving patterns. The system should allow users to request mid-year cash refunds for significantly over-estimated mileage if their usage drops suddenly, rather than waiting for an end-of-year credit.
 - d. **Bereavement:** the government's existing “Tell Us Once” service must automatically freeze the eVED liability and cancel direct debits, ensuring bereaved families are not pursued for final odometer readings.
 - e. **Theft or total loss:** if a vehicle is stolen or written off, providing a final verifiable reading is impossible. The system must accept insurance or police reference

numbers to automatically pro-rate the tax to the date of the incident without penalising the taxpayer.

Question 13: Do you agree with the proposed approach for car life cycle events?

43. We agree with the fundamental tax principle that eVED liability must reside with the registered keeper, not the vehicle itself. To ensure smooth transitions during life cycle events, we recommend the following safeguards:
- a. **Updating the V5C transfer process:** to create a clear, unambiguous tax point when a vehicle changes hands, the DVLA's change of keeper process (both the digital service and the paper V5C form) should be updated. It should become mandatory for both the outgoing seller and the incoming buyer to declare the vehicle's mileage at the exact date of transfer.
 - b. **Severing liability and dispute resolution:** when a vehicle changes ownership, the seller's eVED account must be immediately closed and reconciled based on their submitted mileage. If a seller intentionally under-declares the final mileage to evade a balancing payment, and this conflicts with the buyer's declared starting mileage, the incoming buyer must be protected. In such disputes, the buyer should be able to obtain a verified, timestamped reading from an accredited provider (such as an MOT garage) to definitively establish their baseline. This verified reading must supersede the seller's claim, severing any connection to the seller's missing miles and shielding the buyer from liability.
 - c. **SORN declaration and reconciliation:** when a motorist applies for a statutory off road notification (SORN), the digital journey should simply prompt them to submit their current odometer reading. This reading must immediately freeze the eVED liability and trigger a final calculation. Depending on their payment method and actual usage versus their estimate, the system should clearly outline whether a refund is due, payments will simply cease, or a final balancing payment is required to close the active account.

Question 14: Is there anything further the government should consider when designing the arrangements for car life cycle events?

44. While routine transfers of ownership and SORN declarations will form the bulk of life cycle events, the eVED system must also seamlessly handle other administrative and end-of-life processes to prevent tax leakage and administrative frustration.
45. We recommend the government considers the following specific life cycle events:
- a. **Scrapping and certificates of destruction (CoD):** when a vehicle reaches the end of its life and is processed by an authorised treatment facility (ATF), the issuance of the certificate of destruction must act as the absolute cessation point for eVED liability. To reduce the burden on the taxpayer, the government should explore whether ATFs can submit the final, verified odometer reading directly to the DVLA as part of their statutory CoD reporting, automatically triggering the final tax reconciliation for the outgoing keeper.
 - b. **Permanent export:** when a vehicle is permanently exported from the UK, it leaves the UK tax jurisdiction. The submission of the V5C/5 (notification of permanent export) must immediately freeze the eVED account. As with a SORN, the digital journey should prompt the keeper for a final mileage reading prior to export to generate the final balancing payment or refund.
 - c. **Changes in tax class:** if a vehicle undergoes physical modifications that change its tax class (for example, being adapted for a disabled user who is exempt from VED, or being reclassified as a taxi), the system must be able to smoothly close the standard eVED account and transition the vehicle to its new tax status with an automated final mileage reconciliation for eVED.

Question 15: What should the government consider when developing an overall compliance approach to prevent user error, avoidance and fraud?

46. The shift from a binary, easily enforceable tax (where a vehicle is either taxed or untaxed, easily caught by ANPR cameras) to a variable, self-reported tax fundamentally alters the compliance landscape. The government must build a compliance regime that ‘designs out’ accidental error upstream, while retaining robust, targeted enforcement against deliberate evasion downstream.
47. We recommend the government considers the following pillars for its compliance strategy:
- a. **Designing out user error:** the digital interface must be engineered to catch typographical errors before submission. If a taxpayer enters an implausible mileage figure, the system should trigger a prompt. Suggesting the user uploads a photograph of their dashboard for automated OCR verification would prevent innocent typos from generating erroneous compliance interventions.
 - b. **Staged compliance interventions:** the DVLA should adopt a ‘nudge’ approach for initial discrepancies. Rather than immediately issuing a fine, an automated alert should highlight a mismatch (eg, between an estimated reading and an MOT reading) and offer a 30-day window to correct the record or provide evidence, filtering out genuine mistakes from active avoidance.
 - c. **Tackling odometer tampering (“clocking”):** the consultation rightly identifies the risk of increased odometer tampering. From a tax compliance perspective, we agree robust measures are essential. However, enforcement must focus upstream. Compliance efforts should actively target the commercial ‘mileage correction’ businesses and software providers that facilitate this evasion at scale, rather than just pursuing individual motorists.

Question 16: What should the government consider when designing the penalties regime within eVED, to ensure fairness to all motorists?

48. A fundamental principle of tax policy is that penalties should encourage compliance, not act as a revenue-raising mechanism. The penalty regime must be proportionate, aligning with existing DVLA frameworks, while including robust safeguards to ensure it does not punish the vulnerable or those making genuine errors.
49. To ensure fairness, the government must consider the following:
- a. **A ‘soft landing’ period:** transitioning to a usage-based tax is a monumental shift in public administration. A penalty-free or light-touch initial period of at least 12 months is essential. This will support compliance while taxpayers, businesses, and the DVLA adjust to a highly unfamiliar system, ensuring early teething problems do not result in unfair financial penalties.
 - b. **Proportionate penalty escalation:** the regime should mirror current VED late licensing penalties to ensure familiarity. Minor infractions (such as a late balancing payment) should trigger a standard, automated fine (eg, £80, reduced to £40 if paid promptly). However, evidence of deliberate under-declaration should utilise existing escalation pathways, where penalties can reach a multiple of the evaded tax, serving as a deterrent against mileage suppression.
 - c. **A statutory “reasonable excuse” framework:** the eVED penalty regime must include a clear, accessible “reasonable excuse” mechanism. If a taxpayer misses a deadline due to sudden hospitalisation, bereavement, or a severe personal emergency, automated penalties must be easily waived without forcing the taxpayer through a complex tribunal process.
 - d. **Grace periods for unprompted corrections:** fairness dictates that a taxpayer who realises they have made an innocent mistake should be encouraged to fix it. If a motorist voluntarily logs in to correct an erroneous estimate or reading before the DVLA prompts them, no financial penalty should be applied.

- e. **Pausing enforcement during disputes:** if a penalty is generated due to third-party error – such as an MOT garage incorrectly transcribing a mileage figure – the taxpayer must not be forced to pay the fine while trying to clear their name. A frictionless appeals process must instantly 'pause' tax collection and penalty escalation the moment a dispute is raised.
- f. **Protecting the digitally excluded:** a fair penalty regime must ensure that offline motorists are not disadvantaged. Taxpayers requiring paper-based statements or manual payment methods must not be subjected to shorter deadlines or administrative surcharges simply because traditional post takes longer to process than an API feed.

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.
2. **Certain:** in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
3. **Simple:** the tax rules should aim to be simple, understandable and clear in their objectives.
4. **Easy to collect and to calculate:** a person's tax liability should be easy to calculate and straightforward and cheap to collect.
5. **Properly targeted:** when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
6. **Constant:** Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
7. **Subject to proper consultation:** other than in exceptional circumstances, the government should allow adequate time for both the drafting of tax legislation and full consultation on it.
8. **Regularly reviewed:** the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
9. **Fair and reasonable:** the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
10. **Competitive:** tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as [TAXGUIDE 4/99](#).