

## **Position Statement – Motorhome Vehicle Excise Duty (VED) - The NCC September 2019**

### **Who we are**

The National Caravan Council (The NCC) is the UK trade association that represents the collective interests of the leisure accommodation vehicle industry supply chain (touring caravan, motorhome, caravan holiday home), and the residential park home industry.

The leisure vehicle industry overall contributes in excess of £9.3 billion to the domestic economy, employs in excess of 130,000 people and serves over 1 million caravanners, which includes over 228,000 motorhome owners across the UK.

British motorhome manufacturers produce 55 per cent of motorhomes registered in the UK and they face significant challenges having to compete with large continental manufacturers. This manufacturing base forms part of a whole supply chain of suppliers and dealerships across the UK.

### What is a motorhome?

A motorhome (motorcaravan as defined in European Legislation<sup>1</sup>) is a **M1 SA special purpose vehicle**, almost all of which are derived from a commercial base vehicle (category N1). Under Annex II Part A 2.2.1:

*‘Special purpose vehicle (SPV)’ means a vehicle of category M, N or O having specific technical features in order to perform a function which requires special arrangements and/or equipment.*

The various types of special purpose vehicles are defined and listed in (Annex II Part A 5) and they are assigned the additional coding:

- 5.1. Motor caravan - Code SA
- 5.2. Armoured vehicle -Code SB
- 5.3. Ambulance – Code SC
- 5.4. Hearse – Code SD
- 5.5. Wheelchair accessible vehicle – Code SH

All the above fall under the M1 classification in Annex II Part A (1):- ‘a vehicle comprising not more than eight seating positions in addition to the driver’s seating position’. However, most people would appreciate that those listed above are not regarded as ‘conventional cars’ - hence the ‘Special Purpose Vehicle’ category.

### **Impact of WLTP on motorhomes**

There are five main N1 base vehicle manufacturers for motorhomes: Fiat, PSA (Peugeot/Citroen), Ford, VW and Mercedes.

The choice of base vehicles available to motorhome manufacturers/converters is extremely limited and most, if not all, finished motorhomes are based on a small number of models which come with the commercial diesel engines already installed.

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<sup>1</sup> **DIRECTIVE 2007/46/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL- ANNEX II - 5. Special purpose vehicles 5.1 Motorcaravan SA**

To illustrate the point:

- 59.2 per cent of motorhomes registered in the UK are derived from a Fiat commercial base vehicle – using only one diesel engine - (2300 cc which has 4 power outputs)
- 20.6 per cent of motorhomes registered in the UK are derived from a PSA (Peugeot/Citroen) commercial base vehicle – using only one diesel engine (2200 cc which has 3 power outputs)
- 9.4 per cent of motorhomes registered in the UK are derived from a VW commercial base vehicle – using only one diesel engine (2,200 cc which has 6 power outputs) and
- 7.7 per cent of motorhomes registered in the UK are derived from a Ford commercial base vehicle - using only one diesel engine (2200 cc which has 2 power outputs).

This means that **96.9 per cent** of the UK motorhome market is built using commercial base vehicles with only four engines to choose from. All are large capacity commercial diesel engines, built in high volume to supply and satisfy the need for all commercial vehicles across Europe, and all have similar CO2 values. There are no mainstream alternatives.

Therefore, neither the motorhome manufacturer, nor the consumer, has a free choice - unlike the car industry. Under the new Worldwide Light Vehicle Test Procedure (WLTP) all four engines (across all power outputs) exceed the maximum 255g/km threshold for cars and under the new VED system motorhomes now fall into the highest tax band for cars.

Following the 'dieselgate' scandal which emerged in 2015, the European Union developed a new test to replace the outdated New European Driving Cycle (NEDC). The new test - WLTP – has been phased in through the Commission Regulation (EU 2018/1832) with the test intended to mimic real-life driving conditions – Real Driving Emissions (RDE).

From 1 September 2019, WLTP RDE is mandatory for vehicle types:

M1 SA – motorhomes (motor caravans) and

Commercial Vehicles in:

N1 – Class II

N1 – Class III and N2 <sup>2</sup>

This means that all new M1 SA (motorhomes) first registered will, unless subject to a derogation under the NEDC, be required to supply information on CO2 emissions as part of the vehicle's first registration application to DVLA.

### **Graduated vehicle excise duty -v- flat rate tax**

Graduated vehicle tax has been applied to cars in the UK since 2001. Motorhomes have, hitherto, not been subject to graduated vehicle tax as the motorhome manufacturer had no method of determining the CO2 figure on the final vehicle other than having the finished vehicle emissions tested, which is designed for mass production and not low volume production.

To reflect this, the majority of motorhomes (multi-stage vehicles) have paid a flat rate of vehicle excise duty (VED) linked to the weight of the vehicle and the cubic capacity (cc) of the engine – the private light goods rate (PLG) is currently £265.

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<sup>2</sup> <https://www.vehicle-certification-agency.gov.uk/vehicletype/definition-of-vehicle-categories.asp>

With the introduction of WLTP it was not anticipated that for multi-stage vehicles the end-stage manufacturer would be required to undertake very costly emission tests for low volume production. It has been confirmed recently that all WLTP approved motorhomes will now be required to publish a theoretical CO2 figure based on a calculator supplied by the base vehicle manufacturer and that has placed motorhomes in the graduated VED for cars.

### **Vehicle tax reforms and consultations**

Major reforms to vehicle tax were announced in the 2015 budget and these took effect in April 2017. From this date the vehicle tax on new, first registered cars was linked to the NEDC CO2 emission figure for the first year, followed by the standard rate of tax for subsequent years. This decision was intended to incentivise motorists to choose a vehicle with a cleaner, more efficient engine.

In 2018 the Government announced in the Budget a review of the impact of WLTP on vehicle tax, which is linked to CO2 emissions. This was on the basis that new cars registered from **April 2020** will be taxed based on WLTP figures (not NEDC) which are more representative of real-world driving conditions.

A full consultation on the impact of WLTP and VED on cars was published in December 2018<sup>3</sup> and a summary of responses issued in July 2019<sup>4</sup>. Government acknowledged that WLTP could impact the VED liability for individuals choosing a new car from April 2020 and a call for evidence is to be published later in 2019 seeking

*'views on moving towards a more dynamic approach to VED which recognises smaller changes in CO2 emissions'.*

In May 2018, Government consulted on a new approach to VED for vans<sup>5</sup> which was aimed solely at N1 light goods vehicles – the same vehicle category that motorhomes are derived from. Government published its summary of responses in October 2018<sup>6</sup> in which it stated

*'Government is minded to announce new bands and rates for introduction from **April 2021** once the impacts of WLTP can be fully determined.....and....  
'give van manufacturers time to reflect the new values in all new vans and allow the government to fully assess the impact on WLTP on the van market.'*

In July 2019 HMRC published a policy paper '*Rules to measure carbon dioxide emissions for Vehicle Excise Duty*'<sup>7</sup>. This confirms the position regarding the taxation of **new cars** from April 2020 in accordance with WLTP. The economic impact assessment states that

*'the measure will have a negligible impact on businesses taking up **a new car** from 1 April 2020'.*

No such impact assessment has been carried out for motorhomes. In correspondence with trade bodies, many MPs have been concerned with this lack of assessment by the Government.

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<sup>3</sup> <https://www.gov.uk/government/publications/review-of-wltp-and-vehicle-taxes>

<sup>4</sup> <https://www.gov.uk/government/publications/review-of-wltp-and-vehicle-taxes>

<sup>5</sup> <https://www.gov.uk/government/consultations/vehicle-excise-duty-for-vans>

<sup>6</sup> <https://www.gov.uk/government/consultations/vehicle-excise-duty-for-vans>

<sup>7</sup> <https://www.gov.uk/government/publications/rules-to-measure-carbon-dioxide-emissions-for-vehicle-excise-duty>

## The NCC's position

- **A motorhome is not a car**

While a motorhome lies in the M1 category of passenger carrying vehicles defined as 'comprising not more than eight seating positions in addition to the driver's seating position', it is not a car and should not be taxed as such. Various Government policy papers and responses refer to the emission changes allowing motorists to make more informed purchasing decisions related to their new car. This is simply not possible for motorhome owners who cannot choose from a pool of ultra-low or zero emission models in the same way that car owners can.

- **Lack of choice**

Currently, just shy of 97 percent of all UK motorhomes are built on chassis providing only four engine choices – all diesel – with output which exceeds the maximum emissions threshold for cars.

Any tax incentive to help encourage motorhomes buyers to purchase cleaner vehicles is irrelevant until there is a greater choice of low-emission commercial base vehicle options available to motorhome manufacturers/converters.

Government needs to take a pragmatic approach and acknowledge that motorhomes are derived from, in the main, N1 commercial base vehicles.

- **Meeting climate change targets**

Government states that it uses the VED system to encourage the take up of vehicles with low CO2 emissions and how this helps meet Government's legally binding climate change targets. The NCC believes that the new emission regulations are important, and it is right that there is a fair and robust system that encourages buyers of new vehicles to make an informed choice.

Applying the car taxation system to motorhomes, however, is simply not an appropriate measure. In addition to the lack of choice, comparing 2018 new motorhome registration figures and applying the average CO2 output against the average mileage of other vehicles such as cars and light vehicles, means that the contribution of motorhomes to the national total vehicle parc is negligible – see table in the Evidence section below.

- **Confusion and market distortion**

The same motorhome model in all respects other than the base vehicle engine with the same cubic capacity (cc) can be taxed as follows and could lead to:

	1st Reg	Yr2	Yr3	Yr4	Yr5	Yr6	Total
Non WLTP Engine (Euro 6B/1 older engine)	£265	£265	£265	£265	£265	£265	£1,590
WLTP Engine (Euro 6D/2 newer, cleaner engine)	£2,135	£465	£465	£465	£465	£465	£4,460
Heavy Duty Emissions Engine	£165	£165	£165	£165	£165	£165	£990

- delayed and cancelled orders
- significant price differentials – models with the newer, cleaner engines will be £4- 5000 more expensive with the additional £1870 extra VED (car)
- larger European based motorhome manufacturers seeking heavy duty emissions approval to bypass the application of the higher car VED in the UK
- job losses throughout the supply chain in the UK

Evidence base:

- Motorhomes are not cars – they are vehicle category M1 SA derived from N1 base vehicles
- 96.9 per cent of the UK motorhome market are built on commercial base vehicle chassis (Fiat, Peugeot, VW and Ford) using only four engines between them – 2200- 2300 cubic capacity diesel – and due to the different turbo geometry and injection configurations provide only 15 power outputs ranging from 120bhp to 180bhp. All exceed the maximum 255g/km threshold for cars (WLTP figures based on calculator) putting them at the top of the VED band
- New WLTP compliant motorhomes first registered from 1 September 2019 will be subjected to a **705 percent increase** in duty. The car industry will only see modest increases from April 2020 – (20 percent for cars) – see foot note 4 - in the first year, and a similar figure for commercial vans and vehicles from April 2021
- HM Treasury has not consulted on the implications of introducing WLTP for motorhomes, unlike the attention afforded to the car and van industries
- Compared with cars and light commercial vehicles, motorhomes represent the smallest group of vehicles, travelling only on average 3,000 miles (4,828 kms) and contributing a comparatively very small percentage of emissions for this vehicle category
- On average a car emits 1,698,056 g/km (124.5 g/km X 13,679) over 12 months
- On average a motorhome emits 805,793.2 g/km (166.9 g/km X 4,828) over 12 months

Type	No of vehicles (note 1)	Average CO2 (note 2)	Average Mileage/km (note 3)	Pollution level (g/km)	%
Cars	2,367,147	124.5g/km	8,500 miles=13,679 km	4,031,335,374,719	76.47%
LCV's	357,325	166.9g/km	12,800 miles=20,599 km	1,228,473,737,958	23.30%
Motorhomes	14,691	166.9 g/km	3,000 miles= 4,828 km	11,837,907,901	0.22%

Note 1 – Cars/Vans as declared by SMMT – motorhomes as declared by NCC

Note 2 – Car and Van average CO2 output as declared by SMMT – motorhomes based on LCVs

Note 3 – Car and Van average mileage as declared by SMMT – motorhomes as declared by The Caravan and Motorhome Club

- The industry has been blindsided with the introduction of WLTP, as it was not anticipated that for multi-stage vehicles the end-stage manufacturer would be required to undertake very costly emission tests for low volume production. Late in the process an obligation was placed on base vehicle manufacturers to provide specific 'calculators' for multi-stage manufacturers to use to enable them to calculate a theoretical CO2 output.

- When calculators were issued to motorhome manufacturers in March 2019 there were conflicting views from Government (Department for Transport), the European Caravan Federation (ECF) and the industry in relation to whether the calculated CO2 figure was required to be added to the Certificate of Conformity (CoC) by the multi-stage manufacturer
- It has now been confirmed that all WLTP approved motorhomes are required to publish a CO2 figure on the CoC which for VED purposes immediately places them into the car taxation scheme on first registration
- To date there is strong cross-party support regarding the issues raised by industry and consumers and a related Parliamentary Petition exceeded 10,000 signatures in the first 21 days - <https://petition.parliament.uk/petitions/268246>
- The issue was raised in the Summer Adjournment Debate in the House of Commons on 25<sup>th</sup> July 2019 by Sir David Amess MP and John Woodcock MP.<sup>i</sup>

### **What is the NCC calling for?**

1. HM Treasury to re-think its position regarding the introduction of WLTP as it relates to motorhomes and Vehicle Excise Duty (VED) in light of the extensive consultation and further considerations given to both the car and light commercial van industries, but not to the motorhome sector.
2. Motorhomes to be separated from the VED system for cars.
3. Government to grant a dispensation for motorhomes so that they are taxed as a PLG vehicle until the matter can be properly addressed.
4. Urgent consideration to be given to this unfair taxation of these popular leisure vehicles via the next fiscal event and amendments made to the Finance Act.

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<sup>i</sup> <https://hansard.parliament.uk/Commons/2019-07-25/debates/ECFEDC9A-8843-49BD-9294-5741753E0F5D/SummerAdjournment>