

Ibrahim Khan-Ghauri  
HM Revenue & Customs  
100 Parliament Street  
Westminster  
London  
SW1A 2BQ

13 July, 2021

Dear Ibrahim,

## **THE TAX ADMINISTRATION FRAMEWORK: SUPPORTING A 21<sup>ST</sup> CENTURY TAX SYSTEM**

The British Vehicle Rental and Leasing Association (BVRLA) represents the demand side of the automotive industry. Our 980 members engage in vehicle rental, leasing and fleet management, purchasing around 50% of new vehicles sold in the UK each year. The sector supports over 465,000 jobs and supplies UK businesses and consumers with a combined fleet of over four million cars, vans and trucks.

The BVRLA wholly supports HMRC's review on the administration of the tax system, which aims to digitise and simplify the framework. A key aspect of the wider taxation framework which our members believe is in urgent need of updating is the Driver and Vehicle Licensing Agency (DVLA). The DVLA collects tax from over 37 million vehicles in the UK, acting as a source of revenue for those taxation responsibilities which fall outside the scope of HMRC. Due to the current low levels of digitisation and integration present in DVLA systems, vehicle taxation often becomes a costly, burdensome and unfair process for businesses. Any reforms to the tax administration framework will need to consider the improvement of DVLA functions in order to build a more responsive and resilient overarching system of taxation.

### **Modernisation of DVLA processes**

The majority of DVLA processes relating to taxation are still largely paper-based. Members report difficulties in claiming refunds on Vehicle Excise Duty through DVLA systems and that when these refunds are successfully issued, they are administered via cheques which are sent through the post. Similarly, the DVLA send single V11 road tax reminders by letter for each vehicle a business owns which cannot be taxed through a bulk system. Not only is this impractical for fleet operators, but the DVLA also fail to issue an error message when these notifications are duplicated by the Post Office. This often leads to funds being taken and members having to apply for refunds which are rarely received in practice. These paper processes proved particularly unreliable during the pandemic when postal services were compromised, revealing low resilience and inefficiencies of the tax system in times of national crises.

Where there are automated systems in place, these tend to be poorly designed for business operations. For example, our members cite that there is no apparatus to relicence electric vehicles in bulk and that they have to enter each electric vehicle on their fleet individually and manually. This a wasteful use of company resource and also reduces their ability to accurately tax electric/alternative fuel vehicles. In addition, vehicles over three years old cannot be taxed using the bulk service, despite the DVLA having access to MOT data which should be released in this process for the purposes of effective taxation. This lack of digital functionality for taxation lowers business productivity and drives up operational costs.

### **Better integration of DVLA processes**

Our members also encounter tax issues from the lack of coordination between government agencies. A

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primary example of this is where HM Treasury have added a zero emission mileage (ZEM) element to determine a company car's Benefit in Kind tax rate. HMRC have included this information as a requirement in the P11D form so that users accurately report their tax rates, yet our members often do not have access to this ZEM information. This is because the only document which holds this vehicle information is a Certificate of Conformity, which is not always supplied physically with the vehicle nor is it digitally accessible, legible or even issued in English.

ZEM data could be easily supplied if it were a mandatory requirement on the vehicle registration document (V5C) which registers the vehicle with the DVLA. Including the ZEM figure on the V5C document, both in a digital and physical format, would integrate the data into the systems and procedures involved in calculating tax liabilities. This shows how HMRC needs to implement taxation measures that join up with DVLA vehicle-related taxation measures to remove complexity.

Another case where the DVLA implement procedures without consulting with HM Treasury and HMRC is in relation to the Advisory Electric/Fuel Rates for vehicles. When members register any vehicle on the DVLA website, there is no merged functionality whereby HMRC data advises the member of the corresponding AER/AFR for that vehicle. This lack of integration between government bodies leads to poor tax practices which could be facilitated by more forward-looking and joined-up dialogue between the administrations.

### **Closing comments**

For the Government to create a fair and cost-efficient system of taxation, it is imperative they do not only focus on one agency. This is because systems of taxation are interlinked. The low levels of digitisation in DVLA systems lead to long-winded and unsuitable processes of taxation, which were unresponsive to the needs of the taxpayer during the pandemic and which compromise the collection of revenue by HMRC.

The lack of data flow between DVLA and HMRC negatively impact members' abilities to tax their vehicles accurately and effectively, such as when filing in P11D forms for HMRC which requires information that the DVLA is unable to supply. These issues with the DVLA tax administration indirectly underpin and undermine the taxation framework and should be urgently reviewed as a key component of the holistic tax system.

We would welcome further engagement on any of these issues raised in this letter.

Yours sincerely,



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## About the BVRLA

- The BVRLA represents over 970 companies engaged in vehicle rental, leasing and fleet management. Our membership is responsible for a combined fleet of four million cars, vans and trucks – one-in-ten of all vehicles on UK roads.
- BVRLA members represent the demand-side of the automotive industry, buying around 50% of new vehicles, including over 80% of those manufactured and sold in the UK. In doing so, they support almost 500,000 jobs, add £7.6bn in tax revenues and contribute £49bn to the UK economy each year.
- Together with our members, the association works with policymakers, public sector agencies, regulators, and other key stakeholders to ensure that road transport delivers environmental, social and economic benefits to everyone. BVRLA members are leading the charge to decarbonise road transport and are set to register 400,000 new battery electric cars and vans per year by 2025.
- BVRLA membership provides customers with the reassurance that the company they are dealing with adheres to the highest standards of professionalism and fairness.
- The association achieves this by reinforcing industry standards and regulatory compliance via its mandatory Codes of Conduct, inspection regime, government-approved Alternative Dispute Resolution service and an extensive range of learning and development programmes.

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