The Rt Hon Rishi Sunak MP

Chancellor of the Exchequer

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[Date]

Dear Chancellor

**Budget Representation – cost certainty inspires confidence when it comes to zero emission motoring**

The current Benefit in Kind (BiK) taxation structure is the single biggest driver of zero emission vehicle uptake in the UK. Low BiK rates for battery electric (BEV) cars has supercharged the company-provided vehicle market and democratised access to this expensive clean technology. As a result, 22% of all salary sacrifice cars and 8% of business lease cars are already pure electric, well ahead of the overall car parc, where BEVs have a market share of less than 1%1.

The two factors that have enabled this seismic change are:

1. **Low rates**: currently at 1% for a BEV
2. **Foresight**: the five years of foresight provided in 2020 enabled reliable cost of ownership predictions

Millions of potential BEV drivers are still concerned about the uncertainties involved in going zero emission. Will a BEV have sufficient range? Is there enough charging infrastructure? Will it be easy to repair and hold its value? Can it do the same job as my old petrol vehicle? The Government cannot provide these answers, but it can help reassure drivers on one of their most pressing questions – what will it cost me to use?

The Government’s BiK strategy has demonstrated that tax certainty inspires confidence.

Unfortunately, just as the zero-emission momentum builds, the tax foresight driving it is receding. The process of getting a new company or salary sacrifice car can be a slow one, involving many quotations, numerous specifications and a lead time of up to nine months between order and delivery. As a result, many drivers considering a new four-year BEV lease today don’t know what tax they will pay in the final year of their agreement. They fear that the current BiK incentives could be slashed or removed in the same way that the Plug-in Grant was back in March.

The introduction of ultra-low BiK rates electrified the BEV market. The sudden withdrawal of these incentives could short-circuit it.

Rates need to remain low until at least 2030 to ensure the company-provided car market meets the phase-out targets. Drivers make rational, cost-based choices and recent history has shown that this market will fluctuate wildly if the total cost of ownership equation compares poorly to the alternative option of sourcing a new or used car privately or relying on an existing household vehicle. Statistics show that, on average, all these alternatives will be older and much less likely to be zero emission.

For the rapid electrification of these vehicle markets to continue, the Government must:

* Publish 2025/26 BiK rates as a minimum. Every extra year of foresight builds market confidence
* Pledge that BEV BiK rates will not rise above 10% before 2031/32
* Commit to a BEV BiK escalator that increases rates by less than 3% a year

Yours sincerely,

[Your name]

[Your contact details:]