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Report to the Finance Strategic Policy Committee

UK Tax Disc Abolition

Background

At its meeting held on September 15th 2016, the Finance SPC requested that a report be brought to a future meeting providing detail of the arrangements relating to vehicle tax discs operating in the UK and Northern Ireland.

UK Arrangements

Appendix A attached provides a detailed report relating to UK arrangements. The report includes details on:

- The introduction of abolition of tax discs
- Paying Motor Tax in the UK and Northern Ireland post abolition of Tax Discs
- Selling and transferring ownership of a vehicle
- Issues post implementation
- Funding
- Rates of Road Tax in the UK

Review of Motor Tax

The Department of Housing, Planning, Community & Local Government are considering policy issues around the operation of Motor Tax. Separately, the Comptroller and Auditor General is due to publish a report on the efficacy of the current framework. Dublin City Council would support a move to abolish tax discs as the management of stocks of vehicle licences adds considerably to the resource requirement for Motor Tax services.

Compliance Measures

The planned nationwide rollout of ANPR (Automatic Number Plate Readers) in An Garda Síochána was completed in 2010. ANPR uses optical character recognition technology to automatically read vehicle registration plates and is used in patrol cars by many police forces worldwide. The technology can read number plates at a rate of six per second on vehicles travelling up to 180km/h. An Garda Síochána uses Automatic Number Plate Recognition (ANPR) systems in its Garda Traffic Corps vehicles.

ANPR systems also include a speed detection capability. This allows for the measuring of the speed of a vehicle travelling in front of a patrol vehicle. The video camera records on-the-scene evidence of speeding, and offences such as dangerous driving, crossing continuous white lines and breaking red lights. One of the main benefits of the system is that the plate recognition can run in the background while Gardaí are measuring speed or attending to other issues as demands dictate.

All vehicles fitted with ANPR camera systems can identify vehicles as being stolen, untaxed, suspect, cited as connected with terrorist suspects, crime groups, drug trafficking, people trafficking and/or persistent offending. The systems therefore make a significant contribution to the fight against serious and organised crime activity. There are approximately 100 operational units that are now fitted with 3G technology. ANPR vehicles are now deployed in every Garda division, with the number of vehicles allocated in each division based on various criteria including the type of roads, the amount of motorways and geographic profile.

Management of tax disc stock

It is worthwhile to consider the workload associated with the management of the Motor Tax service. Below (Table 1) are the figures for 2016 on the number of tax discs issued yearly, bi-annual & quarterly by Smithfield Office.

Table 1: Tax Discs Issued

Month	Total	Yearly	Bi-Annual	Quarterly
January	17,885	9636	1861	6388
February	18,655	9942	1957	6756
March	19,063	9176	3895	5992
April	13,963	6825	1499	5639
May	13,316	6458	1351	5507
June	17,537	8752	2393	6392
July	19,053	10038	2011	7004
August	16,626	8481	1830	6315
September	15,693	7482	1791	6420
October	13,821	6671	1664	5486
November				
December				
Yearly Total	165, 612	51%	12%	37%
2015 Totals	222,488	48%	13%	39%
2014 Yearly	280,429	43%	13%	44%

Table 2 outlines additional Motor Tax transactions that do not involve the issuing of a physical tax disc.

- Miscellaneous Receipts – Motor Tax arrears on vehicles, €6 fee for statutory information from Garda Enquiries.
- Trade Plates - This is mainly seasonal work around December when Motor Dealers purchase plates for their trade vehicles.

Table 2: Motor Tax Transactions not involving a physical tax disc

Month	Miscellaneous Receipts	Trade Plates	Trailers
January	4535	102	49
February	6050	26	35
March	5361	10	82
April	6241	14	26
May	5497	11	62
June	5133	4	31
July	4590	6	110
August	5809	1	108
September	4887	1	59
October	4729	1	96
November			
December			

Figures set out in Tables 3, 4 and 5 quantify the additional back office support and work being carried out by staff in Smithfield.

Table 3: Replacement Tax Discs

Replacement Discs	2014	2015	To the end of September 2016
Free in Lieu Discs	2030	2391	1995
Number of chargeable discs	3653	3808	3069

Table 4: Motor Tax Refunds

2014	2015	To the end of September 2016
1210	1235	801

Table 5: Motor Tax Enquiries

Type of Request	2015	To the end of September 2016
Number of Form CT53's	11,419	9,853
Number of Form S103's	5,406	3,150
Solicitors €6 Requests	2,712	2,079
Staff Court Appearances'	40	20

Motor Tax Online

Dublin City & County has the highest number of customers availing of the Motor Tax Online service at 81% for 2015. This figure is incrementally increasing by 1% in 2016 for Dublin City & County. Table 6 shows the % increase in the online service from 2008 – 2015. Table 7 shows the numbers of transactions and receipts processed online.

Table 6: Increase in Motor Tax on-line

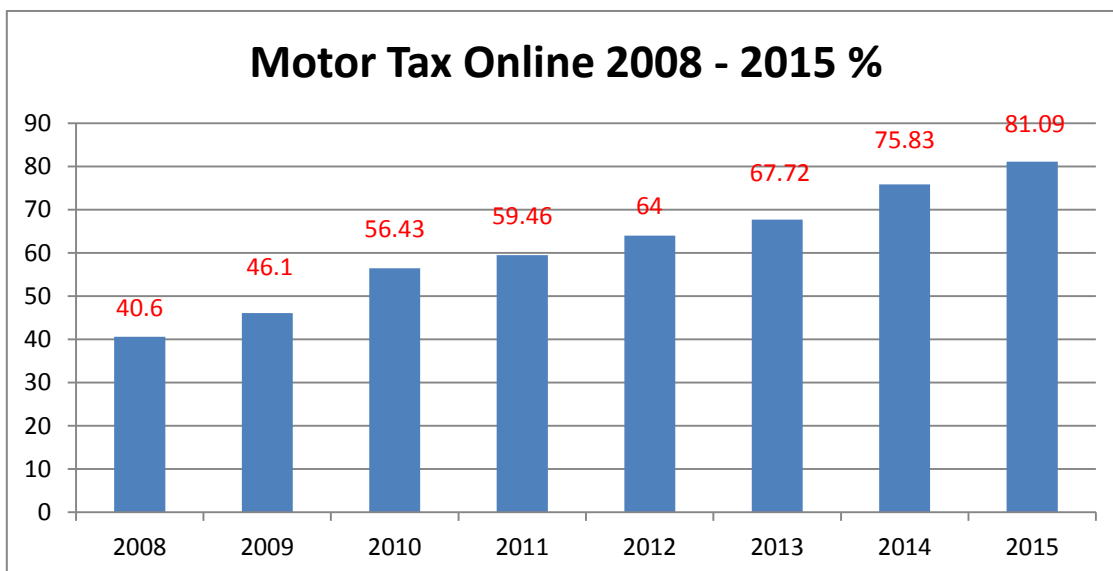


Table 7: Transactions Processed On-line

Year	No of Customer Transactions	Receipts (Millions)
2008	571,753	€137.6
2009	614,579	€146.2
2010	656,680	€146.3
2011	721,010	€152.5
2012	782,148	€172.1
2013	852,760	€191.2
2014	1,022,266	€215.5
2015	1,100,144	€224.4

Stock Administration

There is a body of work associated with stock administration, including:

- Periodic ordering of stocks from DHPCLG, Motor Tax Unit throughout the year.
- Serial numbers of discs to be checked when delivered and acknowledged on NVDF.
- Boxes of tax discs, staff floats (cash), trade plates, receipt books, trailer cards & log books are stored in Strong Room.
- Supervisor (Grade 4/5) on duty in Strong Room everyday for 2 hours (AM/PM) to ensure stock is monitored issued & recorded on NVDF.
- Supervisor issues bundles of 100 discs to individual cashiers each day.
- Interim and Annual stock takes (Motor Tax and Internal Audit staff) to reconcile the discs in the Motor Tax Office with serial numbers recorded on NVDF.

Summary

Dublin City Council Motor Tax Service would support proposals to abolish the requirement for the issuing of a vehicle licence (tax disc) as operates in Great Britain and Northern Ireland.

Kathy Quinn

Head of Finance

With Responsibility for Information & Communications Technology

Appendix A

Abolition of the paper Tax Disc in UK & Northern Ireland

Introduction of Abolition of tax discs

From 1 October 2014, the paper tax disc has no longer been issued and required to be displayed on a vehicle windscreen in the UK and Northern Ireland. Vehicle tax still needs to be paid but with DVLA having a digital record of who has and has not paid, a paper tax disc is no longer necessary as proof that vehicle tax is paid.

Most on-road enforcement action is now based on using Automatic Number Plate Readers. These cameras use the number plate rather than a visual inspection of the tax disc. The UK police also have access to DVLA records via the police national computer. When a vehicle is purchased, the tax or SORN (statutory off-road notification) does not come with it.

Paying Motor Tax in the UK and Northern Ireland post abolition of Tax Discs

A vehicle must be taxed before driving it. That includes driving home from a dealer's forecourt or a private seller's home. Motor insurance is required before using a vehicle on a public road. A vehicle may be taxed online, at a Post Office or by phone. In Northern Ireland, certain post office branches only deal with vehicle tax.

DVLA offers motorists the ability to spread their vehicle tax payments should they wish to do so. Motorists can pay vehicle tax by direct debit annually, bi-annually, or monthly. There are no additional handling fees for annual payments, but to limit the impact on the public finances there will be a small surcharge of 5% of vehicle tax for bi-annual and monthly payments. This is half of the 10% surcharge previously applied to 6-monthly tax discs and which was in existence for a number of decades. HGVs and fleet cars cannot be taxed by direct debit.

Selling and transferring ownership of a vehicle

The vehicle tax is not passed on when a vehicle ownership is transferred. This includes giving it to a member of family. The logbook (V5C) is sent to the new owner and a vehicle tax refund by cheque for any remaining months is sent out to the old owner.

Issues post implementation

Confusion over the new rules has also been linked to a dramatic rise in prosecutions for untaxed vehicles. Enforcement cases amounted to 117,490 in the six months after tax discs were abolished, compared with 82,999 or 86,939 in the previous two six-month periods when the tax disc was still in operation. Out-of-court settlements also doubled from 53,799 to 97,348 in the six-month period post implementation, while the number of cars clamped for unpaid road tax increased from around 5,500 per month to 8,800. DVLA has said the increase was caused by the system shake-up rather than any enhanced enforcement or motorists attempting to evade tax.

Funding

The DVLA show the amount of vehicle tax collected in the UK fell by more than £200m in the six months after the tax disc was abolished. Between October 2014 and March 2015, £2.7bn was collected, £223m lower than in the same period a year earlier. In contrast, the £3.2bn collected between April and September 2014 was flat year-on-year.

It had been reported that the change cost the DVLA around £1m, mostly in IT costs and additional compliance and enforcement activity to cope with higher initial levels of non-payment. A material change in the amount of revenue collected overall is not expected.

Rates of Road Tax in the UK

The UK vehicle tax rates depend on the officially quoted CO2 emissions for the car. There are 13 bands for petrol and diesel cars, with owners of the cleanest vehicles paying nothing and those with the highest emissions incurring a charge of up to £505 per year. Owners of new cars face higher charges (up to £1,100) in the first year after the car is registered. The UK system is due to change. From April 2017, a flat rate of £140 will be introduced for most cars, while owners of new cars could face even higher rates of up to £2,000 in the first year. Those who pay more than £40,000 for a new car will also have to pay a £310 supplement on top of the standard rate for five years.

The UK government states that the system is being revised to encourage drivers to buy the most environmentally sustainable cars. Money raised will be put into a Roads Fund, with a commitment that all funds raised will be put exclusively towards highways maintenance by the end of 2020. The new rules essentially target new car owners, with a commitment that nobody will pay more road tax for a car they already own. Cars emitting 0 grams of carbon dioxide per kilometre (gCO₂/km) will continue to pay no road tax.

Fines and Penalties

Car owners face an £80 fine for failing to tax their vehicle, unless it is declared off road. This can be reduced by half if it is paid within 28 days, but it could increase to a maximum of £1,000 if it goes unpaid and ends up in court. Offenders have court costs if they are successfully prosecuted. Those caught driving a car without road tax by police face an on-the-spot fine, known as a fixed penalty notice (FPN), of up to £1,000.

Hefty fees are also required to release an untaxed vehicle that is clamped or impounded. If a car is clamped, a valid tax must be paid for within 24 hours or a release fee of £100 will be charged, as well as a "surety deposit" of between £160 and £700 depending on the vehicle. The deposit is then refunded if the tax is purchased within two weeks. The fees are even higher to release an impounded car and prosecution costs and fines may still apply.

Compliance

Automatic number plate recognition (ANPR) cameras, which track all cars, will catch those who have not paid up and trigger fines of up to £1,000. It has been acknowledged that ANPR cameras misread four per cent of licence plates – up to 1.2 million per day. Since the system went live there have not yet been reports of significant numbers of penalties being issued in error.