

Pre-Budget Report 2008: cars and vehicles

The slide in the cost of oil and the consequent fall in petrol pump prices have prompted the Chancellor to go ahead with the 2 pence per litre rise in fuel duty penciled in for 2008.

The rise will come into effect on 1 December.

As announced in this year's Budget, main fuel duties will increase again by 1.84 pence per litre on 1 April 2009.

The government also confirmed plans to introduce its new 'green' vehicle excise duty bands next year, but that the rates of increase are to be graduated to take the ongoing economic downturn into account.

As from April 2009, six new bands of vehicle excise duty will be added to the current number, depending on the vehicles' CO2 emissions. But the rates will not rise by more than £5 for any car next year.

There will not be any major changes in rates until 2010 when the highest rate increase will be £30 in any band.

Cars registered before 2001 will not be subject to the new carbon emissions regime and will be rated according to their engine sizes.

The government also signaled its intention to reform the tax relief system for business expenditure on cars, basing it on vehicle emissions. The change will come into force on 1 April 2009 for corporation tax and on 6 April 2009 for income tax purposes