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Insurance Premium Tax is now the tax motorists worry about the most

Four in 10 motorists think the Chancellor will raise IPT again in the Budget

57% of motorists believe the Government is looking to bring IPT in line with VAT at 20%

Insurance Premium Tax (IPT) – which has risen from 6% to 10% in under two years and is due to go up to 12% in June – has now become the motoring tax drivers are most concerned about. What's more, four in 10 motorists believe the Chancellor is likely to increase it still further in his Spring Budget on Wednesday.

A survey of the RAC Opinion Panel found that 40% of motorists think that Mr Hammond will increase IPT again, based on the fact the Government has raised it three times since the Summer Budget 2015. Only a third of those questioned (34%) think he will leave it unchanged at 12%.

In contrast when asked what the Chancellor should do with IPT two-thirds of motorists (67%) said he should reduce it and a quarter (24%) said he should keep it the same.

Quizzed whether the Government is on a journey to increasing the standard rate of IPT to be in line with VAT at 20% well over half of the motorists surveyed (57%) believe that is likely while only a fifth (21%) not thinking that's the case.

The survey also found that 31% of motorists now think Insurance Premium Tax is the most concerning motoring-related tax in comparison to the next

most popular answer – fuel duty – which was named by 27%. Vehicle Excise Duty, which is to be increased for many newly registered cars as of 1 April, was the third, mentioned by 23%.

RAC Insurance director Mark Godfrey said: “Fuel duty has traditionally been the motoring tax drivers have been most concerned about, but years of campaigning appear to have helped ease that burden with the rate having been frozen at 57.95p a litre since 2011. Sadly, Insurance Premium Tax now seems to be the big focus for the Government which is clearly why motorists are saying they are so worried about it.

“Increasing IPT is proving disproportionately punitive on young drivers who are the ones that can least afford it. While it is understandable that young drivers have to pay the highest premiums as they present the greatest insurance risk, the rises in IPT have only served to make those premiums even higher and less affordable.

“Another hike in IPT this week could be a body blow for motorists as the cost of insurance is already on the rise and is expected to go up still further. A variety of factors are pushing up premiums, but last week’s change to the Discount Rate in life-changing compensation pay-outs is particularly significant as it likely to increase premiums by around 10%. There is a real danger that yet another increase in the IPT rate will begin to drive people off the road, discourage younger would-be drivers or worse still encourage more people to risk driving without insurance.

“Going forward, however, the Government should explore how they can use IPT as an incentive to encourage safer driving, especially among new and younger motorists. We would therefore urge the Treasury to explore IPT exemptions for those drivers with ‘black box’ telematics-based insurance policies.”

On the topical issue of diesel emissions, which are increasingly being linked to health-harming poor air quality, three-quarters (77%) of drivers surveyed said the Government should introduce a diesel car scrappage scheme offering cashback or a discount on low emissions cars if people trade in their older more polluting cars. One in four (40%) said they would like to see higher Vehicle Excise Duty rates charged for older diesel vehicles.

RAC head of external affairs Pete Williams added: “At first sight a diesel

scrappage scheme seems like a sensible approach, but in reality such a scheme may not reduce pollution sufficiently in a short enough period of time. It might also prove to be too costly so the Government must tread carefully over how it would implement such a scheme.

“Air pollution is generally a localised issue which is often, but not exclusively, confined to urban areas. We think any solution should seek to incentivise rather than penalise and should focus on the oldest, most polluting vehicles that spend the most time driving in urban areas. These are typically likely to be buses, taxis and delivery vans.”

The RAC’s pre-Budget research also found that despite fuel duty being frozen until April 2018 nearly a third of motorists (32%) think the Chancellor should change policy and reduce fuel duty by more than 1p a litre from April 2017 and a fifth (23%), perhaps more realistically, think he should extend the current freeze for the rest of the Parliament until 2020. Asked what they think Mr Hammond will do, 28% said he will retain the current freeze and re-evaluate it later in the year. Only 26% felt he is likely to extend the freeze beyond 2018.

Notes to Editors

* Survey carried out with 1,608 members of the RAC Opinion Panel from 28 February to 2 March 2017.

About the RAC

With more than eight million members, the RAC is one of the UK’s most progressive motoring organisations, providing services for both private and business motorists. Whether it’s roadside assistance, insurance, buying a used car, vehicle inspections and checks, legal services or up-to-the-minute traffic and travel information – the RAC offers a solution for all motoring needs. The RAC is committed to making motoring easier, safer, more affordable and more enjoyable for drivers and road users.

The RAC is the motorist’s champion and campaigns to support the interests of its members and UK motorists at a national level, including advancing levels of road safety, supporting the needs of young drivers and voicing concerns

about the increasing cost of motoring. The RAC's annual [Report on Motoring](#) – first published in 1989 – provides a clear insight into the concerns and issues facing today's motorists.

For the very latest news on UK fuel prices, check [RAC Fuel Watch](#) or follow [#racfuelwatch on Twitter](#). This is a comprehensive guide to the latest UK unleaded petrol and diesel prices – both at the wholesale level and at the pump. RAC Fuel Watch analyses how prices changed through the previous month and compares the most recent prices with those from three, six and 12 months before.

Key facts:

- RAC patrols fix four out of five vehicles at the roadside and on average within 30 minutes
- RAC vans carry more than 500 parts and tools to get members' vehicles going again
- 92% of members would recommend RAC Rescue to their friends and family

Contacts



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