Taxation (Energy and Vehicles) Bill

[The Speaker of the House of Commons has certified this Bill as a Money Bill within the meaning of the Parliament Act 1911.]

EXPLANATORY NOTES

Explanatory notes to the Bill, prepared by HM Revenue and Customs and HM Treasury, have been ordered to be published as HL Bill 38—EN.

EUROPEAN CONVENTION ON HUMAN RIGHTS

Lord Livermore has made the following statement under section 19(1)(a) of the Human Rights Act 1998:

In my view the provisions of the Taxation (Energy and Vehicles) Bill are compatible with the Convention rights.

Taxation (Energy and Vehicles) Bill

[AS BROUGHT FROM THE COMMONS]

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[AS BROUGHT FROM THE COMMONS]

A

BILL

TO

Increase the rate of electricity generator levy and mileage amounts relating to income tax and to provide for temporary rates of vehicle excise duty for goods vehicles.

Most Gracious Sovereign

WE, Your Majesty's most dutiful and loyal subjects, the Commons of the United Kingdom in Parliament assembled, towards raising the necessary supplies to defray Your Majesty's public expenses, and making an addition to the public revenue, have freely and voluntarily resolved to give and to grant unto Your Majesty the several duties hereinafter mentioned; and do therefore most humbly beseech Your Majesty that it may be enacted, and be it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1 Increase in rate of electricity generator levy

(1) In section 279 of the Finance (No. 2) Act 2023 (charge on exceptional generation receipts), in subsection (1), for "45%" substitute "55%".

(2) The amendment made by subsection (1) has effect for qualifying periods beginning on or after 1 July 2026.

(3) In the case of a qualifying period beginning before 1 July 2026 and ending on or after that date (a "straddling period"), section 279(1) of the Finance (No. 2) Act 2023 applies as if, instead of the amount of the charge being equal to 45% of the undertaking's exceptional generation receipts for the straddling period, the amount of the charge is the sum of—

(a) 45% of so much of the exceptional generation receipts for the straddling period as is attributable to a time before 1 July 2026, and

(b) 55% of so much of the exceptional generation receipts for the straddling period as is attributable to a time on or after 1 July 2026.

(4) For the purposes of subsection (3), exceptional generation receipts for a straddling period are to be attributed to a time before, or on or after, 1 July 2026 on a time basis according to the respective lengths of—

(a) the period beginning with the beginning of the straddling period and ending with 30 June 2026, and

(b) the period beginning with 1 July 2026 and ending with the end of the straddling period.

(5) If—

(a) electricity generator levy is chargeable on a company for a straddling period, and

(b) under the Instalment Payment Regulations one or more instalment payments in respect of the total liability of the company for the straddling period are treated as becoming due and payable before the day on which this Act is passed ("pre-commencement instalments"),

the additional amount of levy chargeable for the straddling period as a result of subsection (3) is to be ignored for the purposes of determining the amount of any pre-commencement instalment.

(6) The first instalment in respect of that liability which is treated as becoming due and payable on or after the day on which this Act is passed is to be increased by the following amount, namely the difference between—

(a) the aggregate amount of the pre-commencement instalments determined in accordance with subsection (5), and

(b) the aggregate amount of those instalments determined ignoring that subsection.

(7) In the Instalment Payment Regulations—

(a) in regulations 6(1)(a), 7(2), 8(1)(a) and (2)(a), 9(5), 10(1), 11(1) and 13, references to those Regulations are to be read as including a reference to subsections (5) and (6) (and in regulation 7(2) "the regulation in question", and in regulation 8(2) "that regulation", are to be read accordingly), and

(b) in regulation 9(3), the reference to those Regulations is to be read as including a reference to those subsections.

(8) In this section "the Instalment Payment Regulations" means the Corporation Tax (Instalment Payments) Regulations 1998 (S.I. 1998/3175).

2 Mileage amounts relating to income tax

(1) In the table in each of—

(a) section 230(2) of the Income Tax (Earnings and Pensions) Act 2003 (approved amount for mileage allowance payments), and

(b) section 94F(2) of the Income Tax (Trading and Other Income) Act 2005 (appropriate mileage amount),

for "45p" substitute "55p".

(2) In consequence of subsection (1), in section 94F(3) of the Income Tax (Trading and Other Income) Act 2005, for "45p" substitute "55p".

(3) The amendments made by this section have effect for the tax year 2026-27 and subsequent tax years.

3 Goods vehicles: temporary VED rates

(1) The Vehicle Excise and Registration Act 1994 has effect in relation to vehicle licences, other than trade licences, taken out in the period beginning with 1 July 2026 and ending with 30 June 2027 as follows.

(2) Paragraph 9 of Schedule 1 to that Act (rates for rigid goods vehicles exceeding 3,500 kgs revenue weight) has effect in relation to goods vehicles to which sub-paragraph (1), (2)(b) or (3) of that paragraph applies and which are used in the course of a trade as if—

- (a) in sub-paragraph (1), for "shall be determined in accordance with" to the end there were substituted "and not exceeding 44,000 kgs is £1.";
- (b) where sub-paragraph (2) applies in relation to rigid goods vehicles mentioned in paragraph (b) of that sub-paragraph, in that sub-paragraph for "basic goods vehicle rate" there were substituted "£1";
- (c) in sub-paragraph (3), for "£1,703" there were substituted "£1".

(3) Paragraph 10 of that Schedule (rates for certain rigid goods vehicles exceeding 11,999 kgs) has effect in relation to goods vehicles to which sub-paragraph (1) of that paragraph applies and which are used in the course of a trade as if—

- (a) in sub-paragraph (3), for "to be determined in accordance with" to the end there were substituted "£1.";
- (b) in sub-paragraph (7), for "£654" there were substituted "£1".

(4) Paragraph 11 of that Schedule (rates for tractive units exceeding 3,500 kgs) has effect in relation to goods vehicles to which sub-paragraph (1), (2)(b) or (3) of that paragraph applies and which are used in the course of a trade as if—

- (a) in sub-paragraph (1), for "shall be determined in accordance with" to the end there were substituted "and not exceeding 44,000 kgs is £1.";
- (b) where sub-paragraph (2) applies in relation to tractive units mentioned in paragraph (b) of that sub-paragraph, in that sub-paragraph for "basic goods vehicle rate" there were substituted "£1";
- (c) in sub-paragraph (3), for "£1,703" there were substituted "£1".

(5) Paragraph 11C of that Schedule (rate for certain tractive units exceeding 41,000 kgs but not exceeding 44,000 kgs) has effect in relation to goods vehicles to which that paragraph applies and which are used in the course of a trade as if for "£10" there were substituted "£1".

(6) Where subsection (2) of section 3 of that Act (6 month licences) applies in relation to a vehicle for which any of subsections (2) to (4) has effect, that subsection has effect as if, in paragraph (a), for "£50" there were substituted "£0".

(7) Article 3(1)(b) of the Vehicle Licences (Duration of First Licences and Rate of Duty) Order 1986 (S.I. 1986/1428) has effect in relation to vehicle licences, other than trade licences, taken out in the period beginning with 1 July 2026 and ending with 30 June 2027 for vehicles for which any of subsections (2) to (5) has effect as if for "£50" there were substituted "£0".

4 Short title

This Act may be cited as the Taxation (Energy and Vehicles) Act 2026.

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