Higher taxes cut car sales as planned

The Treasury has hit diesel car sales hard as the government wished. They have managed to bring the whole new car market down for a year by pushing up taxes in the Spring 2017 budget and leaving open future tax attacks on diesels in particular. People fear further action by national and local government. It was a surprising policy choice given the considerable work past governments put in to getting more car engine manufacture in the UK.

There have been stenuous efforts to blame Brexit and ” confidence” but the numbers showed confidence and car purchases soared for nine months after the vote, and then plunged as the taxes came in and car loans were tightened by regulatory action. I blame the taxes.

I guess the Treasury is pleased with its work. It has achieved a big planned reduction in new diesels, despite new diesel cars meeting all the government’s own emission standards. It also has the side effect of bringing the UK growth rate down a little to get it closer to the official forecasts.

It probably means the government has collected less revenue overall, as the higher VED will be more than offset by the big fall in tax on new car sales. There is a 20 % tax on new cars, so each sale lost us a big hit on tax revenue.This then means the Treasury scramble around for something else it can impose a higher tax on, which could help slow another part of the economy they do not like. I will highlight some of their other successes in using higher taxes in posts to come.