

Study: Low-income drivers being punished by tax rules

August 25 2021



Credit: Pixabay/CC0 Public Domain

A report by an expert from The University of Manchester has found that low-income drivers are effectively being charged more than double (212 percent) per mile to subsidize more wealthy road users.

The research for insurer By Miles shows that households with an annual [income](#) of under £18,125 drive fewer miles, make fewer trips and are priced out of buying more efficient, newer cars. Despite this, vehicle excise duty (often referred to as road tax) is still charged at flat rates—which means that lower income households end up effectively paying for wealthier households to use the roads.

When the driving habits of lower and higher income households were compared, the analysis shows driving distance, frequency and affordability as the key differentials.

Lower income drivers have significantly less impact on UK roads, covering 40 percent fewer miles and making 17 percent fewer trips than those in the higher income bracket. When comparing the two groups, this gave an effective car tax rate of 10p per mile for lower income drivers, whilst higher income drivers enjoyed an effective rate of only 3.2p per mile.

When it comes to buying newer, greener vehicles, just one in seven (15 percent) households in the lowest income group own a car less than three years old, compared to three in 10 (28 percent) highest-income households. Additionally, drivers from low-income households are less likely to be able to afford more efficient cars such as electric or hybrid models, with just a fifth (22 percent) of this group owning cars in the lowest tax bands.

Report author Dr. Diego Perez Ruiz—from Department of Social Statistics at The University of Manchester—says that with the recent UN report claiming that irreversible damage has already been done to the planet by humans, it is clear that policy needs to adapt to ensure that further harm is limited and drivers of fossil-fuel powered vehicles are actively incentivised to drive less.

They are calling on the Government to implement a new pay-by-mile car tax system that would be usage based, and result in cheaper car tax for lower mileage drivers. This encourages everyone to drive less, while cutting emissions and helping to build a fairer, greener future for all [road](#) users.

"This new analysis clearly demonstrates that low-income households are paying a 'poverty premium' to use their cars—any future reforms to the Vehicle Excise Duty system should pay close attention to this and aim to alleviate the disproportionate burden placed on poorer families," says Dr. Diego Perez Ruiz. "It's not controversial to suggest that those who use the roads the most should shoulder more of the burden when it comes to paying for them," said By Miles CEO James Blackham. "We urge the Government to adopt a fairer approach to lower mileage drivers, charging and taxing motorists for the miles they actually drive and rewarding those who drive less. We believe a new model would not only save most [drivers](#) money, but also encourage and reward people to reduce emissions—however we choose to travel."

Provided by University of Manchester

Citation: Study: Low-income drivers being punished by tax rules (2021, August 25) retrieved 17 July 2024 from <https://phys.org/news/2021-08-low-income-drivers-tax.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.