From the New Transport Taxation Group

12th November 2025

By mail and email
Please reply to: Keith Buchan, NTTG Chair, 4 Netheravon Road, London W4 2NA
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Dear Chancellor

Prior to 2019 there had been a voluntary ad hoc group of transport planners, tax specialists, academics, and interest groups dealing with this topic who wrote an annual letter to you - the Transport Taxation Group. While assuming a sustainable approach, the aim was to come up with much more detailed and technical proposals for changes to the tax system than high level policies. These would also meet other fiscal objectives, particularly important in the context of the need to raise revenue at the present time.

After a pause during the Covid19 pandemic the group has been revived with a start up grant from the Foundation for Integrated Transport. The first results of this process are this letter and the attached technical report which has been the subject of comment within the group's networks but also published openly for comment on our transport fiscal website.

The report contains a number of detailed proposals which are in summary:

1. A debate about how best to replace fuel duty in its entirety should be announced and begin as soon as possible: this must make plain the necessity of doing so and distinguish between congestion charging and simply replacing duty
2. At the upcoming fiscal event the fuel duty concession should be removed
3. The level of fuel duty should be inflation linked
4. Government policies to encourage EV purchase need tax changes in the context of the reduced obligations on manufacturers: the first year VED should be adjusted to provide a smoother increase according to emissions
5. LGVs (including vans) should be brought into the first year VED system to encourage EV uptake and more efficient vehicles generally
6. Zero emission LGVs should have a concession on annual VED, other rates should rise to ensure an overall rise in income linked to inflation
7. HGV taxation needs to more realistically reflect their road costs, first by simplifying the system and increasing the HGV levy (paid by foreign as well as UK HGVs)
8. Increasing the HGV levy would be a pre-cursor to implementing a weight/distance based system using existing technology and building on the work already done by DfT
9. In this context, securing finance for HGV owners to purchase the new generation of electric HGVs would have major benefits possibly without public sector cost
10. The phasing in of a new method of charging for road use would begin within the parliament respecting the results of the national debate on the future of passenger vehicle taxation (including VED, fuel duty and cost of charging EVs).

In addition we have been working on other reports on the impact of transport policy on the balance of payments and the taxation of aviation. The latter has always been distorted by the issues of international fuel tax and bunkering. It is plainly taxed differently and to a lesser extent than if the 1944 Chicago Convention was not in place and followed so strictly. However there are possibilities for co-ordinating aviation fuel tax at least within Europe. On fuel supply the Government action to support the sustainable aviation fuel (SAF) industry is welcome. However this has a limited if positive value – the amounts mandated are modest and not zero carbon, and the supply of truly additional feedstock has other market competitors, for example heavy goods vehicles. There is only a limited amount of fatbergs and chip fat available…..

There are existing well known positions on air travel from the industry (which tend to conflate the value of air travel and manufacturing) and environment organisations (such as frequent flyer charges). Our intention is to explore the topic of aviation to see if there are any practical fresh approaches which could tackle some of the obvious social and economic issues as well as contribute more positively to the national economy. We note that, despite the complexity of tourist spending data, the best estimate of the tourism balance of trade from the ONS is severely negative – about £45 billion in 2024. Ninety percent of this is from the aviation sector. Air Passenger Duty (APD) remains the main current instrument and rates have been published for April 2026. We suggest that the rate of increase from 2025 to 2026 (about 14%) should be continued through the Parliament pending proper reform of the system. This will depend at least in part on what framework is achievable for international agreement.

Overall the implications of our proposals for Government income are strongly positive. Some of the demand elasticities needed to calculate the balance between reduced activity and higher revenue are not reliable enough in our view to give a reliable estimate. However, the order of magnitude of these combined measures is an increase of around £10 billion a year.

We have sent the technical report to Government departments and the Transport Select Committee in advance and would be happy to meet as appropriate to discuss our proposals in more detail and undertake work in response to comments and suggestions.

We also understand the present financial challenges but also the need to focus on national productivity. We further emphasise that within any desire for growth there are two important aims which need to be made explicit. The first is the need to grow economic activity which is based on sustainable UK production (including repair, recycle, re-use) rather than consumption based. The second is the reason for the NTTG's existence – the need to encourage choices which meet environmental and climate change objectives as well as fiscal. Our proposals are focussed on meeting those objectives as well as supporting the fiscal rules which you have clearly set to establish and enhance our national economic credibility.

Yours faithfully

K A Buchan

Keith Buchan, Chair, New Transport Taxation Group