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Uneven Road Ahead

2025 BRIEFING

Michael Dnes

In 2024, Stonehaven predicted that fiscal pressures meant the government was increasingly likely to introduce per-mile charges on vehicles – specifically the electric vehicles that currently pay no equivalent to fuel duty. Seeing the growing pressure on government to raise revenue, in October we polled over 2,000 people nationwide to see what might make a new tax succeed or fail. The results show that while the public support some level of road taxes on EVs, they are divided on what level is right, and think that needs to be offset by making it cheaper and easier for some EV drivers to charge their vehicles. Government will need to focus on ensuring its plans are seen as a fair deal

What is expected to happen

Government will announce any changes at the Budget, but media reports say the leading option for making EVs pay is:

- A 3p/mile charge on all electric vehicles from 2028. A typical electric vehicle drives 8,900 miles/year, which translates to £267/year. This compares to the £820/year that a typical household pays in fuel duty. Hybrids will pay a reduced rate that appears to be 1p/mile.
- Taxpayers will self-report their miles driven when they pay their Vehicle Excise Duty (VED). This means that all miles driven by that vehicle over the course of a year will be charged (including those outside of the UK and those where a plug in hybrid runs on petrol)
- According to the Financial Times drivers will pay for the year in advance. Compliance is expected to be monitored at the MOT, when car mileage is recorded. MOTs are only carried out from the third year of a car's life (or the fourth in Northern Ireland), so before then the system will effectively be on an honesty basis.
- It also comes alongside rumours that salary sacrifice schemes will be tightened up or removed at the Budget. This has effectively acted as a subsidy for electric vehicle purchases.

This is not a system of sophisticated road pricing – there is no intention to track movements in real time. It matches MOT-based systems that have been brought in in New Zealand and Iceland, which were operationally successful. However they also caused electric vehicle sales to roughly halve – albeit with per-mile rates roughly double the proposed UK rate.

This change comes on the back of tax changes earlier this year, which saw electric vehicles required to pay vehicle excise duty for the first time. This is £195/yr for cars with a list price under £40,000 or £620/yr (for the first five years) for cars priced over.[1] This means the once-a-year bill – including both VED and the

[1] *This is implicitly a higher tax on electric vehicles, as they have a higher purchase price and a lower running cost*

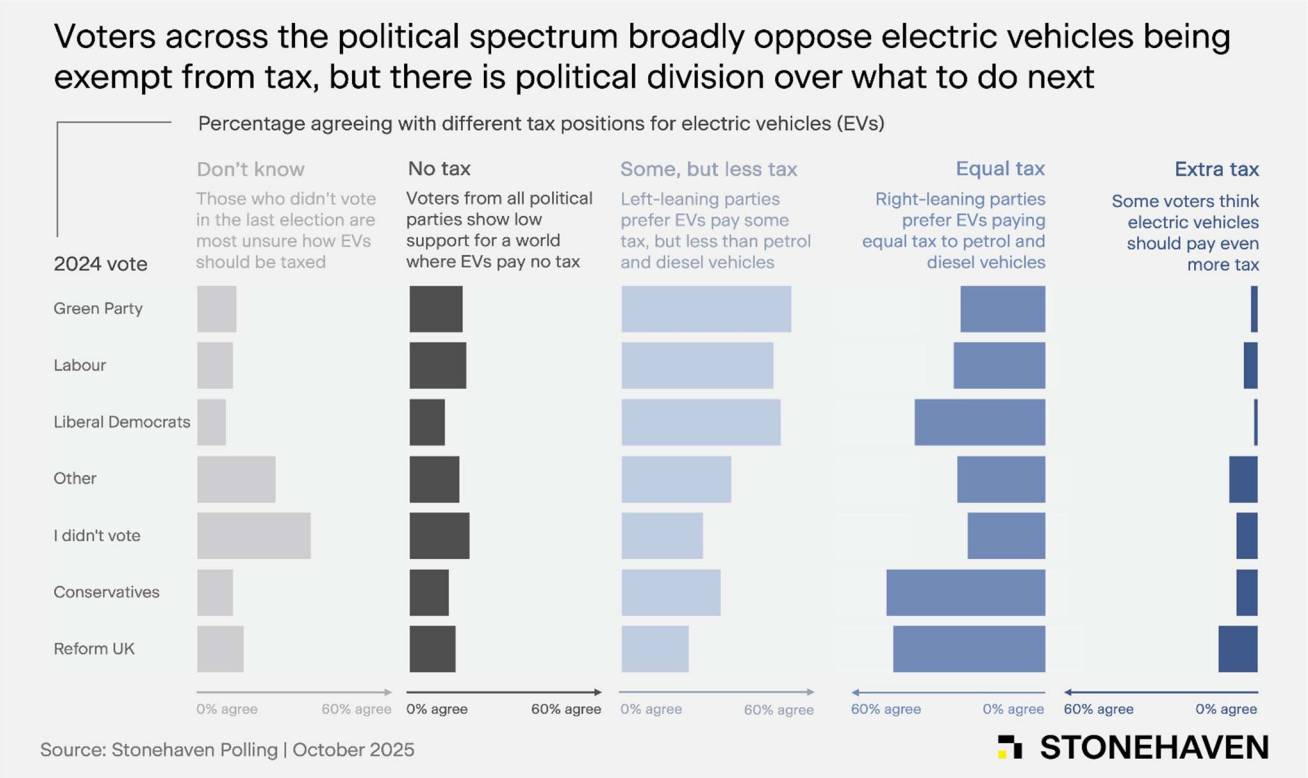
proposed per-mile charge – will be around £450 for cheaper electric cars, or £900 for expensive models in their first six years.

The net effect on Treasury revenues if this tax went live today would currently be around £530m/yr. The position in 2028 is harder to predict, as 60% of electric vehicles on the road that year have yet to be bought. If the ZEV mandate trajectories were hit, revenues would be £1.3bn/yr, but if sales follow international experience it might raise half this amount.

What people think

Politicians worldwide see changing fuel duty as unacceptably risky: the US federal gas tax has not changed since 1993, and UK fuel duty is 5p/litre lower than it was in 2010. This has framed the initial political reaction to an EV tax. But the move to electric vehicles means the politics has changed, and drivers no longer hang together in the way they once did. While motorists generally dislike being made to pay any more tax, they also believe everyone should pay something.

Overall, 71% of the public believes EV owners should pay at least some tax, with only 14% saying they should pay none at all. This view holds across the political spectrum; the main difference being over whether the optimum level of tax is equal to (or even greater than) that on petrol and diesel vehicles, or whether there should be a discount for electric vehicles to reflect their environmental benefits.



These differences in views appear to be anchored in the ages of respondents. Younger people see a stronger case for low or no tax on electric vehicles, while those 55 and over think that the goal should be equal levels of tax for all.

Public views on different tax positions for electric vehicles

Percentage agreeing with each tax position, by age group

Electric vehicles should pay:	Overall	18 - 24	25 - 34	35 - 44	45 - 54	55 - 64	65+
No tax at all	14	17	19	17	16	13	7
Less tax than those who drive petrol and diesel cars	34	40	43	39	33	29	23
Equal tax to those who drive petrol and diesel cars	32	16	25	26	25	36	51
More tax than those who drive petrol and diesel cars	5	5	3	3	7	6	7
Don't know	15	23	10	15	19	15	12

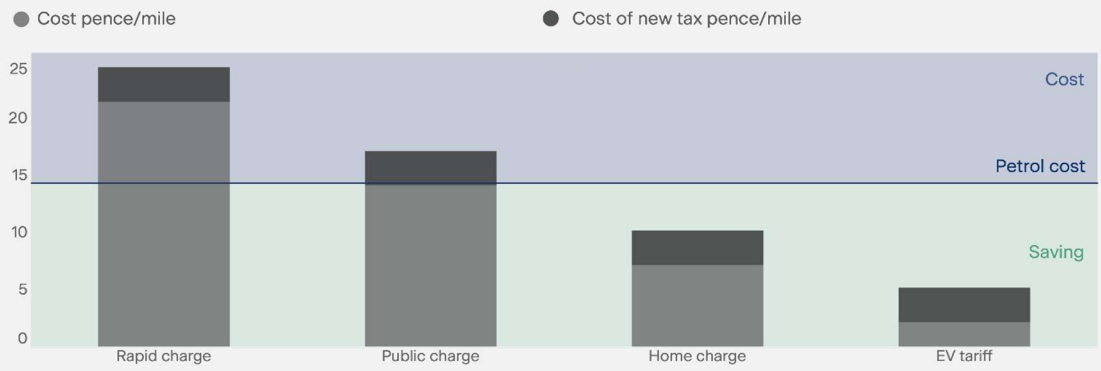
Source: Stonehaven Polling | October 2025

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The principle that everyone should pay something to use the roads appears to be broadly accepted. The question of how that should run is much more open, with few settled views.

We did a deep dive into how a tax might tackle the sharp differences in charging costs. As we explored in Electric London, charging costs can vary by 7-10x depending on how a driver plugs in, with the best deals reserved for households that have a driveway, can install their own charge point, and have control over their electricity contract. While they pay 7-8p/KWh, others pay an average of 52p/KWh for a public slow charger or 79p/KWh for a rapid/ultra rapid – with much of the difference driven by tax, standing charges and other regulatory choices. The net result of the new tax is that some vehicles (such as this Volvo XC40/EC40) become more expensive to run on electricity than petrol.

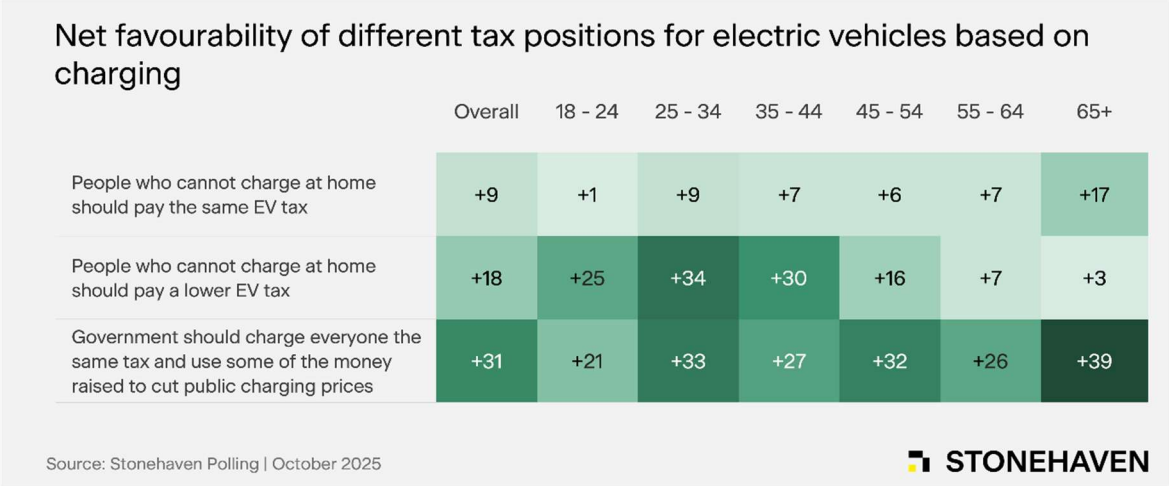
The effect of a 3p/mile tax on the cost of running electric vehicles



Source: Volvo vehicle specifications - XC40 and EC40

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We explained this issue to our respondents, then asked their views on three options – no special treatment, a reduced tax, or the same tax with action to cut the price of public charging. This last option was substantially more attractive, especially with the older voters who are the strongest believers in making electric vehicles pay equal tax.



Coming debates

Lurking beneath debates is a wicked problem for the Chancellor: most of the new tax will be raised on vehicles that have yet to leave the factories. If government breaks sales, that will depress revenue.

A drop in sales – driven either by the terms of a new tax or uncertainty while it is being drafted – will also pose a serious risk to wider government aims. The Zero Emission Vehicle (ZEV) mandate targets matter for more than just carbon – the automotive sector is crucial to the government's industrial strategy and its growth mission. Under the ZEV mandate, electric car sales need to rise to 52% in 2028 – if they remain at current levels industry will be liable for £6bn of compliance costs that year alone.

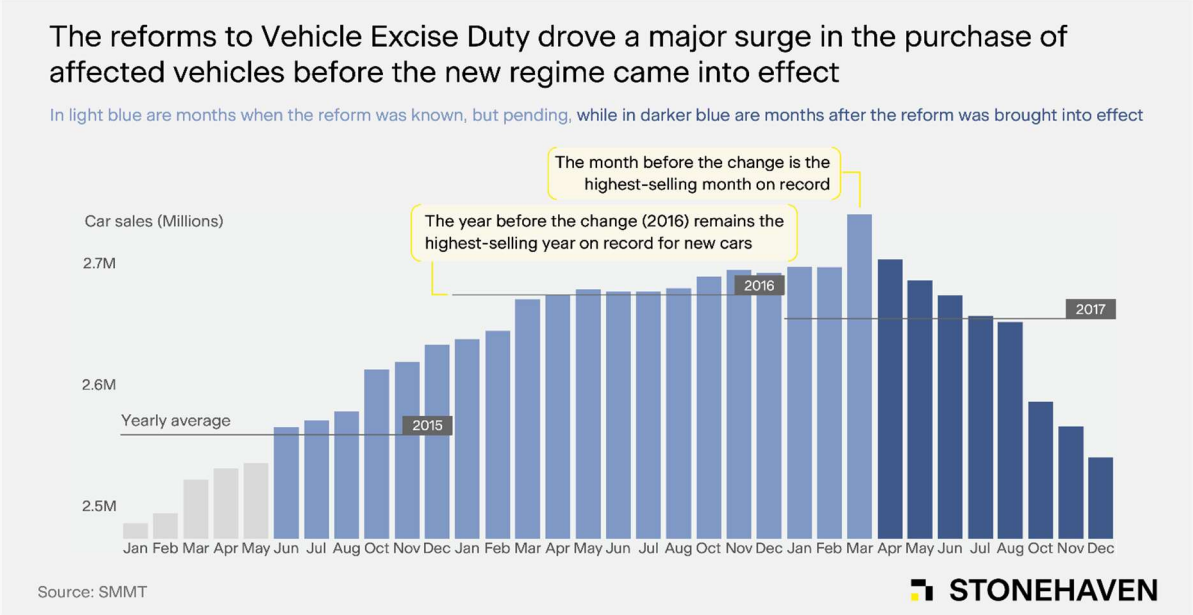
Boosting sales will require a pivot in policy: so far, government has put much of its focus on encouraging early adoption and spreading charge-points, and has stood by as the costs of public charging have risen. At present, around 90% of electric vehicles are sold to people with access to home charging. The measures that fix this – such as a 'right to home charge' as set out in our Electric London paper, or measures to reduce the prices of public charging – can help the market to grow in the face of change. Taken together, they turn a new tax into a fair deal that fixes many historic problems.

This means that now may be the time to answer questions that are already worrying people working with electric vehicles:

- How can we handle the huge differences in charging costs? How can we break the link between driveways and cheap electricity?

- How can electric vehicle sales increase to meet the ambitious goals of the ZEV mandate?
- How can we prevent resale values of electric vehicles being forced down and penalising early adopters?
- How can we stop regulations bloating the costs of public charging?
- How can we prevent the purchase price for electric vehicles keeping lower-income families from cheap electric motoring?

We also know from past tax changes that there is real potential to use the concept of 'grandfathering' – a special rate for those who have been early to the system – to drive sales of new vehicles. The changes to vehicle excise duty in 2017 led to the highest vehicle sales on record, and working out how to engineer similar situations for this tax can make a crucial difference.



But if government misplays its hand, the period while a new tax is being designed will chill the market; and a new tax will hurt sales and resales in equal measure. The greatest risk for government is imagining that a simple top-level story about equalising tax will solve all problems beneath – rather than using the opportunity to reduce the number of losers and empower a new set of winners.

People have been talking about per-mile road charging for decades. This time, it may happen. The shift to electric vehicles has changed the political basis on which motoring tax operates, and government has taken that opportunity. But whether it ultimately succeeds will depend on how far government can convince drivers, industry and other parts of the electric vehicle sector that this new tax does not compromise the vision of an electric future.

Author



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Michael is former head of future road technology at the UK Department for Transport, as well as the architect of the 2020-25 Road Investment Strategy (RIS2). He was a key figure in the creation of National Highways and Transport Focus, and the expansion of ORR into roads, expanded the National Parking Platform to nationwide operations and led a 13-country study with the International Transport Forum into preparing roads for autonomous vehicles. Since 2024, his focus has been on the issues that can aid and hold back the rise of electric vehicles.