



Vehicle excise duty evasion: 2006

The National Statistics publication on evasion of Vehicle Excise Duty for Great Britain in 2006 contains the following key points:

- Evasion in traffic increased from 2.0 per cent in 2005 to 2.2 per cent in 2006.
- Evasion rates are highest among motorcycles and the other vehicles category, as has been the case in earlier years.
- Regionally, the largest increase in evasion in traffic between 2005 and 2006 was in the North West.
- Evasion rates are higher for older vehicles. Evasion among vehicles in the PLG class that are more than 10 years old is about five times the evasion level of vehicles less than 10 years old. Evasion is over 10 times higher for vehicles whose owner details are not known.
- The main survey results are used in a statistical estimation process to provide estimates of the relative mileage of licensed and unlicensed vehicles. These estimates showed that, in all tax classes, vehicles that are not correctly licensed have, on average, lower mileage than properly licensed vehicles.
- Based on the differences in average mileage, evasion amongst all vehicles in use was estimated to be around 6 per cent in 2006.
- Consequently, it is estimated that Vehicle Excise Duty evasion will cost around Â£220 million in the year 2006/07.
- The revenue expected to be lost from VED evasion in 2006/07 is equivalent to about 5 per cent of the total revenue that should be raised.
- In the Private and Light Goods tax class, which accounts for 89 per cent of vehicle stock, evasion rose from 3 per cent of vehicles in use in 2005 to 4 per cent in 2006.

The main results for Northern Ireland are as follows:

- Evasion in traffic fell from 5.4 per cent 2005 to to 5.0 per cent in 2006.

Notes

1. The survey involved contractors recording registration marks of vehicles at 256 road sites across the United Kingdom. In total, around 1.3 million valid sightings of registration marks were collected. These were then checked against the computer record of licensed status to determine the levels of traffic observed without a valid licence. Information on traffic levels was then used to weight together the results from the different sites to estimate the proportion of vehicle miles driven by evading vehicles.
2. The pattern of repeat sightings of vehicles in the survey is used to estimate the relative mileage of

licensed and unlicensed vehicles. These estimates showed that, in all tax classes, vehicles that are not correctly licensed have, on average, lower mileage than properly licensed vehicles. Those estimates in turn are used to estimate evasion amongst all vehicles and the revenue loss. Due to the estimation process used, these statistics have relatively large margins of error. Details are available in the report.

3. During 2007 a review of the sources and methodology is planned to identify scope for quality improvements in these statistics. In particular, this will seek to improve the robustness of the estimates of evasion in stock and the estimated revenue lost. Using the current methodology, these estimates are sensitive to very small changes in the underlying data.

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