

ACTIVE PRACTICE UPDATES

OCTOBER 2023



Chartered Accountants
and Business Advisors

WHAT DOES ULEZ MEAN FOR YOUR BUSINESS?

London's ultra low emission zone (ULEZ) aims to improve air quality and public health.

The latest ULEZ expansion means that many more businesses and individuals could face charges when driving vehicles that don't meet emissions standards.

We're here to help you understand how to comply with these clean air schemes and offer advice on minimising the extra financial and administrative burdens.

WHAT IS ULEZ?

First introduced in 2019 to tackle air pollution in London, ULEZ initially covered the same area as the congestion zone. As of 29 August 2023, the scheme now applies to all London boroughs.

Under ULEZ, motorists must pay a £12.50 daily charge when driving high-emission vehicles in the zone. According to London Mayor Sadiq Khan, this will help with the "vital task" of improving air quality and tackling climate change.

However, with businesses already stretched thin by the cost-of-living crisis, the decision to expand ULEZ has been divisive. One primary concern is that the expansion will place a greater financial burden on many businesses in and around London, which could be damaging for small firms and sole traders.

WHEN DOES THE ULEZ CHARGE APPLY?

ULEZ operates across Greater London 24 hours a day, every day of the year, except for Christmas Day. Charging days run from midnight to midnight, meaning drivers travelling late at night could incur two charges for one journey.

Unless exempt, most motorists driving in the zone will need to pay a daily £12.50 charge if their vehicle does not meet the following emissions standards:

- **petrol vehicles** – Euro 4 standard
- **diesel vehicles** – Euro 6 standard
- **motorcycles** – Euro 3 standard.

You can usually find your vehicle's emissions standards on your vehicle registration document or by checking the Transport for London (TfL) website.

MAKING YOUR PAYMENT

If you drive a non-compliant vehicle in the ULEZ, you must pay the charge by midnight on the third day following the journey. You can also pay up to 90 days in advance. TfL may issue you a penalty charge notice (PCN) if you fail to comply. You could also incur a fine by paying for the wrong date or the incorrect number plate.

LARGER VEHICLES

ULEZ emissions standards don't apply across the board. Businesses that use vehicles such as HGVs, lorries, and buses may need to comply with low emission zone (LEZ) rules instead. Penalties for not meeting LEZ emissions standards are often steeper, so it's essential to look into which scheme applies to the vehicles you use in your business.

DISCOUNTS AND EXEMPTIONS FOR BUSINESSES

Short-term exemptions

Certain charities, sole traders and small businesses with fewer than 50 employees can apply for a temporary ULEZ exemption. This grace period can give you up to six months to comply with requirements.

To qualify, you must have either ordered a new vehicle that meets the ULEZ emissions standards, or booked one to be retrofitted to meet them.

While you can submit your application until 29 May 2024, you will only qualify for a short-term exemption if you order your new vehicle or book the retrofit before 29 November 2023.

There is no limit to the number of vehicles you can apply for, but you must make a separate application for each vehicle you use in your business.

Scrappage scheme

Under the £160 million scrappage scheme, many London-based charities, sole traders and SMEs can access increased Government grants worth between £6,000 and £11,500 to help them afford a compliant vehicle or retrofit. Grants for wheelchair-accessible vehicles have also increased from £5,000 to £10,000.

However, the scrappage scheme has limited funds and works on a first-come, first-served basis. As such, you should speak to your accountant about making a claim as soon as possible.

Tax implications

If you cannot secure a temporary exemption or replace a non-compliant vehicle, you'll need to pay the daily charge when driving within the zone – but there are still ways to minimise costs.

HMRC recently confirmed that ULEZ charges count as an allowable expense. That means self-assessment customers can claim these costs against their taxable income, but only if incurred wholly and exclusively for business purposes.

Advice for employers

Employees who pay the charge for work-related travel are also entitled to tax relief, although this excludes commuting.

The good news is that reimbursing employees for the charge is no different from reimbursing bridge tolls or car park costs.

OTHER CLEAN AIR ZONES IN THE UK

It's not just Londoners who need to think about the effects of clean air zones on their businesses. Several English and Scottish local authorities have already launched similar schemes in cities such as Bristol, Sheffield, Edinburgh and Glasgow.

Policymakers are also considering introducing further clean air strategies in the UK, including in Wales and Northern Ireland.

How can businesses navigate clean air zones?

1. Know your obligations

Researching the specific rules, charges and exemptions of different clean air zones before you travel can make it easier to stay compliant. Planning ahead can also give you more time to make alternative travel arrangements and avoid incurring unexpected charges.

2. Weigh up your upgrade options

If you or your employees often travel into ULEZ or other clean air zones for work, investing in a more eco-friendly vehicle or retrofitting an existing one could save you money in the long run.

3. Maintain good bookkeeping practices

Keeping detailed records of payments and maintaining good bookkeeping practices can make it easier to stay on top of your finances and claim the charges on your tax returns.

4. Work with experts

If you need help complying with the rules, your accountant is your first port of call. To minimise any extra costs to your business, we'll offer expert advice on managing your finances efficiently, helping you apply for Government grants so you can replace non-compliant vehicles more easily.

We can also prepare and submit your tax returns for you, making sure we claim any ULEZ or clean air zone charges you incur to reduce your taxable profits.

 [Contact us to discuss your business finances.](#)