

Road User Charges (Light Electric RUC Vehicles) Amendment Bill

Government Bill

As reported from the Transport and Infrastructure Committee

Commentary

Recommendation

The Transport and Infrastructure Committee has examined the Road User Charges (Light Electric RUC Vehicles) Amendment Bill and recommends that it be passed. We recommend all amendments unanimously.

Introduction

This bill responds to the expiry of the Road User Charges (Exemption Period for Light Electric RUC Vehicles) Order 2012 at the close of 31 March 2024. The expiry of the exemption will mean that owners of light electric vehicles (EVs) and plug-in hybrid EVs are required to pay road user charges (RUC) from 1 April 2024.

Road users contribute to the upkeep of New Zealand's roads by paying either RUC or fuel excise duty.¹ RUC is charged on vehicles based on the number of kilometres they have travelled. The RUC system ensures that vehicles not subject to fuel excise duty still contribute for their use of and impact on the land transport network. A vehicle owner must pay RUC if their vehicle weighs over 3.5 tonnes or uses diesel (or another fuel not taxed at source).

Light EVs (weighing 3.5 tonnes or less) have been exempt from paying RUC since 2009. This exemption expires on 31 March 2024. The bill would provide a transition period of two months as EVs enter the RUC system and enable a reduced RUC rate

¹ Fuel excise duty is imposed on motorists driving petrol-powered cars. It is collected by the New Zealand Customs Service but fuel retailers recover its cost at refuelling locations.

to be established for plug-in hybrid EVs. Petrol hybrid vehicles that do not plug in to charge will continue to contribute through fuel excise duty.

The bill would exclude very light EVs (weighing one tonne or less, which includes vehicles like electric motorcycles) from RUC. The bill includes an automatic exemption for all-terrain electric vehicles (electric ATVs) weighing one tonne or less. This acknowledges that electric ATVs weighing 3.5 tonnes or less are currently entitled to an exemption on application if they are used almost exclusively off-road. The bill would also amend the definition of ATVs to include electric ATVs. Heavy EVs (weighing more than 3.5 tonnes) are exempt from RUC until 31 December 2025.

Legislative scrutiny

As part of our consideration of the bill, we have examined its consistency with principles of legislative quality. We have no issues regarding the legislation’s design to bring to the attention of the House.

Our report covers the main concerns members have about the bill, drawing on feedback from the submissions process.

About the submissions we received

We received 518 submissions on this bill. Of these, 16 were from organisations. The vast majority of submitters expressed support for charging RUC on EVs and plug-in hybrid EVs. Submitters expressed support for several parts of the bill including the exclusion of very light EVs, a two-month transition period, and the expanded definition of “all-terrain vehicles” to include those that are electric. However, many commented that the RUC rate for plug-in hybrid EVs and light EVs is set too high.

Reduced rates for plug-in hybrid electric vehicles

Clause 7 would amend section 85 of the Road User Charges Act 2012 to enable regulations to be made specifying a reduced RUC rate for plug-in hybrid EVs that takes into account any excise duty payable for the amount of petrol likely to be used. In turn, clause 15 would amend the Road User Charges (Rates) Regulations 2015 to set the reduced RUC rate for plug-in hybrid EVs at \$53 per 1,000 kilometres, a 30 percent discount from the standard light RUC vehicle rate.² The average manufacturer’s stated fuel economy for plug-in hybrid EVs is 2 litres per 100 kilometres, which is a 20 percent discount. The proposed 30 percent discount in the bill as introduced is intended to reflect the variation across the fleet and expected real-world average fuel economy.

Unlike battery EVs, plug-in hybrid EVs pay fuel excise tax on any petrol purchased. This means that the owner of a plug-in hybrid EV driving on petrol rather than on

² This discount would only apply to plug-in hybrid EVs that use petrol and electricity. Plug-in hybrid EVs that use diesel and electricity would pay the usual light RUC vehicle rate of \$76 per 1,000 kilometres.

battery would pay both RUC for the distance they travel, and fuel excise duty on the fuel they use. The reduced rate accounts for the fact that plug-in hybrid EVs pay fuel excise duty to cover some of their travel so that the average plug-in hybrid EV contributes a similar amount to other light RUC vehicles.

We note that several submitters questioned the justification for the 30 percent discount and called for a higher discount. Many emphasised the difficulty in setting a rate for plug-in hybrid EVs due to the variability in battery capacity and recharging practices, noting that some owners may exclusively use battery power, while others depend primarily on petrol. Across these submissions, the average rate suggested for plug-in hybrid EVs was \$32 per 1,000 kilometres.

A 2022 study of 9,000 plug-in hybrid EVs in Europe suggested an average fuel consumption of 4 to 4.4 litres of petrol per 100 kilometres.³ The average fuel consumption of light petrol vehicles in New Zealand is around 8.1 litres per 100 kilometres.

The majority of us consider that a 30 percent reduction of the RUC rate effectively accounts for any additional costs in fuel excise duty.

New Zealand's plug-in hybrid EV fleet

We discussed alternative options to a single discounted RUC rate for plug-in hybrid EVs. In particular, we discussed having a variable RUC discount that would change based on the age of the vehicle or the vehicle's battery lifespan, and charging RUC based on kilometres travelled on the battery.

These changes would be complex to administer and might not have the desired result. The age of a vehicle is not a perfect proxy for battery life, and some plug-in hybrid EVs, even with reduced battery life, may still do most of their driving on the battery if they are used for short trips only. Only some newer plug-in hybrid EVs have odometers that can distinguish between kilometres travelled on the battery and kilometres travelled on petrol. Newer plug-in hybrid EVs are likely to be more fuel efficient and may therefore not benefit notably from being assessed only on battery kilometres.

The majority (68 percent) of plug-in hybrid EVs classed as light RUC vehicles in New Zealand are less than five years old. However, there is a wide variety of performance from the remaining part of the fleet. Consequently, we consider it to be administratively complex to differentiate across the fleet. Therefore, an average discount was the best response in the short-term while transitioning to a RUC system for all vehicles.

³ Real-world usage of plug-in hybrid vehicles in Europe: A 2022 update on fuel consumption, electric driving, and CO2 emissions.

RUC rate for electric vehicles

While the vast majority of submitters recognised that EV owners should still contribute to the land transport network, they considered the RUC rate for EVs to be unreasonable.

Unlike plug-in hybrid EVs, the bill would not alter the RUC rate for EVs. Unless exempted, EVs are included in the RUC type 1 vehicle category. The current rate for this category is \$76 per 1,000 kilometres, which is roughly equivalent to the fuel excise duty paid by a light petrol vehicle consuming 9.4 litres of fuel per 100 kilometres.⁴ However, improvements in the efficiency of petrol engines mean that the average fuel economy of a petrol vehicle is now 8.1 litres per 100 kilometres. This means that EVs will pay more in RUC than owners of fuel-efficient petrol vehicles.

We acknowledge that some EV drivers would contribute more to the land transport network than drivers of very efficient petrol vehicles. Petrol motor efficiency has increased rapidly, so very efficient petrol vehicles pay low rates of fuel excise tax in proportion to their use of the road network. Effectively, we understand that very efficient petrol vehicles pay less than their fair share. Other drivers paying RUC, such as diesel drivers, pay a similar RUC rate to EV users. We do not believe amendments to this bill can address the underpayment by efficient petrol vehicles. We think that the way to do so is to move as quickly as possible to a system where all vehicles pay RUC based on distance travelled and vehicle weight.

Climate change concerns

Some submitters expressed concern that several factors might incentivise the purchasing of petrol vehicles above EVs and plug-in hybrid EVs. The factors include the RUC rate for plug-in hybrid EVs, the removal of the RUC exemption for EVs, and the fact that efficient light petrol vehicles may pay less in fuel excise duty than EVs and plug-in hybrid EVs pay in RUC. Submitters were concerned that this would affect the market for electric vehicles in New Zealand, especially the second-hand market, resulting in a slower transition away from fossil fuels. One submitter said it was actively considering not introducing a new plug-in hybrid EV model in New Zealand, given these policy changes.

We acknowledge these concerns. However, we would like to emphasise that RUC is a charge for using the roads. A primary purpose of the Road User Charges Act 2012 is for this charge to be proportionate to the costs that the vehicles generate. It is intended to capture the impact of driving on New Zealand roads and to fund road investment and maintenance. It is not intended to encourage a transition towards any particular fuel. In addition, we think that the comparably low rate paid by efficient petrol vehicles is the primary cause of any distortion. Our view is that this is best addressed by transitioning to a system where all vehicles pay RUC. We note there is

⁴ Schedule 1, Road User Charges (Rates) Regulations 2015.

a current NZ Emissions Trading Scheme (ETS) component of fuel tax and this may change in the future.

Effects of vehicle weight

Part of RUC accounts for weight-based road wear. The impact of a vehicle on a road pavement increases exponentially based on the vehicle's weight. For this reason, heavy vehicles weighing over 3.5 tonnes pay higher RUC. Heavy vehicles weighing over 6 tonnes pay about 93 percent of costs relating to weight-based road wear.

A single RUC rate is set for light RUC vehicles (weighing 3.5 tonnes or less). Some submitters said that there should be more differentiation by weight in the rates for light RUC vehicles because EVs are typically lighter than light commercial diesel vehicles such as utes.

The light RUC vehicle fleet comprises a wide range of vehicles, ranging from motor-cycles to small commercial trucks. We considered the variation within the fleet and concluded that 3.5 tonnes remains a reasonable threshold for deciding whether a vehicle is a light RUC vehicle or not. We understand that any cost differences related to the weight of vehicles in the light vehicle category are minor.

RUC administrative costs

The overall administrative cost of collecting RUC is higher than the cost of collecting fuel excise duty. This administrative cost (which is set out in the Road User Charges (Administrative Fees) Regulations 2023) is currently charged back to motorists at a rate between \$6.30 and \$14.87, depending on the channel payment is made through. For example, the administrative fee for an online purchase of a RUC licence includes 9 cents for staff costs, \$4.47 for credit card fees, 79 cents for label costs, \$5.47 of NZTA overhead, and GST. Depending on when and how RUC is paid, the administrative fee could add an additional charge of up to 22 percent to the RUC rate. In some cases this is a substantial cost.

As more vehicles enter the RUC scheme, we hope to see more efficiencies in the RUC system. We strongly encourage the New Zealand Transport Agency—Waka Kotahi to look at reducing the cost of RUC licences, particularly as New Zealand transitions to a system where all vehicles pay RUC.

Labour Party differing view

Labour supports the intent of this bill, which is to ensure that all vehicles that use our roads are paying their fair share and contributing to the upkeep of our roads.

We also agree that the exemption for EVs and plug-in hybrid EVs to encourage their uptake was not designed to continue indefinitely and must be adjusted to reflect a fair apportionment of costs between road users.

However, we do not support the use of urgency or the 8-day select committee process for what is a technical bill which requires expert guidance and interests a number of consumer groups, professional associations, and vehicle owners who will

be financially impacted by these decisions. The Government could have prioritised the introduction of this bill and allowed for more time at select committee but chose to use urgency in a way which has significantly limited public comment on this new law.

We believe a transition that is fair and equitable should also take into account the impact of the proposed RUC discount rates on emissions, and the negative effect on consumer choice, particularly for plug-in hybrid EVs. The Government has proposed a discount rate which will not result in a fair transition for plug-in hybrid EV owners and could disincentivise plug-in hybrid EV uptake when their running costs are compared to their petrol equivalents.

Labour has significant concerns about the bill and will raise these concerns for resolution at Committee of the whole House stage.

Green Party differing view

The Green Party believes that lower RUC rates should be implemented on EVs and plug-in hybrid EVs. Aotearoa New Zealand is at a critical juncture and the Government needs to support the importation of low- and zero-emissions vehicles over the next five years. This is necessary to reduce harmful carbon emissions from our transport system over the next 20 to 25 years, and it will also have economic benefits to New Zealand of reduced reliance on imported oil.

The vast majority of submissions stated that the proposal in this bill is unfair and will have detrimental impacts on the number of zero- and low-emissions vehicles being brought into New Zealand. Moreover, it will negatively impact those who purchased plug-in hybrid EVs that do not have great battery range, as they will be double-taxed through the RUC as well as paying fuel excise duty on petrol.

A joint submission from the industry, including the Motor Industry Association, the AA, Drive Electric, Vehicle Importers Association, the Motor Trade Association, and Better New Zealand Trust made a compelling case that the proposal will penalise EVs and plug-in hybrid EVs relative to conventional fossil fuel vehicles, and suggested a lower rate for EVs of \$60 and plug-in hybrid EVs of \$42:

We believe that the current planned RUC rates that will apply from 1 April 2024 on BEVs and PHEVs, creates a significant distortion between RUC and FED. Reducing these RUC rates, as requested and outlined above, is considered, and jointly supported by wider industry as a more equitable interim solution until all vehicles can be moved to a universal RUC system.

We support the industry proposal and would go further and suggest \$38 for plug-in hybrid EVs. The submission period was undemocratically short and there is widespread misinformation about the actual fuel efficiency of plug-in hybrid EVs which has not been fully clarified during the rushed submissions period.

Regarding climate change concerns, we note that the ETS rate of 18 cents per litre of fossil fuel is likely to increase significantly, particularly if the Government relies solely on the ETS to meet its emissions reduction plans. However the Climate Change

Commission has already advised that the ETS alone is insufficient for meeting our targets, especially without restrictions on afforestation.

Appendix

Committee process

The Road User Charges (Light Electric RUC Vehicles) Amendment Bill was referred to the committee on 5 March 2024.

We called for submissions on the bill with a closing date of 7 March 2024. We received and considered submissions from 518 interested groups and individuals. We heard oral evidence from 19 submitters at hearings in Wellington and via videoconference.

Advice on the bill was provided by the Ministry of Transport and the New Zealand Transport Agency—Waka Kotahi. The Office of the Clerk provided advice on the bill's legislative quality. The Parliamentary Counsel Office assisted with legal drafting.

Committee membership

Andy Foster (Chairperson)

Hon Julie Anne Genter

Mariameno Kapa-Kingi

Cameron Luxton

Grant McCallum

Tom Rutherford

Tangi Utikere

Arena Williams

Steve Abel, Greg Fleming, Ryan Hamilton, Celia Wade-Brown, Helen White, and Lawrence Xu-Nan also participated in consideration of this bill.

Related resources

The documents we received as advice and evidence are available on the Parliament website.

**Road User Charges (Light Electric RUC Vehicles)
Amendment Bill**

Key to symbols used in reprinted bill

As reported from a select committee

text inserted unanimously

~~text deleted unanimously~~

Hon Simeon Brown

Road User Charges (Light Electric RUC Vehicles) Amendment Bill

Government Bill

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Schedule 1		
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The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Road User Charges (Light Electric RUC Vehicles) Amendment Act **2024**.

2 Commencement

This Act comes into force on **1 April 2024**.

3 Repeal of this Act

This Act is repealed on 1 July 2024.

Part 1

5

Amendments to Road User Charges Act 2012

4 Principal Act

This Part amends the Road User Charges Act 2012.

5 Section 5 amended (Interpretation)

- (1) In section 5(1), insert in their appropriate alphabetical order: 10

plug-in hybrid electric RUC vehicle means a light electric RUC vehicle with motive power partly derived from petrol and partly derived from an external source of electricity

very light electric RUC vehicle means a RUC vehicle with—

- (a) a gross vehicle mass of 1 000 kilograms or less; and 15
(b) motive power wholly or partly derived from an external source of electricity

Examples

An electric motorcycle or an electric moped.

- (2) In section 5(1), definition of **light electric RUC vehicle**, replace paragraph (a) with: 20

- (a) a gross vehicle mass of more than 1 000 kilograms but not more than 3 500 kilograms; and

- (3) In section 5(1), definition of **light RUC vehicle**, after paragraph (b), insert:

- (c) does not include a very light electric RUC vehicle 25

6 New section 6AA inserted (Transitional, savings, and related provisions)

After section 6, insert:

6AA Transitional, savings, and related provisions

The transitional, savings, and related provisions set out in **Schedule 1AA** have effect according to their terms. 30

7 Section 85 amended (Regulations specifying rates of road user charges)

After section 85(2), insert:

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(2A) For the purposes of subsection (2)(a), regulations made under subsection (1) may specify, for plug-in hybrid electric RUC vehicles, a reduced rate that takes into account any excise duty or excise-equivalent duty payable under the Customs and Excise Act 2018 in relation to the amount of petrol likely to be used by the vehicle type.

5

8 New Schedule 1AA inserted

Insert the **Schedule 1AA** set out in **Schedule 1** of this Act as the first schedule to appear after the last section of the principal Act.

Part 2

Amendments to, and revocation of, secondary legislation

10

Subpart 1—Amendments to Road User Charges Regulations 2012

9 Principal regulations

This subpart amends the Road User Charges Regulations 2012.

10 New regulation 3A inserted (Transitional, savings, and related provisions)

After regulation 3, insert:

15

3A Transitional, savings, and related provisions

The transitional, savings, and related provisions set out in **Schedule 1** have effect according to their terms.

11 Regulation 4 amended (RUC vehicle types and RUC weight bands)

In regulation 4(1), (2), and (2A), replace “the Schedule” with “**Schedule 2**”.

20

12 New Schedule 1 inserted

Insert the **Schedule 1** set out in **Schedule 2** of this Act as the first schedule to appear after the last provision of the principal regulations.

13 Schedule amended

(1) In the Schedule heading, replace “Schedule” with “**Schedule 2**”.

25

(2) In the Schedule, Part 1, table, item relating to RUC vehicle type 1, replace “type 2 or 299” with “type 12, 2, or 299”.

(3) In the Schedule, Part 1, table, after the item relating to RUC vehicle type 1, insert:

12	RUC weight of not more than 3 500 kg	Powered plug-in hybrid electric RUC vehicle with 2 axles
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Subpart 2—Amendments to Road User Charges (Rates) Regulations
2015

14 Principal regulations

This subpart amends the Road User Charges (Rates) Regulations 2015.

15 Schedule 1 amended

5

- (1) In Schedule 1, table, item relating to RUC vehicle type 1, replace “type 2 or type 299” with “type 12, 2, or 299”.
- (2) In Schedule 1, table, after the item relating to RUC vehicle type 1, insert:

12	Powered plug-in hybrid electric RUC vehicle with 2 axles	RUC weight of not more than 3,500 kg	3853
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Subpart 3—Revocation of Road User Charges (Exemption Period for
Light Electric RUC Vehicles) Order 2012

10

16 Revocation

The Road User Charges (Exemption Period for Light Electric RUC Vehicles) Order 2012 (SR 2012/140) is revoked.

Subpart 4—Amendment to Road User Charges (Classes of RUC
Vehicles) Exemption Order 2012

15

17 Principal order

This subpart amends the Road User Charges (Classes of RUC Vehicles) Exemption Order 2012.

18 Clause 3 amended (Interpretation)

In clause 3(1), definition of **all-terrain vehicle**, replace paragraph (c) with:

20

- (c) is powered by either or both of the following:
- (i) an internal combustion engine with an engine capacity exceeding 50 ml;
 - (ii) an electric motor with an output exceeding 4 kW; and

Subpart 5—Amendment to Land Transport Management
(Apportionment and Refund of Excise Duty and Excise-Equivalent
Duty) Regulations 2004

25

19 Principal regulations

This subpart amends the Land Transport Management (Apportionment and Refund of Excise Duty and Excise-Equivalent Duty) Regulations 2004.

30

20 Regulation 3 amended (Interpretation)

In regulation 3(1), replace the definition of **licensed vehicle** with:

licensed vehicle means a motor vehicle—

- (a) that is required to be licensed under the Road User Charges Act 2012 (other than a plug-in hybrid electric RUC vehicle within the meaning of that Act); and 5
- (b) to which a licence within the meaning of that Act relates at all times during any period in respect of which a refund is applied for under section 41 of the Land Transport Management Act 2003

Subpart 6—Amendment to Land Transport Rule: Vehicle Standards Compliance 2002 10

21 Principal rule

This subpart amends the Land Transport Rule: Vehicle Standards Compliance 2002.

22 Part 2 amended 15

In Part 2, definition of **All-terrain vehicle**, replace paragraph (c) with:

- (c) is powered by either or both of the following:
 - (i) an internal combustion engine with an engine capacity exceeding 50 ml;
 - (ii) a power source (other than an internal combustion engine) with an output exceeding 4 kW; and 20

Subpart 7—Amendment to Land Transport (Road User) Rule 2004

23 Principal rule

This subpart amends the Land Transport (Road User) Rule 2004.

24 Clause 1.6 amended (Interpretation) 25

In clause 1.6, definition of **all terrain vehicle**, replace paragraph (c) with:

- (c) is powered by either or both of the following:
 - (i) an internal combustion engine with an engine capacity exceeding 50 ml;
 - (ii) an electric motor with an output exceeding 4 kW; and 30

Subpart 8—Amendment to Land Transport (Motor Vehicle Registration
and Licensing) Regulations 2011

25 Principal regulations

This subpart amends the Land Transport (Motor Vehicle Registration and
Licensing) Regulations 2011.

5

26 Regulation 3 amended (Interpretation)

In regulation 3, definition of **all-terrain vehicle**, after “given”, insert “for
All-terrain vehicle”.

Schedule 1
New Schedule 1AA inserted into Road User Charges Act 2012

s 8

Schedule 1AA
Transitional, savings, and related provisions

5

s 6AA

Part 1
Provisions relating to Road User Charges (Light Electric RUC Vehicles) Amendment Act 2024

- 1 Interpretation** 10
- In this Part, unless the context otherwise requires,—
- exempt light electric RUC vehicle** means a light electric RUC vehicle—
- (a) registered under Part 17 of the Land Transport Act 1998 on or before 31 March 2024; and
 - (b) for which a distance licence has not previously been issued
- transition period** means the period between **1 April 2024** and 31 May 2024. 15
- 2 No licence held**
- (1) This clause applies to a person who, during the transition period, operates a light electric RUC vehicle that—
 - (a) is an exempt light electric RUC vehicle; and 20
 - (b) does not have a distance licence that complies with section 9(2).
 - (2) The person does not commit an offence against section 9(4)(a) if a distance licence that complies with section 9(2) is issued by the end of the transition period.
- 3 No licence displayed or carried** 25
- (1) This clause applies to a person who, during the transition period, operates a light electric RUC vehicle that was an exempt light electric RUC vehicle without displaying or carrying a RUC licence in accordance with section 19(1).
 - (2) The person does not commit an offence against section 19(2) if a RUC licence is displayed or carried in accordance with section 19(1) by the end of the transition period. 30

Schedule 2
New Schedule 1 inserted into Road User Charges Regulations 2012

s 12

Schedule 1
Transitional, savings, and related provisions

5

r 3A

Part 1
Provisions relating to Road User Charges (Light Electric RUC Vehicles) Amendment Act 2024

- 1 Application for distance licence for light electric RUC vehicle** **10**
- (1) This clause applies to an application for a distance licence made on or after **1 April 2024** in relation to a light electric RUC vehicle—
- (a) registered under Part 17 of the Land Transport Act 1998 on or before 31 March 2024; and
- (b) for which a distance licence has not previously been issued. **15**
- (2) The application must, in addition to containing the information required by regulation 7, specify the distance travelled by the vehicle as recorded by the vehicle's distance recorder on the date of the application.

Legislative history

29 February 2024
5 March 2024

Introduction (Bill 25–1)
First reading and referral to Transport and Infrastructure
Committee