VAT Increase Fuels New Car Frenzy

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One in eight Brits are planning to bring forward their car purchase to dodge the Chancellorâ€™s VAT tax bullet, signalling an upbeat picture for the UK car industry.1

Research among 2,000 people by GfK NOP Automotive in the wake of Tuesdayâ€™s emergency budget reveals that almost 40 per cent of British motorists are considering buying a new car in the next year.2 However, the budget announcement to increase VAT to 20 per cent will drive people to the forecourts earlier, particularly middle to high income earners.3

The tax increase will also have an impact on used car sales. Despite being VAT exempt, 12 per cent of people said they will consider buying a second-and car ahead of the January 4 2011 deadline.4

Mark Durham, automotive expert at GfK NOP, said:
"The VAT increase will provide a short-term, much-needed lift for the British car industry. Car dealers need to act now to capitalise on this interest, boosting their marketing spend and offering incentives to entice buyers to their dealership.â€•

The Budget will also have an impact on the type of car people buy in future. The hike in insurance tax is making a quarter of car owners consider scaling down to smaller vehicles in order to reduce their insurance premiums.5 Again, it is the affluent motorist who will be most greatly impacted by this tax increase.6

Mark Durham adds:
"The Budgetâ€™s impact on the motor industry will be felt for a long time. However, longer term, manufacturers and dealers will need to find ways to ensure the market doesnâ€™t dip after the VAT increase, perhaps absorbing the VAT and insurance increases themselves.â€•

About the survey
The survey was conducted online by GfK NOP between 22/06/2010 and 23/06/2010 among 2,002 UK citizens. Â

1. 12.5% of total will buy a car ahead of the VAT rise on 4 January 2011.

2. 38% of total either will or might buy a car in the next twelve months.

3. 55% of those on incomes of Â£55,000 - Â£80,000 a year and 47% of those on incomes between Â£80,000 and Â£120,000 say they will make sure they but a car ahead of the tax rise.

4. 32% of those considering buying a car are say they will buy a second hand car because of the VAT increase.

5. 23% of respondents said the increase in insurance tax would make them consider buying a smaller car.

6. 37% of those on incomes of Â£80,000 and Â£120,000 and 33% of those on incomes of Â£120,000 to Â£150,000 say they would consider buying a smaller car as a result of the increase in insurance tax.

About GfK NOP
For more information please visitÂ http://www.gfknop.com/

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