



HM Revenue
& Customs

VAT relief on substantially and permanently adapted motor vehicles for disabled wheelchair users

Summary of Responses
December 2014

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1. Introduction

Background

- 1.1 At Budget 2014 the Government announced that it would be consulting on reform of the VAT zero rate relief on the supply of motor vehicles that have been substantially and permanently adapted for the personal use of a disabled person who normally uses a wheelchair.
- 1.2 The reform aims to address abuse of the relief and clarify the legislation, whilst ensuring that eligible wheelchair users can still benefit from the relief.
- 1.3 The consultation ran for 12 weeks from 30th June 2014 to 19th September 2014. It sought views on a number of proposals:
 - reform of the relief
 - a limit on the number of vehicles purchased
 - defining the terms ‘substantially’ and ‘permanently’ in the legislation
 - requiring suppliers to submit details of zero-rated motor vehicle sales
 - making the use of eligibility declarations mandatory
 - ensuring that users of lower limb prosthetics can benefit from the relief
 - removing references to stretcher users from the legislation
 - applying the same changes to the relief on adapted boats.
- 1.4 It also asked some questions to obtain further information in certain areas to assist in refining the proposals.

Overview of Responses

- 1.5 HMRC received a total 70 written responses from a range of interested parties including disabled individuals, motor dealers, finance houses, representative bodies and charities. A list of the respondents to the consultation is set out in Annex A.
- 1.6 In addition to the written responses HMRC held meetings with charities, motor dealers and finance houses to discuss the proposals set out in the consultation.
- 1.7 HMRC is grateful to all respondents and to those who attended meetings for taking the time to consider the issues raised in the consultation document and for providing their views, suggestions and additional information.
- 1.8 The consultation asked 18 questions and, as expected, not all respondents answered all questions. They answered those that were most relevant to their experience and therefore high quality information and considered views were provided.

2. Responses

Proposal 1 - Reform the VAT zero rate for adapted motor vehicles for disabled wheelchair users

Question 1 - Do you agree that reform of the relief is needed?

If not why not?

- 2.1 There were 64 responses to this question.
- 2.2 Over 80% of respondents agreed that reform of the relief is needed and supported change. Some strongly agreed and one said that change is overdue.
- 2.3 One person thought that change might be needed to overcome fraud.
- 2.4 There were a number of different reasons why people did not agree that reform was needed. One wanted to see the evidence of fraud, one said HMRC should police the current arrangements properly, one said there was no fraud on wheelchair accessible vehicles and another said that the rights of disabled people should be protected.

Government Response

- 2.5 HMRC does police the current arrangements but it has limited resources and the lack of legislative clarity makes enforcement action difficult. There are a number of ongoing investigations in this area but due to customer confidentiality issues and the risk of prejudicing legal action we are unable to provide details.
- 2.6 The current arrangements cause problems for customers and suppliers, as well as HMRC. The Government is protecting the rights of disabled people by endeavouring to clarify the rules and prevent fraud, whilst ensuring that the relief remains available to disabled wheelchair users.
- 2.7 It is true that little fraud has been identified in the area of wheelchair accessible vehicles but these are generally covered by a separate item of legislation that is for disabled wheelchair users who travel whilst seated in a wheelchair, rather than transferring to one of the seats in the motor vehicle.

Proposal 2 - Limit the number of adapted motor vehicles a disabled wheelchair user can purchase in a given period

Question 2 - Do you agree that, in general, VAT relief should only be allowed on one vehicle, purchased for the personal use of the disabled person, every three years?

If not, please give your reasons.

2.8 There were 62 responses to this question.

2.9 The majority of respondents agreed that there should be a limit on the number of vehicles a disabled person could purchase using the relief.

2.10 Most agreed that one vehicle every three years was reasonable but some felt that a shorter period of one or two years would be better and another suggested that five years would be more realistic.

2.11 One charity and one motor dealer said that if a disabled person purchases a substantially adapted vehicle then they do not want to change it quickly. One disabled person said their vehicle was nine years old.

2.12 Some people felt disabled people should be able to buy as many vehicles as they like.

2.13 Some people thought that the needs of someone who usually uses a wheelchair could change within a three year period, meaning that a different vehicle was required.

2.14 People were also concerned about how this would be policed and enforced.

Question 3 - Under what circumstances should the rule be relaxed to allow more than one vehicle to be purchase within a three year period?

2.15 There were 56 responses to this question.

2.16 There were a number of suggestions that were regularly repeated in the responses:

- when a vehicle is stolen
- when a vehicle is damaged beyond repair or written off
- when the condition of the disabled wheelchair user changes.

Government Response

2.17 Overall it appears that obtaining VAT relief on a substantially adapted vehicle once every three years is considered to be reasonable.

2.18 Concerns about changes to the condition of the disabled wheelchair user will be addressed by the provision to allow more than one car to be purchased within the three year period in certain circumstances.

Proposal 3 - Define the terms 'substantially' and 'permanently' in the legislation

Question 4 - Do you agree that a rule specifying a minimum cost of adaptations, of 20% of the cost of the vehicle, should be introduced?

If not, what suggestions do you have for defining the 'substantial adaptation' of a vehicle?

2.19 There were 54 responses to this question.

2.20 Most responses disagreed with the introduction of a 20% minimum cost of adaptation.

2.21 Some suggested that a 10% minimum would be more acceptable.

2.22 Others considered that a minimum cost rule would be easy to manipulate, would cause market distortions and could result in unnecessary adaptations.

2.23 Most respondents would prefer the meaning of 'substantially' and 'permanently' to be clarified.

2.24 It was suggested that for a motor vehicle to be substantially adapted there should be 'a structural or engineered adaptation that would render the restitution of the adapted vehicle uneconomical or not practical'.

2.25 Another suggestion was 'the adaptation is fixed permanently to the vehicle and is expected to last as long as the vehicle, any removal should take the same time if not longer than the original fitting and it should make a noticeable change to the vehicle. The adaptation would also significantly improve the functions of the vehicle for the disabled person.'

2.26 One response suggested that an able bodied person should not be able to use a substantially adapted vehicle.

2.27 It was also suggested that any adaptation work that cost less than £1000 and took under 12 hours to reverse should be excluded from this relief.

Question 5 - What features do you think a motor vehicle that has been substantially adapted, to enable a disabled wheelchair user to enter and drive or enter and travel in, should include?

- 2.28 There were 51 responses to this question.
- 2.29 Some respondents felt that all the adaptations would be different depending on the nature and extent of the disability.
- 2.30 Others suggested that there should be structural work to the vehicle, that it should take significant work to restore the vehicle and that if the adaptation was removed it should leave marks on the vehicle.
- 2.31 Many people listed the features they believed would be needed most, these included:
- hoists and lifts
 - ramps
 - lowered floors
 - swivel seats
 - hand controls.

Question 6 - What adaptations are generally needed by wheelchair users to use a vehicle and/or carry their wheelchairs?

- 2.32 There were 49 responses to this question.
- 2.33 Again, some respondents felt that the adaptations would be different in each case.
- 2.34 Others listed the features they believed would be needed most frequently, in addition to the features listed at paragraph 2.31 the following items were included:
- wheelchair restraints
 - grab handles
 - removal or reconfiguration of seats
 - wheelchair storage
 - transfer systems
 - wider doors.

Government Response

- 2.35 As most people disagreed with the minimum cost of adaptation rule and provided the reasoning for why they felt it would not work, the Government will not be pursuing the minimum cost of adaptation rule.

2.36 It will instead look to define the terms 'substantially' and 'permanently' on the basis of the alternative suggestions received from respondents.

Proposal 4 - Require suppliers to submit details of zero-rated motor vehicle sales

Question 7 - Would motor dealers be generally supportive of supplying information on zero-rated sales to HMRC?

2.37 There were 38 responses to this question.

2.38 Many individuals and charities chose not to answer this question because it was not relevant to them.

2.39 Most of the dealers and finance houses were supportive and felt that sending the information to HMRC would be a positive step forward.

2.40 It was felt that supplying the information would be worthwhile if HMRC used it to reduce fraud.

Question 8 - What additional administrative burden would this create for dealers?

2.41 There were 37 responses to this question.

2.42 The vast majority of suppliers felt that the additional administrative burden would be minor.

2.43 Many suppliers said that they already collected this information when selling a vehicle zero rated for VAT purposes, so it would just be a case of sending this information to HMRC.

2.44 One supplier felt we should do this already in order to reduce fraud.

Question 9 - Do you have any alternative proposals that would enable HMRC to monitor zero rated sales?

2.45 There were 41 responses to this question.

2.46 There was a wide range of ideas about how the relief could be monitored in future, including:

- HMRC creating a central register of purchases so that dealers could check whether customers had purchased other vehicles

- HMRC approving every request for relief before the supply could be made
- HMRC operating a refund scheme, whereby all vehicles would be sold standard rated and HMRC would refund the VAT on those qualifying for relief
- Suppliers only zero-rating vehicles after further supporting evidence including doctors letters have been supplied
- HMRC working more closely with DVLA to monitor zero-rated supplies, perhaps adding a box to the log book to indicate that the vehicle has been substantially and permanently adapted
- Requiring that all adapted vehicles are approved by VOSA
- Removing the relief altogether and replacing it with a full refund of the costs of adapting the motor vehicle.

Government Response

2.47 There are a number of legal issues about data protection and customer confidentiality that would prevent HMRC providing details to suppliers about customer purchases of zero-rated motor vehicles.

2.48 There are also issues around the administrative costs and funding arrangements for providing pre-approval and refund schemes.

2.49 Suppliers can already ask for further evidence to support requests for zero-rating. The Government will not be insisting that people obtain medical certificates because this puts an added burden on health professionals and in some cases disabled people have to pay for certificates.

2.50 HMRC is now working more closely with DVLA and in the longer term consideration will be given to whether we can find a better way of monitoring zero-rated sales. As part of this work we will look at whether the Driver and Vehicle Standards Agency, which replaced VOSA, can assist.

2.51 In the meantime, suppliers will be required to submit details of zero-rated sales of motor vehicles to HMRC.

2.52 HMRC will work with the sector to establish the easiest method for suppliers to provide this information.

Proposal 5 - Make the use of eligibility declarations mandatory

Question 10 - Do you agree that a mandatory eligibility declaration should be made for all purchases of zero rated adapted vehicles?

2.53 There were 61 responses to this question.

2.54 Almost all responses supported the introduction of a mandatory declaration.

2.55 Many suppliers stated that they currently refuse to sell a vehicle zero-rated unless the individual has completed the recommended declaration.

Question 11 - Do you agree that a penalty should be chargeable on false declarations?

2.56 There were 60 responses to this question.

2.57 The vast majority of the responses supported the implementation of a penalty.

2.58 Suppliers and disabled people felt the introduction of a penalty would discourage fraudulent use of the relief.

2.59 It was felt that the penalty would have to be set at the right level to serve as a deterrent and prevent abuse of the scheme.

2.60 Many respondents felt that the penalty should be charged to the fraudulent party, whether it was the customer or the supplier or, in some cases, to both.

Government Response

2.61 Suppliers of motor vehicles are already subject to VAT penalties.

2.62 Customers are not generally subject to VAT penalties but criminal proceedings can be taken in respect of false declarations that they give.

2.63 Given the high level of support for this proposal, and the need to deter the use of false declarations, eligibility declarations will become mandatory and penalties will be introduced for false declarations.

Proposal 6 - Ensure it is clear that users of lower limb prosthetics can benefit from the relief

Question 12 - Do users of lower limb prosthetics usually own a wheelchair?

2.64 There were 19 responses to this question.

- 2.65 Some respondents said that people who use lower limb prosthetics do usually have a wheelchair.
- 2.66 Others said it depended on the disability and personal circumstances. Some people prefer not to use a wheelchair if they can avoid it and would, for example, rely on crutches.
- 2.67 Suppliers said that this was one of the difficulties they had with the relief because it is unclear who qualifies as a wheelchair user.

Question 13 - Would users of lower limb prosthetics use a wheelchair if their prosthetic limbs were not available?

- 2.68 There were 21 responses to this question.
- 2.69 Most respondents said that users of lower limb prosthetics would, or would be likely, to use a wheelchair if their prosthetic limbs were not available.
- 2.70 Some said it depended on the nature of the disability.

Question 14 - What adaptations are generally needed for users of lower limb prosthetics to use a motor vehicle?

- 2.71 There were 20 responses to this question.
- 2.72 The responses varied but many of the suggested adaptations were similar to those given at paragraph 2.31 in response to Question 5, where we asked about the features of a motor vehicle that has been substantially adapted for a wheelchair user.
- 2.73 Suggested adaptations included:
- hand controls
 - seat adaptations
 - swivel seats
 - automatic transmission.
- 2.74 Again, some said the adaptation would depend on the nature of the disability.

Government Response

- 2.75 HMRC will update its guidance to make sure that it is clear that users of lower limb prosthetics can benefit from the relief.

Proposal 7 - Remove references to stretcher users from the legislation

Question 15 - Other than people transported in ambulances, are you aware of any circumstances where a disabled person is usually carried on a stretcher?

2.76 There were 25 responses to this question.

2.77 Many respondents had never come across anyone who is carried on a stretcher.

2.78 Some motor dealers said that they had adapted vehicles for people who are carried on a stretcher.

Question 16 - Are people that previously needed to be carried on stretchers now able to obtain suitable wheelchairs or prosthetics that meet their needs?

2.79 There were 20 responses to this question.

2.80 Some respondents said that a wheelchair could be purchased that would accommodate a disabled person in a recumbent position.

2.81 One response explained that, although such wheelchairs are available, they are very expensive.

Government Response

2.82 This proposal was looking at the possibility of simplifying the legislation if there were no longer any stretcher users.

2.83 As some people were aware of a small number of disabled people who need to be carried on a stretcher, the Government wishes to ensure that their needs are met.

2.84 References to stretcher users will therefore be retained in the legislation.

Proposal 8 - Apply the same changes to the zero rate of relief on adapted boats

Question 17 - Have you experienced any problems using the VAT relief for adapted boats?

2.85 There were 9 responses to this question.

2.86 Respondents said that they had not experienced problems with the relief for adapted boats.

2.87 It was not felt that the relief for boats was being used fraudulently.

2.88 Two respondents said that any changes to the motor vehicle provisions should also apply to boats.

Question 18 - What features do you think a boat that has been substantially adapted, for use by disabled people, should have?

2.89 There were 16 responses to this question.

2.90 There were a number of suggested features that a substantially adapted boat should have, including:

- ramps
- hoists
- anchor points for wheelchairs
- wide doors
- suitable toilet/shower facilities on larger boats.

2.91 Some respondents said that it would depend on the size of the vessel.

2.92 One respondent felt that boats should not qualify for VAT relief because they are not a necessity in the way that cars are.

Government Response

2.93 The majority of respondents thought that no change should be made to the relief for boats but they did not explain what problems the changes could cause.

2.94 HMRC will work with the boating sector to explore this issue further and to see if it would be possible to keep the legislative concepts that apply to both boats and motor vehicles aligned without creating problems for disabled people and suppliers of specially designed or adapted boats.

3. Next steps

- 3.1 The Government will proceed with reform of the relief.
- 3.2 Legislative changes will be made to limit VAT relief to one adapted motor vehicle, purchased for the personal use of a disabled wheelchair user, in any three year period. However, provision will also be made to allow more than one vehicle in exceptional circumstances.
- 3.3 The Government will define 'substantially' and 'permanently' in the legislation but there will be no minimum cost of adaptation rule.
- 3.4 Motor vehicle suppliers will be required to submit details of zero-rated sales to HMRC. HMRC will work with the sector to establish the easiest method for suppliers to provide this information.
- 3.5 Use of eligibility declarations will be mandatory and penalties will be introduced for the provision of false declarations.
- 3.6 References to 'stretcher users' will remain in the legislation.
- 3.7 Further informal discussions will be held to work through some of the details of the changes.
- 3.8 Issues regarding boats will be explored with the sector to see if the same legislative concepts that apply to both motor vehicles and boats can be aligned without detriment to disabled people and boat suppliers.
- 3.9 Legislative changes will be taken forward in Finance Bill 2016.
- 3.10 New guidance and procedures will be introduced alongside the legislation. The guidance will clarify that users of lower limb prosthetics are entitled to relief, explain the new procedures and provide further information about what constitutes a 'substantially and permanently' adapted motor vehicle.

4. Annexe A: List of stakeholders consulted

Allied Motors	Mercedes-Benz UK
Association of Taxation Technicians	Motor Neurone Disease Association
Auto Gas	National Franchised Dealer Association
Auto Trail	Neath Port Talbot Council for Voluntary Services
Auto Sleepers	Nirvana Mobility
BMW Financial Services (GB)	Pendragon
British Marine Federation	Revive MS Support
British Vehicles Rental & Leasing Association	Southern Finance
Brook Miller Mobility	Spinal Injuries Association
Brotherwood Automobility	Sytner Group
Charity Law Standing Tax Committee	The Association of Accounting Technicians
Charity Tax Group	The Chartered Institute of Taxation
Coachbuilt GB	The Institute of Chartered Accountants in England and Wales
Concept Multi Car	The National Caravan Council
Disabled Motoring UK	The Royal Yachting Association
Diverse Cymru	The Society of Motor Manufacturers and Traders
Finance & Leasing Association	The Voice of Reason
GM Coachwork	The Wheelyboat Trust
Gowrings Mobility	Thorntrees Garage
Hillingdon Outdoor Activities Centre	VAT Advice
Hitachi Capital	VAT Practitioners Group
Inchcape	Vertu Motors
ING Lease UK	Vic Young (South Shields)
Jubilee Automotive Group	Volkswagen Financial Services
Lewis Reed	White Formula UK
Low Incomes Tax Reform Group	
Maidstone Motor Group	
Marshall Motor Group	

There were also 17 responses from individuals.