
1 Hire cars for disabled persons

- (1) In section 268D of CAA 2001 (hire cars for disabled persons), in subsection (2), after paragraph (a) insert –
 - “(aa) personal independence payment under the Welfare Reform Act 2012, or the Welfare Reform Act (Northern Ireland) 2013, because of entitlement to the mobility component;
 - (ab) [armed forces independence payment under a scheme established under section 1 of the Armed Forces (Pensions and Compensation) Act 2004];”.
- (2) The amendment made by this section has effect in relation to expenditure incurred on or after 1 April 2013.

EXPLANATORY NOTE

HIRE CARS FOR DISABLED PERSONS

SUMMARY

1. The clause expands the definition of a disabled person in the Capital Allowances Act 2001 (CAA 2001) to include recipients of the Personal Independence Payment and the Armed Forces Independence Payment.

DETAILS OF THE CLAUSE

2. The clause amends section 268D(2) CAA 2001 to include reference to recipients of the Personal Independence Payment received under the Welfare Reform Act 2012 or the Welfare Reform Act (Northern Ireland) 2013 and to recipients of the Armed Forces Independence Payment, made under a scheme established under section 1 of the Armed Forces (Pensions and Compensation) Act 2004. The amendment applies to expenditure incurred on or after 1 April 2013.

BACKGROUND

3. CAA 2001 provides certain benefits where cars are hired to disabled persons in that a car that falls within this definition can be treated as a short life asset (SLA).
4. The SLA regime enables tax allowances to be brought into line with the actual depreciation of plant or machinery when an item is scrapped or sold within eight years of its acquisition. This ensures that the total allowances given by this point match the actual net cost to the business, providing an advantage where the allowances would otherwise be less than the net cost.
5. The definition of a “disabled person” for capital allowances purposes is based on the receipt of certain types of allowances, including Disability Living Allowance (DLA).
6. The Welfare Reform Act 2012 made a number of significant changes to the welfare system including replacing DLA for people between 16 and 64 years of age with Personal Independence Payments. The Welfare Reform Act (Northern Ireland) 2013 will make similar changes in Northern Ireland. Personal Independence Payments are being introduced in phases, starting in April 2013.

FINANCE BILL

7. On 22 October 2012 the Government announced its intention to introduce a separate payment for seriously injured service and ex-service personnel who are in receipt of a qualifying award from the armed forces compensation scheme, called the Armed Forces Independence Payment.
8. This clause ensures that the definition of hire cars for disabled persons within CAA 2001 accommodates these changes.
9. If you have any questions about this change, or comments on the legislation, please contact Andrew Donaldson on 020 7147 2282 (email: andrew.s.donaldson@hmrc.gsi.gov.uk).