

## Vehicle Excise Duty disability exemption

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### Who is likely to be affected?

People of working age (16-65) that are currently receiving the mobility components of the Disability Living Allowance (DLA).

### General description of the measure

From April 2013 this measure provides tax support through an exemption from Vehicle Excise Duty (VED) to working age people receiving the enhanced mobility element of Personal Independence Payment (PIP), and tax support through a 50 per cent discount on VED to recipients of the standard mobility element of PIP.

### Policy objective

The Government's aim is to ensure that the tax system provides support for people with serious mobility impairments to lead full, active and independent lives.

### Background to the measure

At Spending Review 2010, the Government committed to reform DLA for working-age individuals by introducing an objective assessment (i.e. a medical gateway). Introducing a medical gateway brings working age DLA into line with other benefits. The new benefit is called Personal Independence Payment.

PIP was legislated for within the Welfare Reform Bill. From April 2013, PIP will be introduced for new claims in Merseyside, North West England, Cumbria, Cheshire and North East England, and will be rolled out nationwide from June 2013.

For existing claimants, there will be no automatic transfer from DLA to PIP. The Department for Work and Pensions will write to claimants early in 2013 setting out the reassessment process.

## Detailed proposal

### Operative date

The measure will have effect on and after 8 April 2013.

### Current law

Schedule 2 of the Vehicle Excise and Registration Act 1994 confers exemption from paid rates of VED to people in receipt of the higher mobility component of DLA.

### Proposed revisions

Legislation will be introduced in Finance Bill 2013 to amend Schedule 2 of the Vehicle Excise and Registration Act 1994 to confer exemption from paid rates of vehicle excise duty (VED) on receipt of enhanced mobility PIP and to amend Schedule 1 of the Act to confer a 50 per cent discount on receipt of standard mobility PIP.

## Summary of impacts

Exchequer impact (£m)	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	This measure is expected to have little impact on revenue. The final costing will be subject to scrutiny by the Office for Budget Responsibility, and will be set out at Budget 2013					
<b>Economic impact</b>	The measure is not expected to have any significant economic impacts.					
<b>Impact on individuals and households</b>	<p>This policy increases the number of disabled people eligible for tax support, as under DLA only those on the higher mobility component are eligible.</p> <p>Around 1 million working age people are currently eligible for the VED exemption. Some of these people could move from exemption to instead being eligible for 50 per cent discounted rates of VED. It is expected that the discounted rates will provide new support to additional people for the first time. Further information on the expected number of PIP claimants is being published by the Department for Work and Pensions.</p> <p>Individuals receiving the full exemption will benefit by an amount between nil and £475 per annum, depending upon the tax class of their vehicle. The average benefit for those receiving a 50 per cent discount is expected to be around £85.</p>					
<b>Equalities impacts</b>	<p>This policy increases the number of disabled people eligible for tax support, as under DLA only those on the higher mobility component are eligible.</p> <p>Existing pensioners on standard mobility DLA will not be reassessed for PIP and are not eligible for additional mobility reassessments in DLA once over 65. Some people may have continued access to the percentage discount when retaining payment of a working age PIP award into a future retirement.</p>					
<b>Impact on business including civil society organisations</b>	<p>Overall, this measure is expected to have a negligible impact on business and civil society organisations. The negligible one-off costs are time spent familiarising with the fact that not all those claiming mobility element of the benefit will be entitled to the VED exemption. The negligible ongoing cost is of the process for those drivers involved in paying VED for the first time.</p> <p>The Motability charity supplies cars to mobility impaired drivers under hire purchase agreements financed by surrendered payments of higher mobility component DLA. Motability annually applies in bulk for Vehicle Excise Duty exemption on behalf of its customers, aiding efficient tax administration and reducing claimants' burdens. This tax relief process will be maintained for people that surrender enhanced mobility PIP to finance a Motability car.</p>					
<b>Operational impact (£m) (HMRC or other)</b>	The Driver and Vehicle Licensing Agency administers VED on behalf of the exchequer. Introducing the rates discount will require changes to tax systems at a one-off cost of between £5 million and £10 million. A substantial volume of the exemption applications will continue to be processed in bulk in partnership with Motability.					
<b>Other impacts</b>	Other impacts have been considered and none have been identified.					

### **Monitoring and evaluation**

The measure will be monitored and assessed alongside other measures in the Government's package for welfare reform.

### **Further advice**

If you have any questions about this change, please contact Andy West on 020 7270 4697 (email: [andy.west@hmtreasury.gsi.gov.uk](mailto:andy.west@hmtreasury.gsi.gov.uk)).

## **1 Vehicle licences for disabled people**

Schedule 1 makes provision about vehicle licences for disabled people.

## SCHEDULE 1

Section 1

## VEHICLE LICENCES FOR DISABLED PEOPLE

- 1 VERA 1994 is amended as follows.
- 2 (1) Section 22ZA (nil licences for vehicles for disabled persons: information) is amended as follows.
  - (2) In subsections (2) and (4), and in the heading, omit “nil”.
  - (3) For subsection (5) substitute –
    - “(5) In this section “relevant licence functions” means functions relating to applications for, and the issue of –
      - (a) vehicle licences in respect of vehicles to which paragraph 1A of Schedule 1 applies, and
      - (b) nil licences in respect of vehicles that are exempt vehicles under paragraph 19 of Schedule 2 or paragraph 7 of Schedule 4.”
- 3 In Schedule 1 (annual rates of duty), in Part 1 after paragraph 1 insert –
  - “1A (1) The annual rate of vehicle excise duty applicable to a vehicle to which this paragraph applies is 50 per cent of the rate which (but for this paragraph) would be applicable.
  - (2) This paragraph applies to a vehicle when it is being used, or kept for use, by or for the purposes of a disabled person who is in receipt of personal independence payment by virtue of entitlement to the mobility component at the standard rate if –
    - (a) the vehicle is registered under this Act in the name of the disabled person, and
    - (b) no other vehicle registered in his or her name under this Act is –
      - (i) a vehicle to which this paragraph applies, or
      - (ii) an exempt vehicle under paragraph 7 of Schedule 4.
  - (3) This paragraph has effect as if a person were in receipt of personal independence payment by virtue of entitlement to the mobility component at the standard rate in any case where –
    - (a) the person has ceased to be in receipt of it as a result of meeting the condition in section 86(2) of the Welfare Reform Act 2012 or section 85(2) of the Welfare Reform (Northern Ireland) Act 2012 (treatment as in-patient in hospital or similar institution), and
    - (b) the person would continue to be entitled to receive the mobility component of the payment at the standard rate but for meeting the condition.

- (4) For the purposes of sub-paragraph (2), a vehicle is to be treated as registered under this Act in the name of a person in receipt of personal independence payment by virtue of entitlement to the mobility component at the standard rate if it is so registered in the name of –
- (a) an appointee, or
  - (b) a person nominated for the purposes of this paragraph by the person or an appointee.
- (5) In sub-paragraph (4) “appointee” means a person appointed pursuant to regulations made under (or having effect as if made under) the Social Security Administration Act 1992 or the Social Security Administration (Northern Ireland) Act 1992 to exercise any of the rights and powers of a person in receipt of personal independence payment.”
- 4 (1) In Schedule 2 (exempt vehicles), paragraph 19 is amended as follows.
- (2) In sub-paragraph (2), after paragraph (a) insert –
- “(aa) he or she is in receipt of personal independence payment by virtue of entitlement to the mobility component at the enhanced rate,
  - (ab) [he or she is in receipt of armed forces independence payment,]”.
- (3) After sub-paragraph (2A) insert –
- “(2B) This paragraph has effect as if a person were in receipt of personal independence payment by virtue of entitlement to the mobility component at the enhanced rate in any case where –
- (a) the person has ceased to be in receipt of it as a result of meeting the condition in section 86(2) of the Welfare Reform Act 2012 or section 85(2) of the Welfare Reform (Northern Ireland) Act 2012 (treatment as in-patient in hospital or similar institution), and
  - (b) the person would continue to be entitled to receive the mobility component of the payment at the enhanced rate but for meeting the condition.”
- (4) In sub-paragraph (3), for “person in receipt of a disability living allowance by virtue of entitlement to the mobility component at the higher rate, or of a mobility supplement,” substitute “disabled person who satisfies sub-paragraph (2) by virtue of paragraph (a), (aa), (ab) or (b) of that sub-paragraph”.
- (5) In sub-paragraph (4)(a), after “disability living allowance,” insert “personal independence payment [or armed forces independence payment],”.
- 5 The amendments made by this Schedule are treated as having come into force on 8 April 2013.

**EXPLANATORY NOTE**

**VEHICLE LICENCES FOR DISABLED PEOPLE**

**SUMMARY**

1. This clause and Schedule amend the Vehicle Excise and Registration Act (VERA) 1994 to give a 50 per cent discount to rates of Vehicle Excise Duty (VED) to persons receiving the standard mobility component of Personal Independence Payment (PIP), and a complete exemption to those receiving either the enhanced mobility component of PIP, or Armed Forces Independence Payment (AFIP).

**DETAILS OF THE SCHEDULE**

2. Paragraph 2 of the Schedule amends section 22ZA VERA 1994 to provide that information relating to a welfare payment recipient may be supplied in support of the administrative functions for a 50 per cent discount to rates of VED or an exemption.
3. Paragraph 3 amends Part 1 of Schedule 1 to VERA 1994 to introduce a new provision giving a 50 per cent discount to rates of VED to persons receiving the standard mobility component of PIP. The discount only applies to one vehicle, and remains in effect during any period of the recipient's treatment as in-patient at hospital or similar institution. The vehicle is either to be registered in the name of the recipient or of a person appointed to manage the affairs of a recipient unable to manage their own affairs, or in either case, their nominee.
4. Paragraph 4 amends Schedule 2 of VERA 1994 to add receipt of either the enhanced mobility component of PIP or of AFIP as qualifying conditions for exemption from VED. The exemption remains in effect during any period during which a person in receipt of the enhanced mobility component of PIP receives treatment as in-patient at a hospital or similar institution. The vehicle is either to be registered in the name of the recipient or of a person appointed to manage the affairs of a recipient unable to manage their own affairs, or in either case, their nominee.

**BACKGROUND NOTE**

5. The Welfare Reform Act (WRA) 2012 introduced the new PIP which will be phased in gradually with effect from 1 April 2013.

## **FINANCE BILL**

6. The Ministry of Defence announced the introduction of the new AFIP benefit (for armed forces personnel injured in action since 2006) in summer 2012.
7. If you have any questions about this change, or comments on the draft legislation, please contact Jason Donovan on 01792 786860 (email: [Jason.Donovan@dvla.gsi.gov.uk](mailto:Jason.Donovan@dvla.gsi.gov.uk)).