



**Personal Independence Payment and eligibility for a Blue Badge  
Department for Transport consultation**

**Response by the Low Incomes Tax Reform Group**

**1. Executive summary**

- 1.1. We welcome the opportunity to comment on the proposed changes to the eligibility for a Blue Badge with the introduction of Personal Independence Payments ('PIP').
- 1.2. The consultation document does not include the fact that Blue Badge holders are automatically entitled to certain tax reliefs on car benefits in kind. Therefore, any change in the entitlement for the Blue Badge will also affect the entitlement to these tax reliefs. We are concerned that any changes which lead to current Blue Badge holders becoming ineligible could result in their tax position being disadvantaged.
- 1.3. It is essential that the loss of any passported benefits (such as tax relief) linked to receipt of a Blue Badge are factored in when determining who may gain and lose from any of the potential options. The Department for Transport (DfT) should ensure that they work jointly with other Government departments (such as HMRC for tax reliefs) to ensure the full impact of the option chosen is understood and communicated to claimants. This will need to be done with plenty of time for other departments to look at replacement links.
- 1.4. We agree with the DfT recommendation to continue the legislative links between the automatic entitlement for the Blue Badge for those who will receive the higher rate mobility component of Disability Living Allowance (HRMCDLA) after April 2013. This will mean that the current eligibility for the Blue Badge for disabled people aged under 16 and over 64 will remain unchanged.

- 1.5. We oppose the introduction of Option 1 – no legislative link between Blue Badge eligibility and receipt of a PIP award. We consider it unfair that all current Blue Badge holders aged 16-64, would no longer be automatically entitled for the Blue Badge and instead would have to reapply to the local authorities and be subject to one or possibly two further assessments every three years.
- 1.6. The other proposals (Option 2- establishing a legislative link between Blue Badge eligibility and the enhanced rate mobility component of PIP; and Option 3- establishing a legislative link between Blue Badge eligibility and a score of 8 or more under the 'Moving Around' descriptor within PIP) require further research on the numbers of people who could be affected. The final assessment criteria for PIP has yet to be decided and therefore DfT are unable to know the number of current Blue Badge holders who could lose their entitlement if the DfT's current preferred option, Option 3, is implemented. We recommend a decision is not made by DfT until the PIP criteria has been agreed.
- 1.7. Given that fewer people may qualify for the enhanced mobility component of PIP than would have qualified for the higher mobility component of DLA, we strongly recommend keeping open the possibility of passporting recipients of any mobility component of PIP to the scheme, if that better reflects actual need.

## **2. Introduction**

### **2.1. *About us***

- 2.1.1. The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998 LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes.
- 2.1.2. The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

### **2.2. *General Comments***

- 2.2.1. We have only commented on specific areas of the consultation which we consider to be relevant to the key aims of LITRG, and therefore have answered Questions 2, 3, 4 and 5a.
- 2.2.2. We understand that any proposed changes because of the implementation of PIP will only affect people who reside in England and who will no longer be entitled to Disability Living Allowance (DLA) and therefore will be aged between 16-64 years. The proposed changes will affect 900,000 people who currently have Blue Badges, are aged 16-64 and in receipt of HRMCDLA.

- 2.2.3. As noted in the executive summary, we welcome the DfT's proposal to retain the legislative links for disabled people aged under 16 and above 64 to have automatic eligibility for a Blue Badge if they are in receipt of HRMCDLA.

**3. Question 2- What are your views on Option 1- no legislative link between Blue Badge eligibility and PIP?**

- 3.1. We consider this option to be unfair because it will require people who are currently automatically eligible to have to apply for a Blue Badge every three years. This application will require the individual to be assessed by the local authority and in some cases, an additional assessment will be performed by an independent mobility assessor. We do not see any convincing arguments to support assessing someone for a Blue Badge who has already undergone rigorous assessment for PIP. This will lead to duplication of effort (and consequently unnecessary administrative cost) between Local Authorities and DWP.

**4. Question 3- What are your views on Option 2- establishing a legislative link between Blue Badge eligibility and the enhanced mobility component of PIP?**

- 4.1. We are concerned that the assessment criteria of PIP have not been finalised and therefore it is not possible for DfT to research the number of people who may be entitled to the enhanced mobility component of PIP. We recommend that no decision is made on which option is chosen until the final PIP criteria are known. This data is also useful for other government departments when looking at benefits (such as tax reliefs) given to people by reason of their Blue Badge.

**5. Question 4- What are your views on Option 3- establishing a legislative link between Blue Badge eligibility and a score of 8 or more under the 'Moving Around' activity within PIP?**

- 5.1. We have concerns that Option 3 will affect current users who may not be eligible for a Blue Badge under these proposed changes. If Option 3 is chosen, people who receive HRMCDLA because of a mental health condition, intellectual or cognitive impairment but who are physically able to walk will not be automatically entitled for a badge; even though they are currently entitled. It may be possible for some people who will be affected by this proposed change to apply direct to the local authorities who may provide a Blue Badge through the 'with further assessment' criteria; however this will be an additional burden for these individuals.
- 5.2. We understand that the DfT do not know the potential number of disabled people who could have their automatic entitlement revoked. We strongly advocate that further research is carried out before a final decision is made, even if this means a decision is delayed until after the finalisation of the PIP assessment criteria.

**6. Question 5a- What would be the impacts and effects of these options on eligibility, impacts on existing badge holders, local authority costs and the operation of the Blue Badge scheme?**

- 6.1. We are concerned that the consultation does not mention that there are specific tax reliefs for Blue Badge holders, and therefore any change in eligibility to a Blue Badge could have a taxation impact for the affected individuals. The consultation explains that 'People who have a Blue Badge are often able to automatically access other concessions. For example, badge holders are able to claim discounts from the London congestion charge'<sup>1</sup>. However this is only one of a number of passported benefits that Blue Badge holders may be able to access.
- 6.2. Blue Badge holders are automatically entitled to the three tax reliefs discussed below in paragraphs 6.3-6.5, and we consider that the impact of being potentially ineligible for these reliefs should have been included as part of the consultation.
- 6.3. Employees provided with a company car are charged tax on this benefit in kind. Every car model has a list price and usually automatic cars have a higher list price than an equivalent manual car. The list price is used in calculating the amount of tax on the car benefit in kind, therefore the higher the list price of a car, the higher the tax charge on the benefit in kind will be. A disabled employee can use the list price of the equivalent manual car if lower than that of the automatic car they actually drive.<sup>2</sup> Only Blue Badge holders are entitled to this relief on their car benefit in kind.
- 6.4. Certain types of equipment included in the car to enable a disabled driver to use the car, are disregarded when calculating the benefit in kind on car accessories.<sup>3</sup> The equipment must have been in the car when the car was provided to the disabled employee to enable the employee to use the car. This relief is again only available to Blue Badge holders.
- 6.5. When calculating the benefit in kind on a company car, a disabled employee can use CO2 emissions of the equivalent manual car if lower than those of the automatic car they actually drive (if the employee is required to drive an automatic car because of his disability).<sup>4</sup> There is an ongoing consultation by HM Revenue & Customs to remove this tax relief concession

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<sup>1</sup> <http://assets.dft.gov.uk/consultations/dft-2012-30/blue-badge-consultation.pdf>

<sup>2</sup> <http://www.hmrc.gov.uk/manuals/eimanual/EIM24180.htm>

<sup>3</sup> <http://www.hmrc.gov.uk/manuals/eimanual/EIM24275.htm>

<sup>4</sup> <http://www.hmrc.gov.uk/manuals/eimanual/EIM24900.htm>

from disabled drivers who do not hold a Blue Badge<sup>1</sup> and LITRG are making representations against this proposed change.

- 6.6. When the final eligibility criteria for PIP and the various components of PIP are known, it may turn out that substantially fewer 16 to 64 year olds will qualify for the enhanced mobility component of PIP than would have qualified for the higher mobility component of DLA. In those circumstances, restricting eligibility for the Blue Badge scheme to the substantially fewer numbers in receipt of PIP enhanced mobility might well defeat the underlying purpose of the Blue Badge scheme in terms of the social benefits and the increased work capacity it is intended to confer. We would strongly recommend keeping open the possibility of passporting recipients of any mobility component of PIP to the scheme, if that better reflects actual need.

LITRG

2 October 2012

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<sup>1</sup> <http://www.hmrc.gov.uk/budget-updates/06dec11/withdraw-tech-note.pdf>