



**Withdrawal of extra statutory concessions
HM Revenue & Customs call for evidence**

Response by the Low Incomes Tax Reform Group

1. Executive summary

- 1.1. LITRG welcomes the opportunity to respond to the call for evidence 'Withdrawal of extra statutory concessions' published on 6 December 2011.
- 1.2. This response refers to the concession at EIM 24900: company cars for disabled drivers without blue badges. In the simplest of terms, withdrawal of this concession will result in some people with disabilities paying more tax on their company car.
- 1.3. There are two distinct categories of people who will be affected by these changes:
 - People who have never had a blue badge but have claimed the concession will no longer be able to do so. There is no good reason why their entitlement to the concession should be taken away from them.
 - People who have previously had a blue badge (and thus even without the concession can make a claim under Income Tax (Earnings and Pensions) Act 2003 section 138) may no longer qualify when Disability Living Allowance (DLA) gives way to the Personal Independence Payment (PIP). If they no longer qualify for the blue badge, they will lose any tax relief they previously were entitled to.
- 1.4. We therefore strongly recommend that either:
 - the concession at EIM 24900 should be retained; or

- the primary legislation at S138 ITEPA 2003 should be amended to incorporate the concession as currently available , and therefore continue to offer the relief to those in need of it.

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.

3. General Comments

- 3.1 It is important to appreciate that the blue badge scheme itself has been the subject of recent consultation¹ and thus the full impact of any change cannot be established until any new blue badge system is in place. LITRG has responded² to that consultation and a similar one from the Welsh government³.
- 3.2 We believe that it is important to promote equality of opportunity for disabled people as against the rest of the population in whatever way is necessary to ensure parity of treatment, and to remove barriers to disabled people's full participation in the workplace. We think that removal of this extra statutory concession goes against this.
- 3.3 Across the UK there are currently just over 3million users of blue badges, with 2.55 million of those issued in England. The Department for Transport consultation on blue badges and the impact on automatic entitlement to a blue badge as a result of the forthcoming change from

¹ See Department for Transport consultation 'Personal Independence Payment and eligibility for a Blue Badge': <http://assets.dft.gov.uk/consultations/dft-2012-30/blue-badge-consultation.pdf>

² See <http://www.litrg.org.uk/submissions/2012/department-for-transport-pip-and-blue-badges>

³ Similarly, there has been a Welsh Government consultation on the scheme – see 'Blue Badge Scheme in Wales: Planned Changes to the Automatic Eligibility Criteria':

<http://wales.gov.uk/docs/det/consultation/120807bluebadgeconsulen.pdf>

LITRG's response can be found at:

<http://www.litrg.org.uk/submissions/2012/blue-badge-scheme-in-wales>

Disability Living Allowance (DLA) to the Personal Independence Payment (PIP) states [emphasis in bold added]:

“We do not have any estimates of how many people would become ineligible for a badge as a result of this option, **but we believe that it would lead to fewer badge holders.**”¹

- 3.4 There are two groups who will be affected by the removal of the concession –
- 3.4.1 First, those who have never had a blue badge but have claimed the concession will no longer be able to do so. Despite this potentially affecting a mere ‘handful’ of people according to HMRC data, there is no good reason why their entitlement to the concession should be taken away from them, particularly as the blue badge itself – relating as it does to parking needs rather than driving ability – is not an especially helpful basis for the relief.
- 3.4.2 Second, those who have had a blue badge (and thus even without the concession can make a claim under Income Tax (Earnings and Pensions) Act 2003 section 138) but who, as above, under potential changes when PIP is introduced will no longer qualify for a blue badge will also lose any tax relief they previously were entitled to.
- 3.5 In 2010/11 there were some 950,000 employees in the UK with a company car.² As P11d reporting does not require any notification of any disability “elements” of any benefits paid, there are no available figures from HMRC or any other organisation detailing how many people have claimed the EIM 24900 concession.
- 3.6 There are around 3.2 million disabled workers in the UK³, with the overall UK workforce being just over 29.5 million.⁴
- 3.7 Using the figures at 3.5 and 3.6, if the percentages of those having a company car are extrapolated to those with a disability, there could be around 100,000 disabled people with a company car. A certain proportion of those 100,000 may need modification and/or automatic transmission, resulting in a higher scale charge.
- 3.8 Even if this estimate is a little high, the relief should be retained either by way of a concession or by amending S138 ITEPA 2003. This is the more important because people in

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

² http://www.hmrc.gov.uk/stats/taxable_benefits/expen-ben-stats.pdf

³ http://www.ons.gov.uk/ons/dcp171776_242963.pdf

⁴ http://www.ons.gov.uk/ons/dcp171766_276987.pdf

this vulnerable sector may also lose money as Universal Credit and Personal Independence Payments are introduced, as referred to above.

- 3.9 Please see below some calculations for company car benefits, detailing the differences in cost prices of a range of cars using manual and automatic versions of the same car.
- 3.10 These illustrate the financial impact on a person with a disability. Such costs might bear heavily on those affected, particularly as people with disabilities are more likely to have a lower income or work part time than someone without a disability. Notably, the table illustrates that automatic versions of a car have both a higher CO2 emission and higher list price than their manual equivalent, thus resulting in a higher car benefit.

LITRG

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Appendix from para 3.9 above

MODEL	ENGINE	LIST PRICE (carbuyer.co.uk)	CO2g/km	BASIC RATE TAX ON BENEFIT	DIFFERENCE IN TAX annual/week/month (2012/13 rates)
Ford Fiesta	1.4 automatic	£12615	149	£504.60	
	Manual	£12130	130	£412.60	£92/£1.76/£7.66
Hyundai i30	1.6 automatic	£17000	159	£748	
	1.4 manual (Nearest manual equivalent)	£16145	109	£387.40	£360.60/£6.93/£30.05
Mondeo Edge	2.0 Tdci automatic	£21800	149	£872	
	Manual	£20195	129	£646.20	£225.80/£4.34/£18.81
Vauxhall Insignia	Exclusiv automatic	£23195	147	£927.80	
	Manual	£22860	114	£594.20	£333.60/£6.41/£27.80