

Comparison report on VAT relief on substantially and permanently adapted motor vehicles for disabled wheelchair users – 30 December 2014

This report compares the AAT response to the HMRC consultation document “VAT relief on substantially and permanently adapted motor vehicles for disabled wheelchair users” published on 30 June 2014 with the summary of responses document published by HMRC in December 2014.

HMRC received 70 written responses from a range of interested parties, including disabled individuals, motor dealers, finance houses, representative bodies, charities, the AAT and other professional bodies. 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.

The consultation set out 8 proposals and asked a total of 18 questions. Respondents, including the AAT, answered the questions that were most relevant to their experience.

Most respondents, including the AAT, agreed that:

- Reform of the zero rate of VAT for adapted motor vehicles for disabled wheelchair users was needed.
- Subject to provision for exceptional circumstances such as, for example, if a vehicle is stolen or written off, a general rule restricting the relief to the purchase of one vehicle in a three year period would be appropriate.

Most respondents, including the AAT, did not agree with the suggested minimum cost of adaption rule in order to determine if a vehicle had been substantially and permanently adapted.

The summary of responses document published by HMRC in December 2014 set out the following next steps:

1. The Government will proceed with reform of the relief.
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. The Government will define ‘substantially’ and ‘permanently’ in the legislation but there will be no minimum cost of adaptation rule.
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.
5. Use of eligibility declarations will be mandatory and penalties will be introduced for the provision of false declarations.
6. References to ‘stretcher users’ will remain in the legislation.
7. Further informal discussions will be held to work through some of the details of the changes.
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.
9. Legislative changes will be taken forward in Finance Bill 2016.
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.