HMRC - IPT04860 - Motability Contract-Hire Schemes: Insurers Who Underwrite A Similar Scheme

If you are asked whether similar schemes for disabled drivers may be treated as exempt you should reply along the following lines.

The scheme applies only to Motability. If pressed to justify this you should explain as follows:

As a basic principle when IPT was introduced it was decided that it should apply at a low rate across as broad a base as possible.

Targeting tax reliefs at specific groups or categories of taxpayers is potentially very complex.

In Motability’s case the argument for tax relief was not about providing exemption for disabled drivers (for the reasons given above), but rather about Motability’s entirely unique position: it carries one block policy covering some 160,000 disabled drivers. The potential IPT liability of this unique policy was thus very significant indeed.

The principal factor in granting an exemption targeted at Motability’s block policy was its status as a potential taxpayer rather than the status, as such, of the disabled drivers covered under the scheme.

An exemption targeted only at Motability’s block policy is not inconsistent with the basic approach adopted overall to the scope of the tax in that, as an exemption only applying to a single block policy, it is clearly ring fenced and so readily administered.

Only the contract-hire scheme operated by Motability (under which disabled drivers lease new cars) is covered by the exemption. The exemption does not extend to other disabled drivers who may use Motability finance to help buy a car of their own, nor does it extend more generally to other disabled drivers.

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