Dear Mr Field and Ms Morgan,

Thank you for your letter of 6 March 2018 requesting details of the Value Added Tax (VAT) zero-rate and Insurance Premium Tax (IPT) exemption which are used by the Motability Scheme, Motability the Charity and Motability Operations Group. In addition you enquired about the availability of these reliefs for other companies and charities.

The relevant VAT and IPT rules, and their legislative basis, are as follows.

- For VAT, a motor vehicle leased to a disabled person who is in receipt of a mobility allowance can be zero-rated, subject to certain conditions, under schedule 8 to the Value Added Tax Act 1994, Group 12 at item 14. In addition the first sale of an ex-lease vehicle can be zero-rated, item 15 of that schedule refers.
- For IPT, an insurance contract supplied to the person leasing the vehicle is subject to exemption under Finance Act 1994, Schedule 7A paragraph 3.

As you will be aware, the purpose of these reliefs is to benefit disabled persons with mobility difficulties. The zero-rate of VAT and the IPT exemption are only available to disabled persons in receipt of a mobility allowance from the government.

In terms of the wider application of these reliefs, as set out above, there is no specific reference or restriction to Motability within the VAT or IPT legislation: any supplier who meets all the specified conditions can supply the lease to a qualifying person at the zero rate, for VAT, or provide recipients insurance which is exempt from IPT.

However, one of the conditions for the application of both reliefs is that the relevant mobility
allowance has to be transferred directly to the supplier by the DWP. Under current legislation, the DWP only has power to transfer mobility allowance to Motability for these purposes. Therefore, in practice, the VAT and IPT reliefs benefit mobility claimants who are supplied by the Motability Group.

I hope you find this reply helpful.

Yours sincerely,

JON THOMPSON
First Permanent Secretary