

FROM: P D P BARNES  
DATE: 18 February 1988



NOTE OF A MEETING HELD IN ROOM 51/2, TREASURY CHAMBERS, PARLIAMENT  
STREET AT 10.15 am ON FRIDAY 12 FEBRUARY

Those present: Economic Secretary  
Mr Cockerell, C & E  
Mr Hamilton, C & E  
Mr Monk, C & E  
Sir Jeffrey Sterling, CBE  
Mr Ken Keen

CAR TAX: ECONOMIC SECRETARY'S MEETING WITH SIR JEFFREY STERLING CBE

Sir Jeffrey thanked the Economic Secretary for seeing him. Sir Jeffrey explained the history of Motability, which he had helped set up in 1978 at the invitation of the then Secretary of State for Social Services. Its aim was to enable disabled people to acquire or lease personal transport after the phasing out of the Government's vehicle scheme. Sir Jeffrey said that this year was the 10th anniversary of the incorporation of Motability, which would be celebrated at a gathering on 19 May to be attended by HM the Queen. There was a strong possibility of Motability's being granted a Royal Charter. Motability were seeking the removal of car tax from vehicles which they purchased for use by disabled people, particularly those which were subsequently leased to the disabled, as distinct from those which were sold to the disabled by hire purchase. Motability provided vehicles where the disabled person was only a passenger and where the vehicle was driven by another member of the family in the provided Motability for the whole family.

2. Sir Jeffrey said that the two groups that he was particularly anxious to help were the severely disabled, for whom the cost of converting a car for use could be considerable, and people of limited means, who could not afford to purchase cars and were obliged to

lease them. Sir Jeffrey said that Motability, with a limited amount of funds at its disposal, was sometimes criticised for not providing money for expensive conversions as they preferred to spend their available resources providing funds for more limited conversions of a larger number of cars. So any measure that enabled Motability to help move people who were severely disabled would be welcome. As far as people of limited means were concerned, Sir Jeffrey said that he thought it would be presentationally helpful for the Government, if they were contemplating fiscal measures that would be of use mainly to high income groups, to do something which would help mainly the less well off. At the moment, Motability had to make an up-front charge to participants in the leasing scheme, and also to charge a contribution towards the cost of insurance in addition to the mobility allowance which they received from the DHSS. Relieving vehicles for leasing from car tax would enable Motability to make smaller charges to disabled people. If relief from car tax were not possible, Sir Jeffrey suggested that a useful compromise would be provision by the Government of a lump sum which could allow Motability to release some of its own funds which were presently tied up in down payments, and which could then be used to support more conversions for disabled persons.

3. The Economic Secretary thanked Sir Jeffrey for his comments. He pointed out that substantially and permanently adapted vehicles were already relieved from car tax. Motability's proposals were not new, and had been carefully examined in the past. There was a difference between relief for VAT and relief for car tax, in that the latter was a one-off tax which could not be recovered at a subsequent stage if it were relieved at any other earlier stage and the vehicle was diverted to a non-entitled use. So the Revenue cost of the Motability proposal was likely to be high. There would in addition be problems about ensuring that any relief for vehicles not substantially and permanently adapted was not abused by the onward sale of these vehicles by disabled people to third parties. Lastly, it would be difficult to introduce a relief that would help Motability, without offering a similar relief to other organisations for disabled people. So the total cost of Motability's proposals was likely to be much higher than

• Motability were suggesting and would be difficult to ring fence.  
The Economic Secretary would nonetheless convey Sir Jeffrey's remarks to the Chancellor, and consider his proposals fully in preparations for the Budget.

Rb

P D P BARNES  
Private Secretary

cc PS/Chancellor  
PS/Financial Secretary  
Mr Scholar  
Mr Culpin  
Miss Sinclair  
Mr Michie  
Mr Cropper  
Mr Tyrie  
Mr Knox C&E  
Mr Jefferson Smith C&E  
Mr Cockerell C & E  
Mr Hamilton C & E  
Mr Monck C & E  
PS/C & E