



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Andy Lord
Commissioner of Transport for London
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11 December 2023

Dear Mr Lord,

Thank you for your letter of 9 November to my predecessor regarding the VAT treatment of taxis that are wheelchair accessible vehicles (WAVs) and electric vehicle (EV) charging, as well as the removal of the plug-in taxi grant. Your letter has been passed to me as the new Financial Secretary to the Treasury.

I would like to begin by noting that, as you will be aware, VAT is a broad-based tax on consumption and the 20 per cent standard rate applies to most goods and services. While there are exceptions to the standard rate, these have always been limited by both legal and fiscal considerations. It is important to note that VAT is the UK's third largest tax and is forecast to raise £173 billion in 2023/24, helping to fund key spending priorities. As you will know, any reduction in tax paid is a reduction in the money available to support important public services, including the NHS, education and defence.

In response to your first point on the VAT treatment on WAVs – a zero rate of VAT is maintained when a WAV is purchased by a disabled person for their personal use, or by a charity that will make the vehicle available to disabled people. Although, as you note, taxis provide transportation services to disabled customers, they are not charities and not all their customers are wheelchair users. Therefore, this VAT relief does not extend to taxis that are WAVs. It is worth noting, however, that if a taxi driver is VAT registered, they are eligible to reclaim the VAT paid on their vehicle.

Turning to your second point regarding the VAT treatment of EV charging – in recognition of the fact that families should not have to bear all the VAT costs they incur to meet their needs, the supply of energy for domestic use attracts the reduced rate of VAT (5 per cent). Whilst this relief was not designed or introduced for charging EVs at home, it applies for all uses of domestic energy, as it is not easy for energy companies to distinguish between electricity used to charge an EV and electricity used for general domestic purposes.

One of the key considerations for any potential new VAT relief is whether the cost saving is likely to be passed on to consumers. Analysis in the public domain suggests that businesses only partially pass on any savings. We would particularly expect this to be the case with EV charging, given the market is yet to fully mature. Plus, as there is a limited supply of charging locations, we would expect businesses in the supply chain to absorb VAT savings from a relief, rather than pass them on in full to the consumer. In cases like this, therefore, reliefs do not necessarily represent the best value for money, as there is no guarantee that savings would be passed on to consumers.

That is why the Government has instead spent over £2 billion to support the transition to EVs. This funding has focused on reducing barriers to their adoption, including accelerating charging infrastructure rollout and offsetting their higher upfront cost, allowing more people to benefit from their lower running and maintenance costs. As a result, public charging devices have more than tripled in four years from 10,300 devices in January 2019 to hitting the milestone of 50,000 charge points in October 2023. This year has seen 43% more public charge points installed this year than last, putting the country well on track to reach the Government's ambition of 300,000 charge points by 2030.

Finally, with regards to the removal of the plug-in taxi grant – these grants will continue until the end of the current financial year for taxis and motorcycles, and until 2024/25 for vans, trucks, and WAVs. The Government has been clear since 2018 that the plug-in grants will eventually end; however, we of course keep all grants under constant review to ensure the best value for taxpayer's money.

Unfortunately, owing to diary constraints, I am unable to meet with you at this time. However, I would like to thank you for taking the time to share your proposals with me, which I can assure you have been passed on to my officials to consider as part of the tax policy making process. My officials are also happy to meet with representatives of Transport for London to discuss these proposals in greater detail.

Yours sincerely,



Nigel Huddleston MP
FINANCIAL SECRETARY TO THE TREASURY