



Andy Lord
Commissioner of Transport

Transport for London
Palestra
197 Blackfriars Road
London SE1 8NJ

██████████@tfl.gov.uk

Victoria Atkins MP
Financial Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

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Dear Financial Secretary,

Transport for London (TfL) is responsible for licensing and regulating taxi and private hire services in London. We issue over a third of all England's taxi and private hire licences.

My team and I regularly engage with taxi and private hire stakeholders to understand the challenges they face. One specific issue that is frequently raised, specifically by the taxi trade, is the cost of purchasing a new taxi vehicle.

We are rightly proud of London's taxi trade. Often voted the best in the world, they are renowned for their purpose built, iconic and fully accessible vehicles. Taxi drivers are also noted for their high level of navigational skills, having completed the Knowledge of London.

London licensed taxis are required to meet TfL's [licensing criteria](#) and [Condition of Fitness](#) (CoF). They are primarily bespoke vehicles or significantly adapted vehicles.

The CoF requires taxis to be designated wheelchair accessible vehicles (WAV) and have a range of additional accessibility features including, but not limited to, a large interior passenger compartment, a doorway not less than 1.2 metres high, swivel seat, visible grab handles at the door, intermediate steps, colour contrasting sight patches on all passenger seats, hearing induction loops and a wheelchair ramp.

Taxis provide a vital, accessible service in London and are often used by people who are unable to use mainstream public transport and require a door-to-door service.

Office for Disability [data](#) shows that just over one fifth (21 per cent) of all Londoners aged 16 or more had a 'DDA' disability (as defined in the Equality Act 2010). Our most recent survey of London taxi drivers showed that just under one third (32 per cent) use the wheelchair ramp weekly, with 10 per cent using it daily.

[The Inclusive Transport Strategy \(ITS\) scorecard](#) highlights that 55 per cent of taxis in the UK are WAV. London, Birmingham and Manchester are at the forefront of this figure, as all taxis licensed in these areas are required to be WAV.

Since 2018, all taxis that are new to licensing in London must also be zero emissions capable (ZEC) and more than 50 per cent of the fleet now meet this standard. This licensing requirement was primarily introduced to reduce emissions from the taxi fleet, which is a significant contributor to poor air quality, with responsibility for 25 per cent of all transport Nitrous Oxide (NOx) in central London.

The cost of purchasing and maintaining a designated WAVs falls directly to taxi drivers, or in some cases taxi fleet owners. A new ZEC WAV will cost a taxi driver in the region of £67,000 to purchase outright, or close to £100,000 to purchase with a finance deal. The VAT levied on the vehicle equates to approximately £12,000 of this total price. I'm sure you will appreciate that purchasing through a finance agreement is the only viable option for the vast majority of drivers, making this a really significant investment.

The increased costs faced by London taxi drivers is a barrier to switching to cleaner, greener vehicles and is threatening their ability to make a living. We have seen a decline in the number of drivers and vehicles in recent years. In 2014/15 there were approximately 25,000 drivers and 22,000 vehicles licensed; this has reduced to less than 18,000 drivers and less than 15,000 vehicles today. This is a concern as the service provided by these designated WAVs are relied on by many passengers who might otherwise be isolated and unable to move around the capital.

One area that could provide an immediate financial support measure to the taxi trade would be for HMRC to reviewed and amended its policy on VAT levied on the purchase price of taxis. We recognise that VAT relief is provided in certain circumstances in relation to WAVs, as set out [here](#), specifically:

Zero rate VAT on the supply of a 'qualifying motor vehicle' that has been:

- *Designed to enable the disabled wheelchair user to travel in it, or*
- *Substantially and permanently adapted to enable the disabled wheelchair user to travel in it and the adaptation is necessary to enable that person to travel in the vehicle*

and

- *Zero rate VAT on the supply of a 'qualifying motor vehicle' (that's capable of carrying no more than 12 people including the driver) that's designed or substantially and permanently adapted to enable a disabled person to travel in it*

We consider that both these categories apply to the designated WAV taxi vehicles that operate in London, as these bespoke vehicles enable taxi drivers to provide transportation services to disabled customers.

Given that a London taxi is either purpose built or a highly adapted vehicle undertaking a specific function, we do not believe it is appropriate to treat these vehicles as private vehicles for VAT purposes. There are clear parallels with other adapted vehicles (above) that are provided relief.

In the event that the policy was amended, to provide VAT relief to designated WAV taxis, this would likely accelerate the fleet's transition to ZEC vehicles.

Another issue our stakeholders have raised is the anomaly of VAT being charged for electricity purchased by taxi and private hire drivers when using public charge points, which isn't the case when vehicles are charged domestically. This disadvantages the many taxi and private hire vehicle drivers in London who do not have access to home charging options. It also places an additional financial burden on these drivers which, again, may discourage them from switching to a ZEC vehicle. We would ask that VAT be removed from taxi and private hire drivers using public charge points, so it is more aligned with the cost of home charging.

Finally, we remain very concerned about the intention to withdraw the Plug-in Taxi Grant (PiTG) at the end of the current financial year. This is a concern I know is shared by taxi stakeholders as the removal of the grant will make it significantly more challenging for taxi drivers and operators to make the switch from diesel to zero emission capable vehicles. We would welcome further discussion on this issue.

Thank you for considering these important points, that we believe are essential in ensuring London's renowned taxi trade continues to thrive in our capital. I look forward to your response and would be very happy to meet to discuss this further. If you would like any further information please do let me know.

Yours sincerely



Andy Lord

Copy to:

1. Gareth Davies MP, Exchequer Secretary to the Treasury
2. Richard Holden MP, Parliamentary Under Secretary of State – Department for Transport
3. Nusrat Ghani MP, Minister for Industry and Economic security – Department for Business and Trade