Blue badge scheme and passported tax reliefs

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People with hidden disabilities could soon be entitled to blue badge car parking permits under recent Department for Transport proposals. This could result in many more blue badges being issued and it seems as good a time as any to remind tax advisers of disabled people and/or their employers, that there are important tax reliefs that come with a blue badge.

Around 2.4 million people currently have blue badges in England, which allows them to park for free in some pay and display bays, use disabled parking bays, and stay for up to three hours on yellow lines. People who have a blue badge are often able to automatically access other concessions. For example, blue badge holders are able to claim discounts from the London congestion charge. However, this is only one of a number of passported benefits that blue badge holders may be able to access. There are also special car benefit rule adjustments for blue badge holders.

If an employer provides an employee with a company car, they generally have to pay tax on the value of the 'benefit in kind'.

The taxable value of the car is based upon:

- the dates when it is available for use;
- its list price when it was new, plus the list price of certain optional extras; and
- its fuel type and level of CO2 emissions.

Adjustments can sometimes be made to reduce these figures where a disabled employee uses the car. As these figures form the basis of the calculation of the tax charge, any reduction in them will reduce the amount of the taxable benefit too. The possible adjustments are summarised below.

Under ITEPA s124A, a disabled employee (who holds a blue badge) can use the list price of the equivalent manual car if lower than that of the automatic car they actually drive (if the employee is required to drive an automatic car because of his or her disability).

Similarly, under ITEPA s138, a disabled employee can use CO2 emissions of the equivalent manual car if lower than those of the automatic car they actually drive.

Certain types of equipment included in the car to enable a disabled driver to use the car, are disregarded when calculating the benefit in kind on car accessories. The equipment must have been in the car when the car was provided to the disabled employee to enable the employee to use the car. This relief is again only available to blue badge holders.

Employers are able to help eligible employees to secure their relief by submitting form P11D with the correct details. If this doesn't happen for whatever reason, we suggest an adjustment to the P11D figure is made through the tax return, accompanied by a relevant white space note. Those outside self-assessment should phone HMRC to discuss.

You can find a useful summary of the special car benefit rule adjustments for disabled drivers in HMRC's Employment Income Manual on the GOV.UK website.

The LITRG website provides more information on the tax concessions for disabled employees.