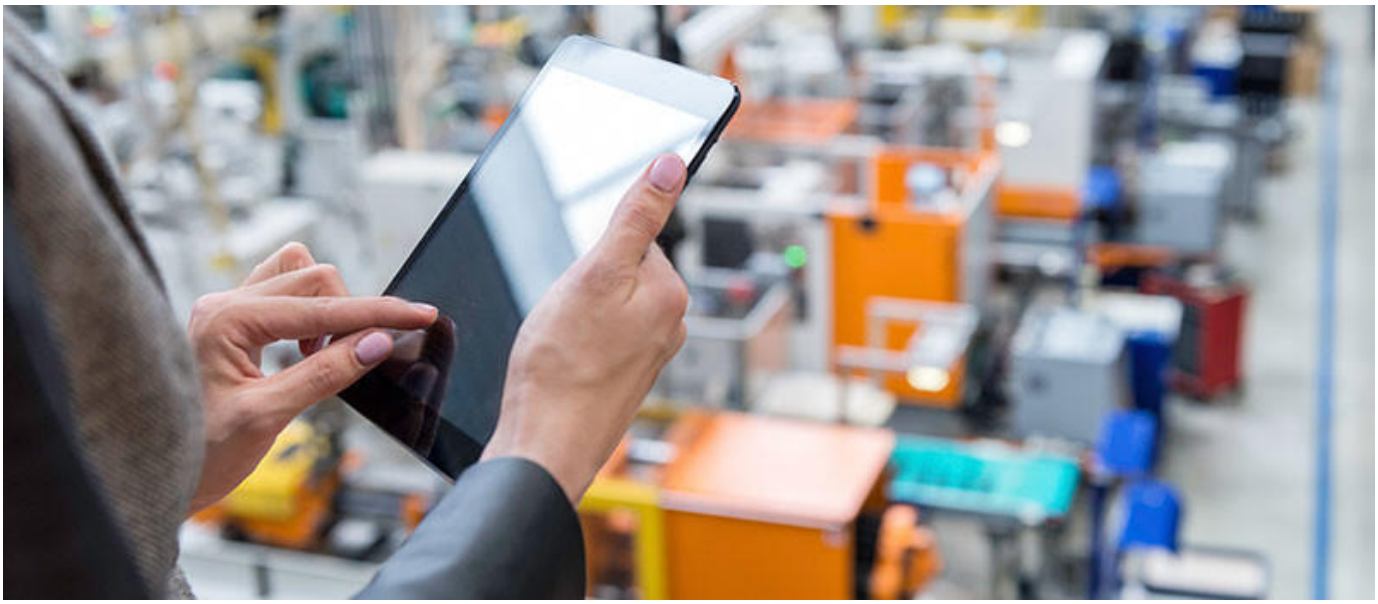
VAT treatment of private hire vehicles: ATT response

Indirect Tax



25 September 2024

The ATT has responded to a recent joint consultation by HM Treasury, HMRC and the Department for Transport on the VAT treatment of private hire vehicles.

The consultation, first launched in April 2024, looks at the potential tax impacts of the earlier *Uber Britannia Limited v Sefton Borough Council* and *Uber London Limited v Transport for London* High Court judgments on the private hire vehicle (PHV) sector.

PHV services have always been standard rated for VAT. However, to date it has been argued in many cases that it is the individual driver making the supply as principal, with the booking firm or PHV operator merely acting as an intermediary or agent. As the vast majority of drivers are below the VAT threshold, the result of this is that VAT is not charged on most PHV fares.

Whilst the *Uber* decisions were not VAT cases, they did find that, for licensing purposes, the PHV operator has to be acting as principal and not the driver. A knock-on effect of this could be that VAT becomes chargeable on the majority of PHV fares.

The consultation invited views on potential government interventions that could help to mitigate any undue adverse effects of VAT changes on the PHV sector and its passengers.

Suggestions made in the consultation included:

- changing either the transport or VAT legislation to mean no VAT would be chargeable on PHV fares – estimated to have a cost to the Exchequer of £750million a year;
- making PHV services subject to the reduced rate or zero rate of VAT (expected Exchequer cost of £1 billion or £1.5 billion a year respectively);
- introduce a new VAT margin scheme for PHVs (expected Exchequer cost of £750 million a year); and
- targeted interventions to help mitigate the impacts on customers, particularly those vulnerable individuals who are dependent on PHV services.

Overall, the ATT believes that the changes to the VAT system proposed by the consultation would have an unreasonably high cost to the Exchequer and introduce additional complexity into the VAT regime. Instead, targeted interventions such as broadening existing schemes (for example, the disabled person's bus pass, bus service operators grant or community transport provision) should be considered, as these are likely to be the most cost effective way of supporting vulnerable customers, whilst limiting the costs and avoiding additional unwarranted complexity.

The full ATT response is available at: www.att.org.uk/ref459

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