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Manuela Perteghella MP
manuela.perteghella.mp@parliament.uk

Dear Manuela,

Thank you for your letter of 28 April to the Secretary of State about the Motability Scheme. I am replying as the Minister of State for Social Security and Disability.

Thank you for writing about the proposed changes to the Motability Scheme. I understand the concern these proposals have caused and recognise the vital role the Scheme plays in supporting disabled people and their families to meet essential travel needs and maintain independence.

The Motability Scheme has benefitted from generous tax breaks which unfairly subsidised provision beyond its core objectives, such as the lease of luxury cars and generous extras - well above what most people across the UK can afford. In the November 2025 Budget, the Government announced a package of reforms to the Motability Scheme to ensure it delivers fairness for the taxpayer, while continuing to support disabled people.

The changes which come into force from 1 July will remove VAT relief for Advanced Payments - a one-off payment made to lease more expensive vehicles - and Insurance Premium Tax will apply to leases at the standard rate. These changes will not apply to current leases or wheelchair adapted vehicles, and the Scheme will continue to offer vehicles which require no advanced payment, meaning that people will be able to access a suitable vehicle using only their qualifying disability benefit. An Equality Impact Assessment of the changes to tax relief was undertaken and published by HM Revenue and Customs as part of the Autumn Budget and can be found online at: www.gov.uk/government/publications/vat-and-insurance-premium-tax-change-to-reliefs-for-qualifying-motor-vehicle-leasing-schemes/motability-scheme-reforming-tax-reliefs.

Separately, Motability Operations committed to amending the generous service package so that the Scheme focuses on its core aim and is more in line with the retail leasing offer. The changes to the leasing package were announced on 26 March and include reducing the generous mileage allowance from 20,000 per year to 10,000 per year, the removal of overseas breakdown cover and a reduction in the number of replacement tyres.

Motability Foundation has advised that approximately 75 per cent of customers on the Scheme average below 10,000 miles. However, it has acknowledged that there will be an impact on some customers so it is considering if the impact can be mitigated in some circumstances. Extra mileage over the allowance will be charged at 25p per mile, this is to cover residual value loss and insurance, wear and tear.

Standard leases will continue to include insurance, servicing, maintenance and breakdown cover, protecting the core package of support available to customers.

In determining the changes to the leasing package, Motability Foundation and Motability Operations have taken careful steps to ensure the Scheme remains good value and accessible for disabled people.

Thank you once again for taking the trouble to write. Please do not hesitate to do so again about this or any other matter.

With all best wishes,

Stephen Timms

Rt Hon Sir Stephen Timms MP
Minister of State for Social Security and Disability