



**Jonathan Vowles**  
CHARTERED ACCOUNTANTS

## Beginners Guide to Company Vans

Since 6 April 2005, a lot of employees no longer have to pay tax on their company van. They will only pay tax if they use the van for private journeys other than journeys between home and work. So they will pay no tax if:

- the only journeys made in the van are work journeys. For example, delivering goods or making calls to customers or
- all the journeys are work journeys and journeys between home and work.



If employees make other private journeys in the van, they will be charged tax for this. However, if this private travel is insignificant (like taking an old mattress or other rubbish to the tip once or twice a year) then they will still not have to pay any tax.

### The definition of a company van

A company van is a vehicle provided by an employer which is built primarily to carry goods or other loads and which has a “design weight” of up to 3,500 kilograms. The definition specifically includes vehicles designed to carry payloads of 1 tonne or greater ... which means that vehicles such as pick-up trucks and some landrovers qualify as commercial vehicles.

The tax man has a list of vehicles that qualify as a van

### What is insignificant private use?

Private use is insignificant where it is very much the exception to the normal use, is intermittent and irregular and lasts only for short periods of time on odd occasions during the year. Examples of insignificant use include an employee who:

- takes an old mattress or other rubbish to the tip once or twice a year
- regularly makes a slight detour to drop off a child at school or stops at a newsagent on the way to work
- calls at the dentist on the way home.

Examples of use which is NOT insignificant includes an employee who

- regularly uses the van to do the supermarket shopping
- takes the van away on a week’s holiday
- uses the van outside of work for social activities.

Contact us for a free no-obligation meeting ...

 **Jonathan Vowles**  
CHARTERED ACCOUNTANTS

is an independent firm of accountants, tax advisors and business advisors

114 High Street  
Cranfield  
MK43 0DG  
Tel 01234 752566  
Tel 01908 616104  
Fax 01234 752577  
info@vowles.co.uk  
www.vowles.co.uk

# Beginners Guide to Company Vans

## What happens if two employees with private use share a van?

You should apportion the tax charge on a just and reasonable basis.

## Is there any scope for the employee to reimburse the cost of a small amount of private use and so avoid the benefit charge?

No: the “insignificant” provision covers this. There will be no tax to pay where private use (other than journeys between home and work) is insignificant.

## Will employee contributions to the cost of running the van be taken into consideration when calculating the company van charges?

Yes. If contributions are equal to or exceed the charge, the charge will be reduced to nil. In any other case, the charge is reduced by the amount contributed. However, where the employee is liable to a fuel charge, they will need to reimburse the full cost of all the fuel before that charge can be reduced to nil.

## What records do employers need to keep?

Where employers consider there is no tax to pay, they will have to keep sufficient records to show that private use is restricted to journeys between home and work. This may include making the conditions clear in employment contracts or asking employees to sign a statement acknowledging company policy on what use is allowed and any disciplinary consequences. Employers may also, for example, want to keep mileage or other records showing how the vehicles are used to help with this.

Where there is tax to pay, employers will need to identify each van used by an employee and, until 2007, the age of the van.

Where employers consider that employees should pay tax on less than the full scale charge they may also have to be able to show:

- if a van is shared, by whom and in what proportions
- periods of 30 or more consecutive days when a van was incapable of use
- contributions paid by any employee who had private use of a van.

## What is the Tax Liability?

If there is tax to pay because of private use, employees will be charged tax on the amounts in the following table:

Also, employers will pay Class 1A NICs on the same amounts.

Tax year	Benefit in kind	Fuel Benefit
2008/09	£3,000	£500 if free or subsidised fuel is available for private use
2009/10	£3,000	£500 if free or subsidised fuel is available for private use
2010/11	£3,000	£500 if free or subsidised fuel is available for private use

If you are affected by this, then please get in touch. Quite often employees' tax codes need to be amended to make sure they pay the right amount of tax.

© 2005-10 Jonathan Vowles  
Chartered Accountants

 **Jonathan Vowles**  
CHARTERED ACCOUNTANTS

is an independent firm of accountants, tax advisors and business advisors

114 High Street  
Cranfield  
MK43 0DG  
Tel 01234 752566  
Tel 01908 616104  
Fax 01234 752577  
info@vowles.co.uk  
www.vowles.co.uk