



Beginners Guide to Pooled Cars

What is different about a pool car or van that stops it from being taxed as a company vehicle?

HMRC has some conditions, laid down in Law that a pool (or pooled) car or van must meet if it is not to be treated as a company vehicle. Pooled treatment is an advantage because the drivers using the vehicle are not liable for the car or van benefit and fuel charges. Meeting the conditions is therefore critical. Please note that the taxman makes no distinction between a pool car or a pool van, the conditions apply equally to both.

The Criteria are:

A car is a pool car if, during a tax year, it has been included in a car pool and all of the following conditions are met:

1. the car was used by two or more employees, by reason of their employment
2. the car was not ordinarily used by one of those employees to the “exclusion of the others”
3. any private use of the car made by each of the employees was “merely incidental” to each employee’s other use of the car in that year, and
4. the car was “not normally kept overnight” at or near any of the employees’ homes (other than at the employer’s premises).

Notice that these are tests of whether a car is a pool car, not whether an employee is using it as a pool car. The starting point is whether the car

employee’s homes, the car is not a pool car and, as a result, any private use of the car creates a tax liability, not just for that employee, but for all of the other employees who use the car. Employers must ensure that, once a car is designated a pool car, that it is used strictly for that purpose and no other.

The following notes explain the implications of the special terms used in the legislation.

“exclusion of the others”

This term means that the car, while it is a pool car, cannot have a principal driver. The fact that the car may also have been a company car for part of the tax year and, during that time, it had a principal driver does not prevent it from being a pool car, as long as that driver is not one of the drivers now using it as a pool car.

“merely incidental”

This term imposes a qualitative test. It refers to the nature of the private use, not the distance covered. The private use of a pool car can only be “merely incidental” to its business

use if the private use follows from the business use, i.e. for there to be private use, the car must be used on the same occasion for business use as well. Examples are the car is regularly kept at home on one of the evening before a business trip (but see the



	CHARTERED ACCOUNTANTS
	BUSINESS SERVICES
	BOOKKEEPING SERVICES
	PAYROLL SERVICES
	CONSULTANCY SERVICES

“not normally kept overnight” rule below) and using the car to go to a nearby restaurant in an evening while away on business. It would be sensible to keep detailed mileage logs for pool cars, showing separately the business journeys and the “incidental” journeys, and also to record the employee’s manager’s authorisation for the use of the car.

A non-statutory concession also provides that, where the private use of a pool car is not “merely incidental”, such use may also be ignored if it is small in extent and infrequent, and is

- provided on compassionate grounds to meet the immediate need for transport in an emergency situation, e.g. an employee learns that a family member has been involved in an accident, and/or
- incidental to the provision of another benefit that does not itself give rise to a tax charge, e.g. transporting sports equipment to a sports facility that the employer provides for the workforce in general.

Where a chauffeur takes a pool car home overnight, the private journey does not of itself disqualify the car from treatment as a pool car if the chauffeur’s duties require it in order to collect or deliver passengers from different locations. However, a car would cease to qualify as a pool car if the chauffeur used it, for example, at weekends or for holidays.

For those who are interested, the term “merely incidental” is not defined in legislation and HMRC has published Statement of Practice SP2/96 Pooled cars: Incidental Private Use to provide guidance on whether any private use of a pool car is ‘merely incidental to’ the business use of the car.

“not normally kept overnight”

The taxman accepts that a car is “not normally kept overnight” at or near the homes of all the employees who use it if this does not happen for more than 60% of the year, usually taken to be 219 days. This rule is for guidance only and has no statutory basis. Because this term is not defined quantitatively in the legislation we need to follow HMRC’s guidance. On the other hand, if the car were kept overnight at the home of one employee for less than 60% of the year, that level of work to home journeys would fail to satisfy the “merely incidental” test.

If a pool car is made available to employees at weekends or for their holidays, the full car benefit and fuel benefit, if appropriate, applies for the period the car was available. The employee could pay towards the private usage and thus reduce the tax charge to nil, but the benefit would still have to be

reported on the P11D as a company car.

A similar caution applies where a pool car is taken home at night because there is inadequate parking or security at the company’s premises, or where an unallocated car is temporarily looked after at night by an employee who is not entitled to a company car. These situations would fail the “not normally kept overnight” test and the car would thus become a company car with a taxable charge.

What Next?

If you believe that one of your business vehicles is a pool car then you need to have systems in place that document its usage, so that you can prove it is a pool car. This could take many forms, but a fairly simple one is a log of the mileage, including the name of the driver, the reason for the journey and the location of the vehicle overnight.

What if you don’t always meet the criteria?

If you don’t meet the criteria for it to be a pool car, for example a business journey finishes late on a Friday and the car is not brought back until the Monday. Then for that weekend the driver who took it home would have a P11d benefit-in-kind... Even if only a few days worth. The downside of this is that it creates a reporting liability that means form P46car needs to be processed immediately and a P11d and a P11d(b) benefit-in-kind tax return is required at the end of the tax year...and obviously costs the employee and the employer some tax.

CAVEAT

This Beginners Guide is no substitute for proper specific professional advice and no liability can be accepted for any acts or omissions taken as a result of reading it. Tax law is complex, changes frequently and much will depend upon your individual, precise and detailed circumstances.

© 2003-2011
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

Fax 01234 752577

info@vowles.co.uk

www.vowles.co.uk