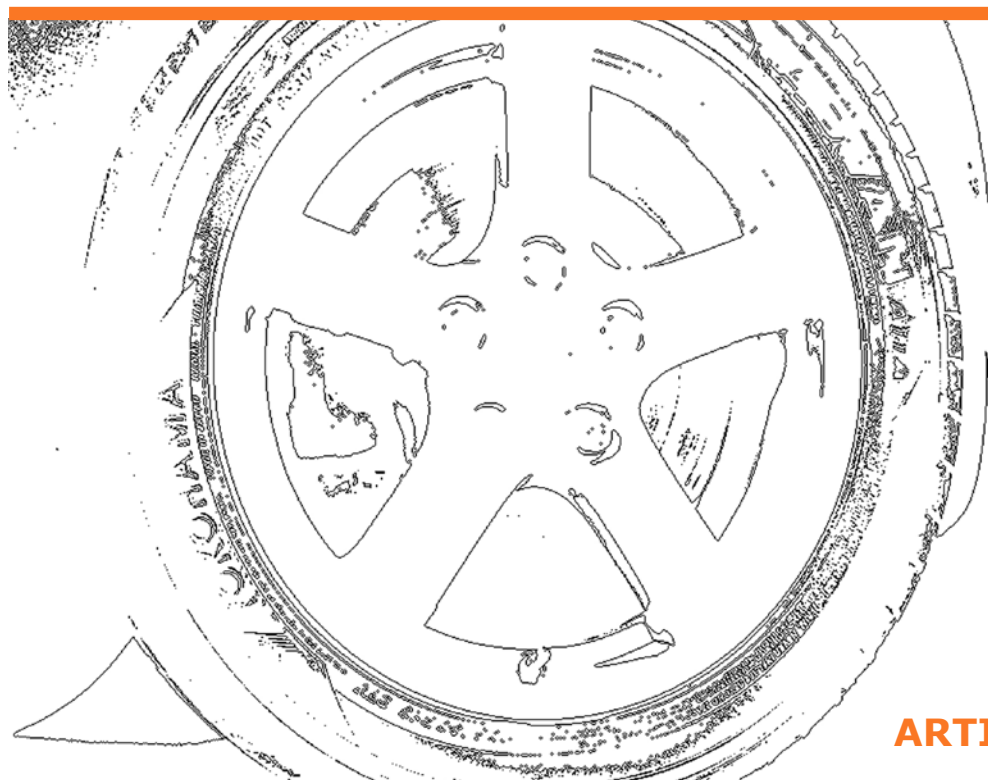


Knowledge

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ARTICLE 27

Company van tax

Company van tax

Tax on private use of vans

Benefit-in-kind tax is payable by a director, or an employee earning more than £8,500 per year, who is provided with a company van that is available for their (or a member of their family's or household's) private use.

If you provide a company van to an employee it is always treated as being available for private use for tax purposes, unless no private mileage is allowed and none is driven (both tests have to be met).

For tax purposes a van is a mechanically propelled vehicle having at least four wheels, built primarily to carry goods and other loads, and that has a gross vehicle weight of up to 3.5 tonnes. Gross vehicle weight is the maximum weight of the vehicle when travelling in normal use on the road.

A van driver who enjoys unrestricted private use of a company van is taxed on a benefit of £3,000 for the use of the van. A van driver who is provided with free fuel for private use will be taxed on a further benefit of £550 from the 2010/11 tax year.

If an employee makes a personal contribution to the business for the private use of the van, the amount he or she pays will be deducted from this charge. The payment must have been made because the employee is enjoying private use from the van and not because he decided to upgrade the van above their normal entitlement.

In addition, if the car is only available for part of the year, the charge will be pro-rated.

Unlike the situation with company cars, no tax relief is available if the employee makes a capital contribution.

If a van is a true pool van, no tax will arise on private use. The rules for pool vans are the same as for pool cars.

If a company car driver takes his or her vehicle home, that is deemed to be private mileage for tax purposes. Most company van drivers take their vans home overnight because they are required to do so for the efficient operation of the business. It would be impractical to require them to drive their own cars to work so that they could pick up their vans to do their day's work. As this group of drivers take their vans home and do no other private mileage they are not taxed on this benefit.