

Tax aspects of using a work's van

Introduction

If an employee is able to use a work's van for private use, which generally includes home-to-work travel, there will be a taxable benefit and a subsequent tax charge.

From 6 April 2019, the flat-rate van benefit charge has risen from £3,350 to £3,430, representing a small increase in real terms to a basic rate taxpayer of £16 a year.

If an employer also provides the employee with fuel for private use, then a tax charge on the provision of fuel will also arise based on an annual fixed rate. For 2019/20 the flat-rate van fuel benefit charge has been increased from £633 to £655, so there is an increase in real terms to a basic rate taxpayer of just £4.40.



The design weight of a vehicle, also known as the 'manufacturer's plated weight', is normally shown on a plate attached to the vehicle. What it means is the maximum weight which the vehicle is designed or adapted not to exceed when in normal use and travelling on the road laden.

Human beings are not 'goods or burden of any description' so a vehicle designed to carry people (such as a minibus) will not be a van for these purposes.

You may be surprised at potential iconic farm vehicles may fail the conditions, so it is important to check this in advance to avoid surprises.



What is a van?

To qualify as a van, a vehicle must be:

- a mechanically propelled road vehicle; and
- of a construction primarily suited for the conveyance of goods or burden of any description; and
- of a 'design weight' which does not exceed 3,500kg; but
- not a motorcycle as defined in the *Road Traffic Act 1988, s. 185(1)*. Broadly, this means that it must have at least four wheels.

Private use

A charge to income tax will generally arise if a company van is made available, by reason of the employment, to an employee or to a member of his or her family or household for private non-business-related use. It must be made available without a transfer of ownership from the employer to the employee.

There are three types of journeys that are classed as non-taxable business use:

- *business journeys* - journeys the employee makes in the course of carrying out the duties of their employment

- *ordinary commuting* - travel to and from home to a place of work
- *insignificant private use beyond ordinary commuting* – for example making a slight detour to purchase a sandwich for lunch

Pool vans

Broadly, vans used as pool vans that meet the following criteria will not attract a benefit-in-kind tax charge:

- the van is used by more than one employee
- the van is not ordinarily used by one employee to the exclusion of others
- the van is not normally kept at or near employees' homes
- it is used only for business journeys (A limited amount of incidental private use is allowed. For example, commuting home with the van to allow an early start to a business journey the next morning)

Given that these rules provide a total exemption from any tax charge, it is not surprising that HMRC apply them very strictly.

Tax charge

The benefit charge applies regardless of the employee's earnings rate but may be proportionately reduced if the van is only available for part of a tax year, and/or by any payments made by the employee for private use.

Information to readers

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For 2019/20, a basic rate taxpayer will pay £686 for the use of a work's van (£3,430 x 20%). For a higher rate taxpayer, the cost will be £1,372.

If fuel is also provided for private use, for 2019/20, a basic rate taxpayer will additional tax of £131 (£655 x 20%), and a higher rate taxpayer will pay £262.

Tax is normally collected through the employee's Pay As You Earn (PAYE) tax code.

Recommendations

When purchasing a van / farm vehicle, always check if the it meets the qualifying criteria to be classed as a Van, don't rely on the word of the dealership. Getting it wrong can be expensive for both employer and employee, so please do take advice if unsure.

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