

COMPANY VANS: CHANGES IN THE BENEFIT IN KIND RULES FROM 6TH APRIL 2007.

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Company Van Benefits

In the past where an employee had a company van which they used for business travel but also took home at night they incurred a tax charge of £500 per annum (£350 if the van is more than 4 years old).

A taxable benefit could only be avoided if a special dispensation had been agreed in cases where the employee is on call or if there are security problems at the employer's premises such that it is not safe to leave company vehicles parked overnight.

Since 6th April 2005 this tax charge was removed for employees who are only permitted to use their company van for normal business travel, ordinary commuting to and from work with occasional and insignificant private use.

The Inland Revenue have given examples of insignificant private use to be:

1. Taking an old mattress or other rubbish to the tip once or twice a year.
2. Regularly making a **slight** detour on the way to work to buy a newspaper.
3. Stopping at the dentists on the way home from work.

Use which would **not** be deemed insignificant has been defined as:

1. Using the van outside of work for social activities;
2. Taking the van away on a week's holiday;
3. Using the van to go to the supermarket every weekend.

Where there is no longer any tax charge for the company van the Class 1A NIC charge on the employer will also be reduced to nil.

From 6th April 2007 the van benefit charge increases to £3,000 per annum regardless of the van's age and there will also be a £500 charge should private fuel be paid for by the employer. Class 1A NIC will payable by the employer on these amounts.

In cases where an employee is currently permitted to use their company van for unrestricted private use this is a considerable perk and the employee may prefer to suffer the tax charge to retain this benefit. It would therefore be advisable to write to all relevant employees setting out the relevant information so that a decision can be made with regards to the future use of their company van.



However, where an employee is deemed to meet the conditions for a nil van benefit charge you should contact us as soon as possible so that we can ensure that the appropriate action is taken. It is important to act now to remove the tax and NIC cost where relevant to avoid problems after 6 April 2007.

It is important to note that where the exemption is claimed the Inland Revenue are likely to perform regular random spot checks to ensure that the terms of the exemption are not being contravened. They will also be looking for evidence that private use is indeed restricted and that the employer is taking action against employees who break the terms of their company van use.

For further information please call us on 0141 848 7474 or email: mail@johnmtaylor.co.uk.

This article is intended to give a brief overview of the changes in the taxation of company vans. The information contained in this article is correct at the time of production but we cannot guarantee its accuracy. The reader should verify the information before acting upon it. If you have any queries regarding this topic please contact us on 0141 848 7474 or mail@johnmtaylor.co.uk.

Company Vans: Brief Overview

2006/07 Tax Year

Van - < 4 yrs old - £500 charge
Van > 4 yrs old - £350 charge
Restricted private use - nil

2007/08 Tax Year

Van - any age - £3,000 charge
Fuel provided - £500 charge
Restricted private use - nil