

Vans



This factsheet is designed to explain the tax treatment of company vans and the associated implications of this.

Company vans are generally more tax efficient than company cars because the tax treatment is different, however, to qualify as a 'van' it must be purpose built and not simply converted by having windows covered up etc. HMRC states that a van is defined as a goods vehicle with a maximum legal laden weight of 3,500 kilograms.

The main benefits of a company van are as follows:

1. All the VAT may be reclaimed on the purchase of a van. Second-hand vans have VAT included and so VAT can be reclaimed on both new and older vans. However VAT will have to be charged on the van when it is sold though
2. There is no higher tax limit on what can be claimed in the company's tax calculation, all the cost of the van qualifies for capital allowances
3. The benefit in kind values are generally lower and as such attract lower additional tax charges.

However, the employee is taxed as receiving a benefit in kind which also means the company has to pay additional class 1A national insurance. The only instance where a benefit in kind does not arise is if the van is provided only for business use (personal use is insignificant), in practice, if the van is parked at your personal address overnight etc. it would be quite hard to prove there is no personal usage.

Assuming the Van is used for personal use the following flat rate of taxable benefits arise:

Van Benefit:	£3,000 per annum
Fuel Benefit:	£550 per annum (where the employer pays for private fuel)

These benefits would be assessable on the personal tax return each year and taxed at the employee's marginal rate. Assuming they are a basic rate tax payer (for salary only) they will pay an additional £710 in tax each year. They will also pay an additional £799 in tax if they have had dividends that were up to or above the high rate threshold before taking into account this additional benefit in kind.

HMRC may also amend the tax code to collect the tax due on the benefit in kind via salary so a standard tax code would be changed to 292L.

The employer would have to declare the company van on the employee's P11d each year and would have to pay employer's NI at a rate of 13.8% on the benefit in kind, this would equate to additional tax of £489.90.

All other costs associated with the van such as insurance, maintenance etc can be paid by the company without any additional tax charge on the employee, remember all invoices must be in the company name!

Please ensure that you advise the office if you provide any employees with a Company Van or any other asset.

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