

EMPLOYER PROVIDED VANS

Responses to the Consultation Document

April 2004

Contents	Page
Introduction	3
Summary of responses to the main features of the proposals	4
Detailed analysis of responses to individual questions in the consultation document	6
Appendices	
i. List of respondents	35
ii. Table of responses	39

Introduction

1. The Government announced in Budget 2002 that it would review the tax and National Insurance treatment of employer provided vans.
2. A consultation document on proposals for reform was published on 8 May 2003. The consultation period closed on 31 July 2003.
3. Responses were sought on the main features of the reform proposals, which were,
 - a benefit that identifies availability of private use and allows for the operational requirement of vans to be kept at home without any other private use being made of them;
 - to retain a scale charge but make it easier for employers to operate by removing the requirement for employers to make complex calculations for shared vans;
 - incentives for cleaner, more fuel-efficient company vans to further enhance the anticipated environmental gains from the new company car tax system;
 - introduction of a fuel benefit charge where there is private use of a company van and the employer provides fuel for private use.
4. We received 72 written responses to the consultation document. These came from accountants, local authorities, employers, representative bodies and individuals. Meetings were held with representative bodies to raise awareness of the issues and we discussed the reform with other government departments.
5. We are grateful to all respondents for the comments and suggestions made. Many were highly detailed and we recognise the time and effort that went into them.
6. We asked a number of specific questions in the consultation document. These related to important changes proposed to the existing legislation. They were also intended to stimulate ideas about the future shape of the employer provided vans benefit.
7. The purpose of this report is to summarise the responses. We have not been able to include every individual comment in this report, but they have all been recorded and carefully considered.

Summary of Responses

8. Most respondents made the point that a van is a tool of the trade and distinct from the benefit associated with company cars. Two observations were frequently made,
 - a van is an operational tool, purchased by employers to do a specific job. The employer's decision to purchase a vehicle is based on payload, size, versatility, and not the personal tax position of their employees. Indeed, it is a matter of health and safety that the correct vehicle is purchased to do the job. Downsizing to smaller, more environmentally friendly models will not necessarily meet operational requirements to carry heavy loads and may lead to additional journeys being made, producing a negative effect on the environment;
 - most employees have no choice in the vehicle their employer provides. Unlike many company car drivers, they can not influence the engine size and age of the vehicle. Increasing the direct tax charge on employees because of business decisions made by their employers was deemed unfair.
9. There was strong support for the retention of scale charges as they are considered easy to administer. It was felt that the charges should reflect the actual benefit received and be proportional. 97% of employers who responded said they requested or contractually insisted on their employees taking company vans home for operational or security reasons. In these circumstances, most respondents argued that where the only private use was for home to work travel at the employer's bequest, there should be no charge on the employee. In cases where unlimited private use was allowed the preference was to have a single charge that combined the benefit of van availability and private fuel, since this would mean less administration. Few respondents expressed concerns about the complexity of the shared van calculation.
10. Many agreed with the principle of charges based on levels of private use but some were concerned about the implications for compliance costs, particularly for small businesses. Few employers currently monitor their employees' private mileage, as under the existing rules there is no legislative requirement for them to do so.
11. Most respondents agreed with the Government's objectives to have a charge that reflects positive environmental gains. However, many felt that moving to an emission based system was neither feasible nor appropriate for company vans. In practice, private use was often not practical given the tools carried and fixed equipment etc, the home to work travel was frequently a business requirement (i.e. security, better

response times etc.) making the van benefit quite unlike the benefit associated with company cars.

12. It was widely acknowledged that most employees have little or no influence over the type of van the employer provided. Again it was seen as unfair to increase an employee's tax liability because their employer either chose not to, or was not in a financial position to purchase new environmentally friendly vehicles. This was particularly relevant for small businesses and the construction industry who rely on buying second hand vehicles.
13. Similarly, concerns were raised about placing incentives on alternative fuels. The choice and specification of commercial vehicles that run on greener fuel have yet to meet the range and operational standards of diesel vehicles. It was also suggested that the comparatively low number of re-fuelling sites across the country would cause some businesses operational difficulties.
14. There was very limited support for aligning the van charge with company car tax.

DETAILED RESPONSES TO THE CONSULTATION QUESTIONS

Question 1 - Do you agree that retention of a scale charge would help to keep things simple?

All respondents agreed a scale charge would make administration and compliance simpler. Observations:

- Retention of scale charge affords transparency and equality
- Limit the number of rates within the scale charge
- Need to maintain proportionality
- Clear guidelines for employers to determine relevant charge
- Lower/Nil charge where private use, other than home to work, prohibited

Some specific quotes included:

“Often the type of van is forced upon an employee and so it would seem unfair for employees to pay a different taxable benefit according to the requirements of the job”. – *Aquila Networks*

“...the driver of a genuine commercial van often enjoys only incidental private usage. If therefore it is not acceptable to remove the charge altogether, we believe it should remain at a flat rate, certainly of not more than £500”. – *Deloitte & Touche*

“Once these emission figures are available, a system mirroring the company car tax system should be introduced”. – *Transport 2000*

“The compliance requirements associated with monitoring the taxable benefit for each employee would become very onerous if each van had a separate scale charge based for instance on its list price and CO2 emissions”. – *Rentokil*

Question 2 - Do you agree that the level of charge should vary according to the level of private benefit, including a lower charge where there is no private travel other than where work to home travel by van is obligatory?

95% of respondents who answered this question agreed the charge should reflect the level of private use. The majority of responses highlighted the essential differences between car users and van users. Many employers ask their employees to take vans home over night, some make it a contractual obligation for the employee, their reasons for this include:

- Employees on 24hour emergency call out need to have their van and tools available for immediate response
- Modern technology increasingly allows employees to receive their daily calls electronically, enabling them to travel from home to their first call
- Vandalism on industrial estates have led many employers to ask staff to take vans home at night for security reasons
- Employers do not have sufficient parking spaces for van fleets

Some specific quotes included:

“...private usage introduces complexity in terms of calculation and employer compliance responsibilities”. - *Local Authority Car User Group*

“ There is a danger if the level of charge is varied according to the level of private benefit that the scale charge will become too complicated for an employee to understand or an employer to operate”. - *Orange*

“We agree the level of charge should vary according to the level of private benefit, including a lower charge where there is no private travel other than obligatory work to home travel by van”. - *Balfour Beatty*

Question 3 - If so, what tests could be applied to determine the level of private benefit and how would these be enforced?

44 responses received, top three preferred options were:

- Keeping mileage log books
- Fit tachographs to vans
- Contractual and enforced prohibition of private use

It was generally accepted that the level of private use should determine the benefit. But it was also widely recognised that it would be time consuming and costly to monitor private use. For the overwhelming majority of cases, the home to work journey was not seen as private mileage but incidental to operating van fleets and providing a competitive service.

Some specific quotes included:

“The insurance test or formal notice to employee restricting use to home to work travel”. - *British Retail Consortium*

“Accurate mileage records would have to be kept and declared”. - *SkyB*

“The only way an employer would know would be with use of a tachograph in each vehicle. For most that would be costly”. - *Lovell-Wood Accountants*

“We do not consider that it would be appropriate for a log to be maintained of each van’s mileage, as this would not meet the compliance objective of simplifying the current arrangements”. - *Rentokil*

“The introduction of more paperwork would be another charge for the employers who have to pay for someone to work for the Inland Revenue”. - *Spy Security*

“The employer should be asked to give the employee a written prohibition from using the vehicle other than on home to work journeys. The issue of this letter should be one of the tests”. - *Construction Confederation*

Question 4 - Do you agree that the current shared vans definition should be retained?

80% agreed the shared van definition should be retained. Generally, employers felt the current definition was easy to understand and fair. To introduce a change would be seen by some as creating additional administration. There was also a degree of cynicism at basing the review on simplification when few employers had concerns about the complexity of the shared van calculations.

Some specific quotes included:

“It is difficult to see what could replace the current definition and still be considered to be equitable”. - *Local Authority Car User Group*

“The current definition captures all vans that are used privately by the employee at least once”. - *NW Brown Employee Benefits*

“None of our members reported any problems with the current definition of a shared van”. - *Confederation of British Industries & Freight Transport Association*

“It seems verbose. Perhaps a similar more readily understandable version could be devised”. - *Lovell-Wood, Accountants*

“There appears to be no pressing need to define shared use where the only private use is home to work travel; a taxable benefit based on home to work mileage undertaken would result in the correct charge regardless of whether the van taken home was shared or indeed always the same vehicle”. – *Leicester City Council*

“While we agree that the current charging provisions for shared vans are complex, employers are familiar with the method used and to introduce change would be to create additional administration. We therefore suggest that the existing system be retained”. – *Deloitte & Touche*

Question 5 - Do you agree that the charging provisions for shared vans should be simplified?

86% believed the charging provision should be simplified. Some respondents called for the abolition of the charge, others sought a de minimis or lower scale charge and it was reiterated that the collection of information and compliance responsibilities of employers to determine liabilities should not be disproportionate to the tax collected.

Some specific quotes included:

“The current charging provisions are too complicated and could be seen as a barrier to operating the charge correctly”. - *Skanska Construction*

“...anything which saves employers time and money by adopting simpler procedures would be welcome”. - *SkyB*

“Present system gives a reasonable result, despite the work involved”. - *British Retail Consortium*

“The general consensus of opinion from our members was that the current method of calculating shared vans, although it can be time consuming, is relatively simple”. - *Institute of Payroll and Pensions Management*

“We agree with the consultation document that the current benefit charge is outdated and complex, and consequently puts a significant administrative burden on employers in relation to the calculations of the benefit charge where vans are shared by two or more employees. We therefore welcome the proposal to simplify the current charging provisions for shared vans in order to remove complexity and ease the administrative burden on employers”. – *Business Services Association (BSA)*

Question 6 - Do you agree that the charge should reflect environmental objectives which will align the van benefit charge principles with the company car benefit charge?

62% agreed the charge should reflect environmental objectives. However, their agreement was strongly linked to the principle of environmental gains, most had concerns about the practicalities of implementation. The main difficulties foreseen include:

- Not fair for van drivers to incur additional tax for driving a vehicle that is chosen by their employer on operational grounds
- Company car drivers are 'user choosers', but van drivers have no say in the vehicle that is made available to them
- Could be an unnecessary complication in attempting to simplify the present system
- Environmental incentives need to be directed at the employer. Saving employee's a degree of personal tax will not influence employers to purchase vehicles that are not suitable for their operational needs.

Some specific quotes include:

"This is ideal in principle, although the load being carried, number of occupants and driving requirements would all cause a van to emit different levels of CO2 emissions.....therefore any system needs to reflect the scope of data available and be fair to the employer and employee". - *British Vehicle Rental & Leasing Association (BVRLA)*

"A charge that reflects environmental criteria is a move away from a direct link to benefit". - *Confederation of British Industries & Freight Transport Association*

"We believe the impact of such incentives for 'cleaner' vans may be much more limited and blunt than has been the case with cars". - *Society of Motor Manufacturers and Traders (SMMT)*

Question 7 - Do you agree that the current reduction for older vans should be abolished?

68% agreed the reduction for older vans should be abolished. A few recognised that this would simplify and reduce the number of scale charges and it was accepted that this made good environmental sense. Others continue to feel the employer should bear the burden of any additional tax for choosing to run older fleets. Small businesses would be the hardest hit, their financial restrictions often mean they can not replace vans as frequently as large employers.

Some specific quotes included:

“The Trust sees this as an important and necessary change to accelerate the rate of fleet turnover”. - *Energy Saving Trust*

“Yes, because this would ensure that older vehicles did not receive ‘favourable’ treatment and brought the taxation of older company vans into line with older company cars”. - *Orange*

“On the assumption that a tax charge on what is perceived to be a private benefit should relate in some way to the value of the benefit, we find it difficult to see how the benefit of using an old van is the same as using a new van”. - *Institute of Chartered Accountants in England and Wales*

“Negative environmental impact in producing more vans outweighs benefit of reduced CO2 levels. Any regime introduced must be careful not to encourage the premature discarding of perfectly good and serviceable vans and their replacement by newly manufactured vehicles”. - *Leicester County Council*

Question 8 - Would a higher scale charge for older vans encourage earlier replacement or influence purchase decisions?

Only 30% agreed a higher scale charge for older vans would encourage earlier replacement. It was mainly large employers who felt a change possible; however, the majority 70% strongly felt this would not influence their purchase decisions. The tax charge on the employer would not be significant enough to cause a shift in replacement policy.

Some specific quotes included:

“If set at a sufficient level, and in combination with other fiscal incentives on fuel, then this could be an important additional incentive to the replacement of older vehicles with cleaner, more fuel efficient new vehicles”. - *Energy Saving Trust*

“We may change replacement policy if there were to be a higher scale charge for older vans”. - *A Plant Transport*

“A higher scale for older vans would cause considerable employer/employee friction in Construction. Workers would resent being given older vehicles and having an increased benefit as a result”. - *Construction Confederation*

“Vans are a business tool, and are replaced due to operational business need, or for economic reasons”. - *Thames Water and Innogy Group*

“Our van stock is based on business needs and vehicles are replaced on average every 7 years. It is unlikely that van benefits would influence earlier replacement or purchasing decisions to a significant degree”. - *Western Power*

Question 9 - Do you agree that the charge should be based on Euro emission standards?

66% agreed the charge should be based on Euro emission standards. Again, this was an idea that was attractive in principle. The main arguments against include:

- CO2 figures not fully available until 2006
- Separate scale charges for Non-Euro IV and Euro IV vans would serve to complicate administration
- Unfair for employees who have no choice on the van provided to them by their employer

Some specific quotes included:

“If the Government wants to encourage businesses to use more environmentally friendly vans, it should find a method to encourage manufacturers to produce such vans rather than tax employees and create dissent and divisiveness between a business and its employees”. - *Aggregate Industries*

“Basing the charge on Euro emission standards rather than on flat scale charge would complicate the tax system and thereby increase the administration involved in taxing company vans”. - *Balfour Beatty*

“It is a dubious departure to penalise employees and businesses because they need a particular and appropriate commercial vehicle to be ‘fit for the job’, because of its CO2 rating. The principle applied to cars is not mirrored in commercial vehicles”. – *Society of Motor Manufacturers and Traders (SMMT)*

Question 10 - Would a different level of charge for Euro IV and non-Euro IV vans encourage earlier replacement or influence purchase decisions and therefore increase take up of Euro IV vans?

60% said this would not influence their purchase decisions. As employees do not choose the van they drive, the most effective way to influence purchase decisions would be to concentrate the incentive directly on the employer, not the employee.

Some specific quotes included:

“A different level of charge for Euro IV vans could influence purchase decisions if the increased charge fell on the employer and was significantly different”. - *Skanska Construction*

“.....where a driver might be in a Euro IV van one day and a non Euro IV van the next [this may lead to] increased risk of error, increased administration and be unfair to drivers who would have different taxable benefit for each van”. - *BVRLA*

“This would make no difference at all as, personal taxation is not taken into consideration when vans are replaced”. - *Charnwood Borough Council*

“Potentially, but risks collateral damage to residual values through increasing number of newer vehicles becoming available through reduced replacement cycles leading to downward pressure on prices”. - *HSBC*

“Yes, to a certain extent, providing the purchase cost of a Euro IV compliant van is similar to non-compliant van”. – *Retail Motor Industry Federation (RMIF)*

Question 11 - Would a reduced charge for vehicles that run on alternative fuels encourage employers to purchase these vehicles?

69% said a reduced scale charge for alternative fuels would not influence their purchase decision. Concerns about the lack of fuel availability and reluctance to compromise operational requirements made this unfavourable with the majority of respondents.

Some specific quotes included:

“A reduced charge for alternative fuels would make very little difference to the employer – introducing 100% capital allowances as for green cars would make a substantial difference!” - *Mr J Vowles, Accountant*

“Yes, however, there would need to be more availability. Lack of purchasing sites at present hinders progress of alternative fuels”. – *SkyB*

“Like company cars, the environmental damage caused by vans will depend upon the size. However, unlike cars, a van can be far more efficient and safe at carrying loads the larger it is. It would not make sense to encourage the use of larger numbers of smaller overloaded vans”. – *Mr J Good, Tax & Country Accounting*

“This would complement other Government funded programmes run by the Trust’s Transport Energy Division, which aims to clean up the current fleet and get cleaner, more fuel-efficient new vehicles on the road”. - *Energy Saving Trust*

“There are already incentives/discounts for alternatively fuelled vehicles through fuel duty and Powershift grants and so further measures are likely to have limited benefit. SMMT believes that incentives should be based on common emissions standards rather than competing fuel technologies”. – *Society of Motor Manufacturers and Traders (SMMT)*

Question 12 - What level of reduction would be suitable for different alternative fuels, and what are likely to be the resulting extra number of alternatively fuelled vans?

Many suggested a significant reduction would be required, somewhere between 25% and 50%. A few saw it as another complication that would increase administration for employers. Some respondents suggested the reduction should be in line with the car tax reduction for alternative fuels.

Some specific quotes included:

“The Inland Revenue needs to conduct research on a level of subsidy to a business rather than an employee benefits reduction would be required to achieve a target level increase in the acquisition of such vans”. *Association of Chartered Certified Accountants (ACCA)*

“We would not be likely to purchase any alternatively fuelled vans as a direct result of a lower van scale charge, unless the tax for ‘normal’ vehicles was so high. This however, would defeat the point of the exercise as it would penalise smaller employers who cannot afford to purchase new vehicles over 4 years ”. - *Orange*

“40% reduction – but this is still unlikely to change the number of alternatively fuelled vans”. - *Royal Automobile Club (RAC)*

“We consider that reductions in the benefit charge for vans using alternative fuels would be an unnecessary, additional complexity. There may however be more appropriate mechanisms to encourage employers to acquire more CO2 friendly commercial vehicles, e.g. the road fund license payable”. - *Rentokil*

Question 13 - Do you agree that introducing a fuel benefit charge would produce a fairer system better aligned with the company car tax system?

Just over half of those who responded did not consider implementing a fuel benefit charge as fair. Opinions were based on the policy of home to work journeys being carried out as a necessity to meet the employer's operational objectives. For simplification, many favoured an 'all-in-one' scale charge, as presently administered.

Some specific quotes included:

"A fuel benefit charge would produce a fairer system but only if the definition of private fuel is brought into line with the sale charge for the use of the van itself, e.g. if an employee is obliged to take the van home by his employer but is prohibited from using the van for other private travel there should be no private fuel charge". - *Skanska Construction*

"We agree that a fuel benefit would produce a fairer system. However, as with the proposals for van benefits, it should take into account the fact that the employee only uses the vehicle for home to office travel and, because they have no influence over the type of van that they use, they have no control over the cost or type of fuel required. The fuel system needs to be easily managed". - *Western Power*

"Would further complicate admin. If such a benefit were introduced, employers would need to administer not only the exclusive and shared use of company vans, but also the exclusive and shared use of fuel in the vehicle. Smaller businesses in particular would likely find this a heavy burden on their time and resources". - *Federation of Master Builders*

"We disagree. The private benefit of vehicles which are generally dirty have plastic seats, are full of tools, have the employer's name written on the side and travel hundreds of thousands of miles is a misnomer". - *Institute of Chartered Accountants of Scotland (ICAS)*

Question 14 - If a fuel benefit charge is introduced to what extent would this discourage employers from providing free fuel for private use?

63% would still offer private fuel. It was expected that some employees may refuse the benefit and therein lied a potential problem. Where the employer required the employee to take the van home for operational reasons, additional time, cost and administration processes would be needed to monitor business and private mileage.

Some specific quotes included:

“The introduction of a fuel benefit charge would not discourage the provision of private fuel as the amount of private fuel used in a company van (mostly for home to work travel) would be negligible compared to the cost of taking away the fuel card and, instead, processing expense claims claiming business fuel. Where employees are contractually required to take a van home, it would be grossly unfair to insist that the employee has to pay for the fuel to fulfil this contractual requirement”. - *Balfour Beatty*

“If a fuel benefit charge is introduced it would not discourage us from providing free fuel for the limited perceived private use. The overriding decision in providing a van and fuel is because there is an operational need”. - *Northern Electric*

“This would discourage employers from providing this benefit if it attracted Class 1A NIC contributions on the benefit and, if introduced, they would also suffer a VAT recovery restriction on the fuel cost due to the VAT fuel scale charge. The increased administration of policing private fuel would be difficult for companies”. - *British Vehicle Rental and Leasing Association (BVRLA)*

“The van is a necessity and with vans being taken home at night it’s hard to monitor private use accurately or ban it”. - *SkyB*

Question 15 - If a fuel benefit charge is introduced to what extent would this discourage employees from accepting free fuel for private use?

Most agreed a fuel benefit charge would deter employees from accepting free fuel. However, the decision would depend on the number of private miles travelled and the rate of the scale charge. Employee perception of this new tax should be considered. Especially for those who are contractually obliged, or for operational reasons, asked to take their vans home. This is likely to cause considerable problems for businesses if the charge is applied to home to work-base journeys.

Some specific quotes included:

“If the fuel benefit charge was forced upon the employee we believe this would discourage employees from taking vans home but this would give rise to operational problems for the company”. - *Scottish Energy*

“We already find that some employees are reluctant to take vans home due to the current scale charge. If a separate fuel scale charge is introduced, it can only be assumed that this will exacerbate the situation. This has a detrimental environmental impact in that employees drive to their workplace and pick up a van to drive onto a job which invariably increases the number of miles travelled”. - *Severn Trent Water*

“Depending on the company’s current policy and ability to capture the relevant data, the option of selective private fuel should be no more of an administrative burden than for company cars. However, the level of the scale charge might restrict the number of employees wishing to take the option up”. - *British Vehicle Rental and Leasing Association (BVRLA)*

“It would discourage employees from accepting free fuel”. - *Dorset County Council*“

Question 16 - Do you agree that the fuel benefit charge should be graded to account for the environmental impact of the van, for example tied to Euro IV compliance?

59% said the fuel benefit should not be linked to Euro IV compliance. They expressed concerns about the amount of scale charges that might be needed, the time required to calculate the benefit and the unfairness of charging the employee who had no choice in the vehicle provided by their employer.

Some specific quotes included:

“Conceptually yes, but needs to be balanced against simplicity and avoids a significant administration burden on employers and leasing companies”. – *HSBC*

“It would be wrong to charge higher taxes on employees for a benefit when they had so little ability to affect”. - *Construction Confederation*

“We agree that the charge should reflect the environmental impact, e.g. Euro IV compliance. As soon as CO2 emission figures are available, the charging system should mirror that for cars”. - *Transport 2000*

“This would seem consistent with environmental objectives, although I am concerned about the administration of this for organisations who have large fleets in both categories”. - *Severn Trent Water*

“Only if it can be achieved with simplicity and proportionality”. – *Leicester City Council*

“There is a danger that the fuel benefit charge like the van scale charge could become too complicated by grading it for level of private use and to account for environmental impact”. - *Orange*

Supplementary questions

Question (a) - To what extent are employees required by their employers to take company vans home at night?

97% confirmed their employees take vans home at night. The majority of employers request or contractually insist on employees taking vans home overnight. The quotes below substantiate the comments made throughout this report that there is a necessity, built on operational efficiency, service agreements and security issues, for vans to be taken home at night, making this a wide spread practice among businesses.

Some specific quotes included:

“It is quite likely that the smaller employers would require their employees to take vans home due to a lack of proper secure premises. In addition, as a way of improving customer care and enhancing flexible working patterns a large number of vans are taken home”. – *Association of Chartered Certified Accountants (ACCA)*

“In Construction, very few employers can garage vehicles overnight. The vast majority must go home with employees”. – *Construction Confederation*

“.....employees are required to take their vans home at night and are not given any other option. This is on the basis that a) secure parking at depots is rare, b) they are needed to go direct to a job the next day (many will only rarely visit a depot at all now that IT means they can be sent and transmit worksheets), c) they may be called out during the night”. – *Institute of Payroll & Pensions Management (IPPM)*

“In our case, all drivers take their vans home over night. As the fleet covers the entire country, it would be impracticable for the company to provide overnight parking facilities”. -*SkyB*

Question (b) - To what extent are vans made available to employees for private use other than home to work travel?

The majority 86% restricted private use to home to work travel only. 10% allowed other private use when officially requested and acknowledged this as rare. The remaining 4% only allowed 'incidental' private use.

Some specific quotes included:

"The majority of the companies we discussed these proposals with do not allow the private use of vans other than home to work travel. The larger van fleets seem to operate the strictest policy in this area, where private use outside of this remit is a disciplinary offence". – *Ernst & Young*

"Vans are not available for this use". – *Royal Automobile Club (RAC)*

"This authority does not allow private use of its vans and issues notices to this effect". – *Dorset County Council*

"Of the members that responded no employees were given permission for private use, because of the insurance constraints if nothing else". – *Institute of Payroll & Pensions Management*

"This use is prohibited and employees found using company vans, other than for home to work travel, would be subject to disciplinary proceedings". – *Severn Trent Water*

"Again it is likely to be the smaller employer who allows private use of vans but in this lies the dilemma. If a variable scale charge is introduced, with the lower charges available upon the keeping of records for proof, this will not be helpful to SMEs". – *Association of Chartered Certified Accountants (ACCA)*

Question (c) - To what extent would the numbers of employees allowed to use company vans for private use (other than home to work travel) be reduced if the benefit charge was raised and some employers stopped providing this benefit?

In view of the small amount of respondents that allowed private use, in addition to home to work, the responses to this question were largely not applicable. Most employers provide vans for purely operational reasons and restrict private use; if the benefit charge was increased, the few who allow full private use are likely to prohibit it.

Some specific quotes included:

“.....given that it is rarely permitted it would not make a substantive difference”. – *Institute of Payroll & Pensions Management (IPPM)*

“We do not provide company vans to any employee who is not required to have one. Vans are not provided as a benefit”. – *SkyB*

“Vans are almost exclusively provided because the nature of the employees job is to carry tools, fittings and equipment. I would not expect the number of employer provided vans to change significantly if the benefit was increased”. – *Mr J Vowles, Accountant*

“It is usually for the expediency of the employment, or security of the vehicle that vans are taken home. Additional charges to employees may give rise to disputes where the employer insists on the current operational practice without recompensing employees for additional costs incurred by way of taxation”. – *Local Authority Car User Group*

“There would probably be a significant increase in contracts, especially by smaller businesses, prohibiting private use of the vans”. – *Association of Chartered Certified Accountants (ACCA)*

Question (d) - To what extent is private use of vans contractually prohibited at present and how is private use currently monitored by employers?

Although private use was generally prohibited, only a few employers had this condition built into contracts. Many explained how difficult it is to monitor private use and most employers act on trust. Respondents were concerned by the inference to set up monitoring processes and the administrative time this would involve, particularly as private use was forbidden and/or small levels of incidental private use would not warrant such levels of policing.

Some specific quotes included:

“Some employers do state this and achieve it by only having the vans insured during the day, from say 7am to 6pm. Monitoring it is probably difficult”. – *Lovell-Wood Accountants*

“Included in terms of employment – monitored now by observation”. – *Pennon Group Plc*

“Mileage is recorded weekly on timesheets and has to be authorised. Fuel costs are also monitored”. – *Scottish Energy*

“.....generally monitored in a variety of ways, e.g. log sheets of mileage, fuel cards monitor usage of vehicles, line managers make field visits to check the location of their team members”. – *BT*

“Not prohibited by contract as home to work allowed. Monitoring is done by exception”. – *Royal Automobile Club (RAC)*

“Monitoring does not normally take place as it would be very difficult, should the IR require this, odometer readings could be recorded, but would put an administrative burden on employers if this practice is not currently in operation”. – *Institute of Payroll & Pensions Management (IPPM)*

Question (e) - How much private mileage is done in vans that are not shared – and is that private mileage restricted or unlimited?

Most employers do not keep records of the amount of private mileage undertaken. The majority of employers do not allow private mileage, except the home to work journey, and therefore consider private mileage restricted. Some employers accepted there would be an element of incidental private use, but considered this to be negligible.

Some specific quotes included:

“Employees’ private use of vans is restricted to home to work travel. As there are no current requirements under the existing van tax benefit system to report private mileage, we do not record this information. If this were being proposed, it would place a significant administrative burden on employers”. – *Western Power*

“Where private mileage is allowed, it is not restricted – it is rarely high because of the limitations of the vehicle for family use”. – *Construction Confederation*

“Private mileage is approx. 152 miles per driver per month. There is no restriction on actual usage”. – *SkyB*

“Private mileage in vans is not restricted. We are currently carrying out a cost modelling review of our vehicles and the average annual private mileage is in the region of 3,000 miles”. – *Orange*

“The only private mileage done in vans that are not shared is home to work. No other private use is permitted”. – *BT*

“Private mileage is restricted to home to work”. – *Royal Automobile Club (RAC)*

Question (f) - Of shared vans, what proportion are available for private use but are used only for travel between home and work?

The majority of the 17 responses to this question confirmed that their entire fleet was available for home to work journeys. Most employers reiterated that they did not perceive the home to work journey as private use.

Some specific quotes included:

“Shared vans appear to be far less common than was previously the case. Vans tend to be allocated to individual staff who will use the same vehicle to cover for colleagues’ absences. Pooled vans are far less common and where they exist the tendency has been to prohibit private use”. – *Local Authority Car User Group*

“Most construction industry vehicles are unsuitable for private use. Even where they are allowed private use, it is generally fairly low”. – *Construction Confederation*

“All vans are available for private use, but only home to work travel”. – *Royal Automobile Club*

“No vans operated by us are available for private use. The majority of vans operated by the council are used for home to work travel only”. – *South Ayrshire County Council*

“The only private use of vans within this Authority is for travel between home and work”. – *Dorset County Council*

Question (g) - How much time is spent by employers calculating current benefits on shared vans?

The consensus is that calculating shared vans does not take up a lot of time. No employer found particular complaint with the time they needed to spend calculating this benefit.

Some specific quotes included:

“Very little, we have 9 out 400 vans which are shared”. – *Aggregate Industry*

“Approx. 2/3 days per year”. – *Charnwood Borough Council*

“10 –15 hours per quarter”. – *Dorset County Council*

“Estimated at 2 days”. – *Institute of Payroll & Pensions Management*

“5 hours per van”. – *Royal Automobile Club*

“The company do not have many employees who share a van therefore the time spent doing the calculations on shared van benefits is minimal. However, there are significant time costs on calculating van benefits generally” - *Western Power*

“Currently, the vans legislation causes little trouble. Where vans are allowed to be used privately (beyond home to site) or are used for home to site travel by workers with a fixed place of work, it is simply a question of keeping a record of the age of the van”. – *Construction Confederation*

“Information not readily available; however, approx. 40 of 330 vans are shared and it takes approx. 5 man-days to calculate the taxable benefit-in-kind of vans generally (actually using a PAYE Settlement Agreement), suggesting at least 0.5 man-days per annum is attributable to determining the benefit of shared vans”. – *Leicester City Council*

Question (h) - What is the cost to employers of doing the shared vans benefit calculations?

Only 14 responses received, employers found it difficult to quantify but did not consider the cost great.

Some specific quotes included:

“2/3 days pay for a payroll officer”. - *Charnwood Borough Council*

“The cost is minimal”. – *Western Power*

“Estimated cost of £500”. – *Institute of Payroll & Pensions Management (IPPM)*

“£200 per van”. – *Royal Automobile Club (RAC)*

“Insignificant”. – *Severn Trent Water*

“Negligible”. – *Aggregate Industries*

Question (i) - At what level are these calculations done in your organisation?

Depending on the size of the company and the size of the fleet the responsibility for calculating the van benefit fell to a variety of employees, as noted below.

Some specific quotes included:

“Shared van calculations are performed by the Payments Manager”. – *Dorset County Council*

“By tax experts in Group Finance”. – *Pennon Group Plc*

“Benefits administrator reporting to the Payroll Manager”. – *Severn Trent Water*

“Tax Assistant and Tax Accountant level with input from all operational managers, transport department and Human Resources”. – *Western Power*

“Normally middle management”. – *Institute of Payroll & Pensions Management*

“Dealership accountant”. – *Royal Automobile Club (RAC)*

“Transport department”. – *Aggregate Industries*

Question (j) - What percentage of van drivers receive fuel for private use other than home to work travel?

75% of the employers who answered this question confirmed that no private fuel was provided for use other than home to work. Accountants and Representative bodies similarly reported the percentage to be very low.

Some specific quotes included:

“0% - No fuel for private use is provided”. – *Dorset County Council*

“None as fuel is only provided for home to office travel”. – *Western Power*

“We have no figures, indications from member is very few”. – *Institute of Payroll & Pensions Management*

“All those who have vehicles to take home receive free fuel for commuting as a minimum”. – *Local Authority Car User Group*

“100%” - *SkyB*

“For those employers on my client base, van drivers are all provided with private fuel for more than just work to home travel. But where the van is provided to someone other than a director or owner/manager this private fuel is recharged to the employee”. – *Mr J Vowles, Accountant*

Question (k) - How is private use of free fuel monitored by employers?

Most of those who responded had no system in place to monitor private use of free fuel and left the matter to chance observation.

Some specific quotes included:

“We do not monitor the level of private use, as the administration involved is far too onerous. It is a hard enough task to obtain details of employees’ business journeys; it would be twice as hard if we required an analysis of their private miles as well. Many employees would not view it well, as they would see it as their employer being obtrusive. We do not think that anything other than a monthly total number of private miles is achievable or realistic for an employer to gather. We do not see how it is possible to adequately audit private fuel/private mileage without spending a huge amount of time and administration. For those who do not have private use available to them, it is simpler as odometer readings can be checked against mileage reported”. – *Orange*

“Monitoring is done by exception where individuals appear to be abusing the free fuel provision”. – *Royal Automobile Club*

“A fuel usage monitoring system is used to identify vehicles with low mpg’s to identify siphoning of fuel”. – *Severn Trent Water*

“It is rarely provided as being too difficult to control”. – *Construction Confederation*

“Private mileage is declared each month by the drivers. Excessive usage is identified and escalated to managers for investigation”. – *SkyB*

“Vehicle fuel consumption is monitored by some employers to test for operational efficiency of the vehicle. This tends to be on an annual basis and may highlight undeclared private usage”. – *Local Authority Car User Group*

“We do not monitor fuel for private use in vans”. – *Western Power*

Question (I) - How much private mileage is done by people receiving free employer provided fuel for private use in their company vans?

Many employers who responded to this question confirmed that only home to work mileage was allowed and as this is not perceived as 'private' mileage, no records are kept. Private mileage was confirmed to be minimal and incidental.

Some specific quotes included:

".....private use is restricted to home to work travel; based on empirical evidence this averages a round trip of approx. 10 miles per working day. For 330 vans and, say, 230 working days per annum at 10 miles this suggests approx. 759,000 mile are undertaken per annum for which free fuel is provided. It should be noted, however, that most employees would not accept the provision of fuel of home to work travel in a van they are required to take home as a taxable benefit in kind; consequently the council meets such employees' tax liabilities through a PAYE Settlement Agreement". – *Leicester County Council*

"Employees with vans are formally made aware in writing of the requirements in the use of the van provided by the company and it would be a disciplinary offence if they were found to be using the van for non-work related reasons". – *Western Power*

"It is impossible to say. The sort of employees who would receive unlimited free fuel for private mileage are not engaged in Construction. Our employees are paid relatively modest wages. The vans given to them to drive are given at the employer's convenience and there is no real ambition to provide a benefit as such". – *Construction Confederation*

"Private mileage is approx. 152 miles per driver per month. There is no restriction on actual usage". – *SkyB*

Additional Comments

The consultation provoked considerable thought across a range of issues affecting employer provided vans. In addition to the 28 questions raised in the consultation paper some respondents also commented on associated matters, their main points included:

1. Many felt the best way to simplify would be to remove the charge for essential workers.
2. Consideration of past purchasing decisions should be provided for by publishing reform proposals in advance and phasing in change.
3. Employees who have to drive 4x4 vehicles, including double-cab pick ups, were concerned that they would be unduly penalised for the business choices of their employers.
4. Small businesses were particularly concerned about their reliance on older vehicles and the difficulty and cost of finding secure parking for vans if employees withdraw their goodwill because of personal tax increases.
5. There were calls to redefine double-cab pick-ups as cars and/or to introduce higher scale charges for this group of vehicles.
6. Large employers hi-lighted the need to have sufficient lead time to make the necessary updates to IT systems for administrative purposes.
7. Persuading employers to choose fuel efficient vehicles should be influenced through the supply of these vehicles, not the demand.

Employer Provided Vans – Respondent List

Accountants and Accountancy Bodies

Association of Chartered Certified Accountants (ACCA)

Chartered Institute of Taxation (CIOT)

Deloitte & Touche

DNB Accounting

Ernst & Young

Institute of Chartered Accountants in England and Wales (ICAEW)

Institute of Chartered Accountants of Scotland (ICAS)

Jonathon Vowles Accountant

Nigel Wordingham Accountant

Price Waterhouse & Coopers

Resting, Davis & Partners

Ritson-Smith

Tax & Country Accounting

Wood & Co Accountants

County Councils and Local Authorities

Charnwood Borough Council

Devon County Council

Dorset County Council

Leicester City Council

Oxfordshire County Council

South Ayrshire Council

Employers

Aggregate Industries

Airedale International Air Conditioning Ltd

A-Plant Transport Services

Aquila Networks

Auto Keys (Nationwide) Ltd

Balfour Beatty Plc

Bell Electrical Group Ltd

Bobby's Food Plc

BT

Carry Lift Group

DCT Civil Engineering Ltd

Ferraris Piston Service Ltd

HSBC

I Spy Security Services Ltd

JC Decaux Ltd

Northern Electric

Orange

Oxy-Dry UK Inc

Pennon Group Plc

Powergen

Rentokil Initial

Royal Automobile Association (RAC)

Sailes Marketing Ltd

Scope

Scottish & Southern Energy

Severn Trent Water

Skanska Construction

SkyB

Thames Water & Innogy Group

Transco

Western Power Distribution

WS Atkins Ltd

Representative Bodies

British Computer Society

British Retail Consortium

British Vehicle Rental & Leasing Association (BVRLA)

Business Services Association

CBI

Construction Confederation

Federation of Master Builders

Federation of Small Businesses

Independent Motor Trade Factors Association Ltd

Institute of Payroll & Pensions Management (IPPM)

NW Brown – Employee Benefits

Retail Motor Industry Federation

Society of Motor Manufacturers & Traders (SMMT)

Transport 2000

Others

Energy Saving Trust

Mitsubishi Motors

1 Anonymous

Michael Wade

R Fuller

Terry Fox

Appendix 2

Summary of Responses

Total number of responses	72
Accountants and Accountancy Bodies	14
Local Authorities	6
Employers	32
Representative Bodies	14
Others	6

Question	Total Answered	% Agreed	% Disagreed
1	49	100%	0
2	44	95%	5%
3	44	n/a	n/a
4	35	80%	20%
5	37	87%	13%
6	46	62%	38%
7	46	68%	32%
8	43	30%	70%
9	44	66%	34%
10	42	43%	57%
11	44	30%	70 %

Question	Total	%	%
	Answered	Agreed	Disagreed
12	28	n/a	n/a
13	45	45%	55%
14	39	n/a	n/a
15	37	n/a	n/a
16	39	41%	59%

n/a – Question did not seek ‘yes/no’ answer