

What is a company van?

A van is a vehicle built primarily to carry goods or other loads which has a maximum laden weight of up to 3,500 kilograms.

A company van is a van made available to an employee by reason of their employment and which they do not own.

When is there a tax charge on a company van?

Employees pay tax on a company van if they or a member of their family or household make private use of it. If the employee has the van mainly for work journeys (for example, delivering goods or making calls to customers), and the only private use is commuting, there is no tax to pay.

If there is other private use, tax is payable unless this private use is insignificant (see 'What is insignificant private use?').

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

What if free or subsidised fuel is provided for private use?

Employees also pay tax if free or subsidised fuel is provided by the employer for private use in the van.

How much is the charge?

In 2008-09 and 2009-10, employees are charged tax for the year on:

- £3,000 for the van
- £500 for free or subsidised fuel for private use.

The current rates are on our website at www.hmrc.gov.uk/rates/travel.htm

Employers pay Class 1A National Insurance Contributions (NICs) on the same amounts.

The tax charge is reduced if the employee does not have the van for the whole tax year, or if another employee also uses it for private travel (in this case, the charge is split between them on a just and reasonable basis).

The tax charge is further reduced if the employee pays something for their private use, but the fuel charge is not reduced further unless the employee reimburses the cost of all fuel provided for private use.

Full details can be found in booklet 480 *Expenses and benefits a tax guide* on our website at www.hmrc.gov.uk/guidance/480.htm

What is insignificant private use?

Private use is insignificant if:

- it is very much the exception to the normal use
- it is intermittent and irregular, and
- it lasts only for short periods of time on odd occasions during the year.

Examples of insignificant use include an employee who:

- takes an old mattress or other rubbish to the tip once or twice a year
- regularly makes a slight detour to drop off a child at school or stops at a newsagent on the way to work
- calls at the dentist on the way home from work.

Examples of use which is **not** insignificant include an employee who:

- regularly uses the van to do the supermarket shopping
- takes the van away on a week's holiday
- uses the van outside of work for social activities.

How can an employee show that there is no other private use?

Their employer must be able to show us that this is the case.

This means that an employee could be asked to:

- keep mileage records
- sign an agreement about the use of the van
- have use of the van put into a contract of employment.

What records do employers need to keep?

If an employer considers that there is no tax to pay, they will need to keep sufficient records to show that the employee has the van mainly for work journeys and that private use is restricted to journeys between home and work. This may include making the conditions clear in employment contracts or asking employees to sign a statement acknowledging company policy on what is allowed and any disciplinary consequences. An employer may also want to keep mileage or other records showing how the vehicles are used to help with this.

If there is tax to pay, employers will need to identify each van used by an employee.

If an employer considers that an employee should pay tax on less than the full amount, they may also need to show:

- if a van is shared, by whom and in what proportions
- periods of 30 or more consecutive days when a van was incapable of use
- contributions paid by the employee who had private use of the van
- that private fuel has been fully reimbursed.

These notes apply from 6 April 2005. They are for guidance only and reflect the position at the time of writing. Further information can be found at www.hmrc.gov.uk/vans