

## Vans – provided to employees for private use

The benefit in kind rules regarding vans/ commercial vehicles changed **with effect from 6 April 2007**. Where an employee is provided with a van for private use the taxable benefit is £3,000 per tax year, regardless of the age of the vehicle. In previous years the equivalent benefit was £500 (£350 for vans over 4 years old).

No charge will arise if:

- i. the van is provided **mainly** for business travel **and**
- ii. the terms on which it is provided prohibit private use other than ‘ordinary commuting’ **and**
- iii. the employee or his family do not make any private journeys.

Ordinary commuting – travel between home and a permanent workplace.

The conditions must be fulfilled throughout the tax year.

Insignificant private use is disregarded. Examples of insignificant private use are:

- take some rubbish to the tip once or twice a year
- call at dentist on way home
- makes slight detour to newsagent on way to work

**Contributions** If the employee makes a contribution as a condition of private use the benefit stands but is reduced by the amount paid.

**Unavailable** If the van is unavailable during the tax year, the benefit is reduced proportionately. If the van is unavailable for less than 30 days and a replacement van is provided, the replacement van is treated as if it were the normal van.

**Sharing** If the van is shared, the benefit should be apportioned on a just and reasonable basis.

### Fuel

A further taxable benefit of £500 per tax year will arise if fuel is provided for private use.

No charge will arise if:

- i. fuel is made available for business travel (including ordinary commuting) only **or**
- ii. the employee reimburses the employer for private fuel **or**
- iii. private use is insignificant (see examples above)

## Action for the employer

It is the employer’s responsibility, with regard to each employee, to calculate the correct taxable benefit; report it to HM Revenue & Customs on a form P11D after the end of each tax year; and pay Class 1A National Insurance Contributions (12.8% of the taxable benefit).

HM Revenue & Customs can look back six years to check whether the benefits have been calculated and disclosed correctly. If not, a penalty of up to £3,000 per incorrect form P11D can be imposed on the employer and interest will be charged on the underpaid Class 1A NIC.

In many cases a taxable van benefit will not arise by virtue of the conditions mentioned above, however to avoid a challenge by HM Revenue & Customs employers should ensure the following:

- Contracts of Employment include a clause which specifically prohibits private use apart from ‘ordinary commuting’.
- Employees are required to keep a record of private and business mileage undertaken to demonstrate the van is used mainly for business travel.