

Car or van?

Employment Tax Factsheet | www.rousepartners.co.uk/factsheets



Business Company
123 Business Way
London W1A 1AA
Tel: 020 7946 1234
Fax: 020 7946 5678

Bill to: Curatorbus Aucupe LTD
456 Palmettoque, Alquet
2 W St - SUO, 9999
987-654-321

No.	Description	Quantity	Amount
1234	Id rutrum	2	248.00
2567	Sed interdum odio	5	855.75
0034	Palmettoque	8	594.67
0460	Mecenas molestie	3	492.74
4729	Integer varius nisi	4	356.40
4930	Quisque luctus turpis	7	400.00
4893		3	456.00

Comment
Sed interdum odio, nec luctus turpis. Integer varius nisi, nec luctus turpis. Quisque luctus turpis, nec luctus turpis.

Subtotal	4500.45
Tax Rate	8.78%
Tax	740.87
Other	-
TOTAL Due	5241.32

CREA & BILL MAXIMIZE. DICTOR BILLS & ET. DEAVITA SAPIEN

An overview of the latest changes and developments.

Car or van?

In this factsheet we explore the tax implications of having a car and a van in your business.

If you would like to discuss how we can assist you, please contact us on 01494 675321 or by email at info@rousepartners.co.uk

Car benefit definitions

Every mechanically propelled vehicle is a car, unless it is:

- ▶ a goods vehicle
- ▶ a motor cycle (essentially a vehicle with less than four wheels which meets certain weight limits)
- ▶ an invalid carriage (normally obvious)
- ▶ a vehicle of a type not commonly used as a private vehicle and unsuitable to be so used (not many of these about)

A goods vehicle is defined as a vehicle of a construction primarily suited for the conveyance of goods or burden of any description (excludes people). The test is of construction, not use. It is only if the primary purpose for which the vehicle is constructed is the carriage of goods that it will escape from being a car.

For benefit tax/NIC and VAT purposes, one must look at the construction at the particular time in question (time of transaction or in relevant tax year).

A vehicle whose design weight exceeds 3,500kg is not a van, but a heavy goods vehicle.

Double cab pick-ups

These vehicles were very popular a few years ago when the van benefit in kind was much lower than the car benefit. The substantial increase in van benefit from April 2007 made this less of an issue, but there are still potential savings to be made.

On the surface many double cab pick-ups appear to be equally suited to convey passengers or goods. However, when all factors relating to their construction are taken into account, a number of vehicles within this category do have a predominant purpose of carrying goods or burden. Each case will depend on the facts and exact specification.

As a general rule, HMRC accepts that a double cab pick-up with a payload of 1 tonne (1,000kg) or over is a van for benefit purposes. The 1 tonne rule applies only to double cab pick-ups, not to any other vehicle.

Capital allowances definition

This is almost identical to the benefits definition. Hire cars, taxis and driving school instructor cars are specifically included in the definition of cars.

VAT input tax recovery

VAT rules say that a car is any motor vehicle of a kind normally used on public roads. It must have three or more wheels and meet one of the following conditions:

- ▶ It must be constructed - or adapted - mainly for carrying passengers.
- ▶ It must have roofed accommodation behind the driver's seat. This must either be fitted with side windows already or be constructed - or adapted - so that side windows can be fitted.

In addition, the following are not cars for VAT purposes:

- ▶ vehicles capable of accommodating only one person or suitable for carrying twelve or more people including the driver
- ▶ caravans, ambulances and prison vans
- ▶ vehicles of three tonnes or more unladen weight
- ▶ special purpose vehicles, such as ice cream vans, mobile shops, hearses, bullion vans, and breakdown and recovery vehicles
- ▶ vehicles with a payload of one tonne or more

Problem car-derived vans

These vehicles, from the outside, still maintain the appearance of a car. However, from the interior the vehicles have the appearance and functionality of a van – the rear seats and seatbelts have been removed along with their mountings, the rear area of the shell is fitted with a new floor panel to create a payload area and the vehicle's 'side windows' to the rear of the driver's seat are made opaque. Such vehicles will be classified as vans, but all the criteria are very strictly applied.

Vans with rear seats

Some vehicles look like vans and don't have windows in the sides behind the driver. But they do have additional seats for carrying passengers behind the front row of seats (or they're designed so they can be fitted with them). They're sometimes known as combination vans or combi vans.

HMRC considers that this type of vehicle is a commercial vehicle for VAT purposes if it meets either of the following conditions:

- ▶ It has a payload of more than one tonne after the extra seats have been added.
- ▶ The dedicated load area (the load area that's completely unaffected by the extra seats) is larger than the passenger area. This means that the main use of the vehicle is for carrying goods rather than passengers.

If it meets either of these conditions then the vehicle is a commercial vehicle for VAT purposes and you can reclaim the input VAT if you follow the normal rules for reclaiming VAT.

HMRC has produced a list of car derived vans and vans with rear seats showing whether they're classed as a van (commercial vehicle) or a car for VAT purposes:

[Check the HMRC list of car derived vans and combi vans](#)

Remember that vehicle specifications change so the list may not be up to date. If you're in any doubt you can contact the HMRC VAT Helpline (0300 200 3700) for guidance.

How we can help

If you would like more advice on the tax treatment and advantages of using cars and vans in your business, please contact our team on our details above.

Trusted advice, *imaginative solutions.*

It's the old adage that all accountants are the same, but ask yourself this; what kind of service would most add value to your personal or business position? In our opinion, the quality of advice and service is what separates a good accountant from a great one. This is where Rouse Partners can make a difference for you.

Our award-winning team make it their business to get to know you and your specific needs. Whether your goal is to grow your business, increase your personal wealth or improve your work-life balance, by understanding your challenges, we will address them together.

We also know how important it is for you to have a team that you can rely on for timely advice and reassurance. At Rouse, our people are our most important asset and we will select team members who offer an optimum mix of experience, specialism and knowhow. From your Partner, to your Tax Advisor, each team member will be accessible to you or your team and be proactive in seeking solutions.

At the heart of our way of working is a determination to think differently, to challenge the 'status quo' and to ask 'what if?'. Whether you are facing a complex tax, accounting or management situation, we are ready to find a solution.

Contact us today to discuss how we can support your personal or business tax needs:

t: 01494 675321

e: info@rousepartners.co.uk

Accountancy

Audit

Tax

Business advice

Corporate finance

Company secretarial

Outsourcing

Payroll

Wealth management

International services



Rouse Partners LLP
55 Station Road
Beaconsfield
Buckinghamshire
HP9 1QL

t: 01494 675321
e: info@rousepartners.co.uk
www.rousepartners.co.uk

© Rouse Partners 2020. This guide has been produced by Rouse Partners LLP for general interest. No responsibility for loss occasioned to any person acting or refraining from action as a result of the information contained in this edition is accepted by Rouse Partners LLP. In all cases appropriate advice should be sought from us before making a decision. All information correct at time of publication (21 February 2020) and subject to change.