

COMPANY VAN TAX: IT DOESN'T HAVE TO BE TAXING



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Taxation for company cars and company vans is different. While company car tax is based on a combination of the vehicle list price and CO₂ emissions, the tax rules for vans are much simpler.

When drivers only use a van for work and what Her Majesty's Revenue and Customs (HMRC) describes as 'insignificant private use' no tax is payable. This is because HMRC does not class the van as a taxable benefit, known as a Benefit in Kind (BiK).

However, if a driver uses their van for 'significant private use' they will have to pay tax.



What is 'insignificant private use'?

Insignificant private use covers commuting directly to and from work, although drivers can, for example, stop off en route to pick up a newspaper, or take a one-off trip to the dentist. But that's about all. Full details can be found on the [HMRC website](#).

What is 'significant private use'?

If your drivers use their van to carry out regular shopping trips or school runs, or they take the van out in the evening, this is deemed as 'significant private use' and your company must notify HMRC.

Your drivers should keep detailed mileage records broken down into private and work journeys. You will need to report this information to HMRC and add the value to the drivers P11D. More information can be found on the [HMRC website](#).

How much tax will your driver pay for 2018/2019 tax year?

Vans used for private journeys



BiK =
£3,350

There's a fixed BiK value of £3,230 for vans that you'll need to report. This can be reduced if:

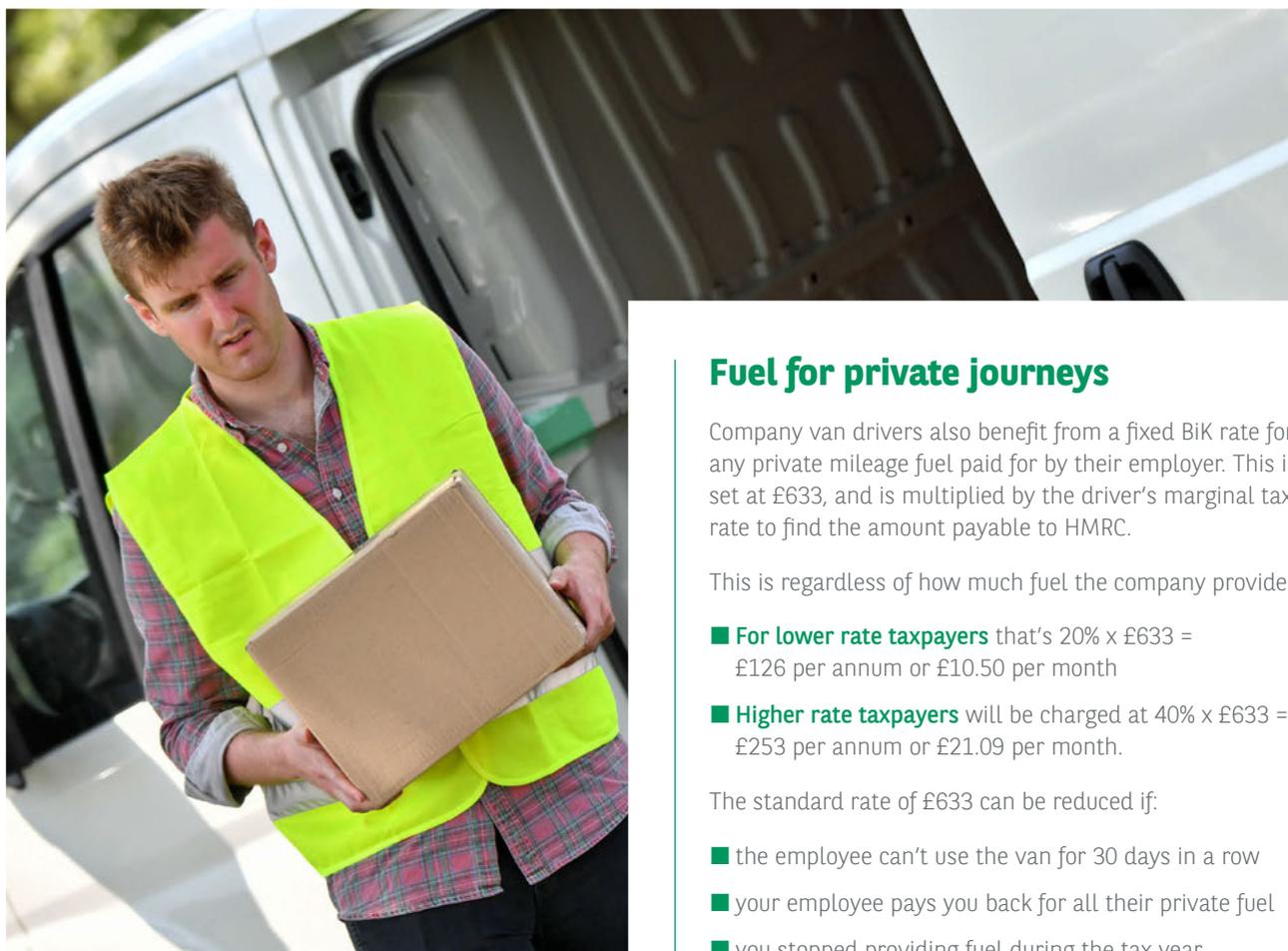
- your employee can't use the van for 30 days in a row
- your employee pays you to privately use the van
- other employees use the van – in which case divide £3,350 by the number of employees.

FOR EXAMPLE:

Your driver will pay tax based on the fixed BiK value and their marginal tax rate:

20% x £3,350 = £670 per annum or £56 per month

40% x £3,350 = £1,340 per annum or £112 per month



Fuel for private journeys

Company van drivers also benefit from a fixed BiK rate for any private mileage fuel paid for by their employer. This is set at £633, and is multiplied by the driver's marginal tax rate to find the amount payable to HMRC.

This is regardless of how much fuel the company provides.

- **For lower rate taxpayers** that's 20% x £633 = £126 per annum or £10.50 per month
- **Higher rate taxpayers** will be charged at 40% x £633 = £253 per annum or £21.09 per month.

The standard rate of £633 can be reduced if:

- the employee can't use the van for 30 days in a row
- your employee pays you back for all their private fuel
- you stopped providing fuel during the tax year.

Source: > <https://www.gov.uk/expenses-and-benefits-company-vans>

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