

# LEGISLATION

## Company Van Tax

**VISION** | corporate services



Companies can now save £448 per employee per year in Class 1A National Insurance contributions (NICs). Furthermore, employees can save a minimum of £700 per year including fuel where company vans are not used for private use. This is simply achieved by being able to prove to HM Revenue and Customs (HMRC) that company vans and fuel are used strictly for business purposes only. Crystal Ball offers an effective and time saving solution by producing detailed reports which clearly show all vehicle activity. The savings on company van tax that companies will make using Crystal Ball will immediately pay for the tracking system.

### what HMRC class as 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 3500 kilograms. A company van is a van made available to an employee for their employment which they do not own.

### when is tax charged 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, and the only use 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. The tax is normally collected through the employee's PAYE tax code.

### what if free or subsidised fuel is provided by the employer 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 / 2009-10, employees are charged tax for the year on:

- £3000 for the van (£600 tax based on basic rate)
- £500 for free or subsidised fuel for private use (£100 tax based on basic rate)
- total saving of £700

The current rates are on the HM Revenue and Customs website: [www.hmrcgov.uk/rates/travel.htm](http://www.hmrcgov.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 the booklet '480 expenses and benefits a tax guide' which can be found at: [www.hmrc.gov.uk/guidance/480.htm](http://www.hmrc.gov.uk/guidance/480.htm)

## BENEFIT BY £448 PER EMPLOYEE, PER YEAR



### Key Benefits:

- > immediate ROI
- > companies save £448 per employee in Class 1A NICs
- > employees can save paying a minimum of £700 per year tax
- > produce personal mileage information necessary for HMRC
- > easily differentiates between personal and business mileage
- > monitors exact working hours
- > reduces fuel expenses
- > reduces invoice queries
- > meeting the 'duty of care' obligations to employees
- > Crystal Ball Driver ID easily identifies between employees driving the same vehicle

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