

Private Mileage – New Van Tax Laws

On 6th April 2007 the Inland Revenue increased taxation for company vans as the BIK (Benefit in Kind) value increased 600% from £500 to £3000 (£3500 if the company pays for private use fuel) This has a significant impact on employers and employees.

Employers will now have to evidence compliance for those drivers who have opted out of using their company van for personal use.

So what does it mean?

Costs - Employer

Employers are responsible for NI contributions on the BIK which means a bill of £448 where employees use their vans for personal use. Add to this the cost of fuel (if you pay for it) additional wear and tear, reduced vehicle values and increased likelihood of an accident/damage to the vehicle and a company's additional costs can run into the thousands.

To offset these costs some companies are charging personal fuel costs back to the driver which significantly reduces usage as drivers are more likely to be less inclined to use their vehicle at their own cost.

Costs - Employee

Every van driver who chooses to use the vehicle for their own use will pay an extra £60 to £100 per month in tax. As a result of this additional cost some companies have had to increase wages to offset the employee's loss. Clearly this has an additional impact on company costs and increases the need for operational efficiency to recoup these losses.

So what do I have to do?

If your drivers have opted out of the Van Tax Law then you have to have implement processes, keep accurate records, review and approve data on vehicle activity and store that data for at least six years.

If you allow your staff to use their vehicles for personal use then unfortunately the main costs land at your door. Perhaps the best route is to charge back personal mileage, maximise production and efficiency, implement a fair use policy or take away the benefit.

For further details of the Van Tax Laws visit www.hmrc.gov.uk/vans/van-facts.htm