Double Cab Pick Ups - Benefits in Kind

HM Revenue and Customs (HMRC) recently announced and updated their guidance to confirm that Double Cab Pick Ups (DCPUs) with payloads of at least 1 tonne will continue to be treated as goods vehicles, and businesses and individuals can continue to benefit from the preferential tax treatment.

HMRC's definition of a 'goods vehicle' is a mechanically propelled road vehicle that:

- Is primarily constructed for the conveyance of goods.
- Has a design weight not exceeding 3,500kg.
- Is not a motorcycle.

For benefit in kind purposes, HMRC accept that vehicles should be categorised in line with the definitions used for VAT purposes. Under this measure, DCPUs which have a payload of 1 tonne (1,000kg) or more are accepted as goods vehicles for benefits purposes.

Where an employer provides an employee or director, or to a member of their family or household, with a DCPU, the taxable benefit position depends on the availability and use of that vehicle.

Broadly, there are two situations to determine whether a taxable benefit arises for the individual when the employer provides a DCPU:

1. If the employer ***restricts*** the private use, no taxable benefit will arise. The restricted private use condition is met if the terms on which the DCPU is provided to the employee prevents private use other than 'ordinary commuting' **<u>and</u>** the primary reason the employee has the DCPU is because it is needed for 'business travel'. If the employer allows ***unrestricted*** private use, provided the private use is 'insignificant', no taxable benefit arises.
2. If the employer allows ***unrestricted*** private use and it is significant, a flat rate benefit value will apply (for 2024/25, £3,960). This value is reduced by any employee contributions made for use of the DCPU provided they are made under contract and are paid by 6 July following the end of the tax year to which the taxable benefit arises. If contributions exceed the benefit value, the taxable benefit is nil.

'Ordinary commuting' is satisfied if:

- The terms on which the vehicle is available to the employee prohibit its private use otherwise than for the purposes of ordinary commuting or travel between two places that is for practical purposes substantially ordinary commuting; and
- Neither the employee nor a member of the employee's family or household uses the vehicle for significant private purposes.

'Business travel' is satisfied if the employee uses the vehicle for the purpose of their business travel which is needed in the normal course of their job.

Examples of insignificant use include:

- Takes rubbish to the tip once or twice a year.
- Regularly make a minor detour to drop off a child at school or stops at the shop on the way to work.
- Calls at the dentist en route home.

Examples of use which is NOT insignificant use include:

- Use the vehicle for supermarket shopping each week.
- Takes the vehicle on a week's holiday.
- Uses the vehicle for social activities.

No fuel benefit will arise if the ***restricted*** private use condition, outlined above, is met.

However, if the employer is to provide fuel for ***unrestricted*** private use, a flat rate fuel benefit will arise. Employee contributions cannot be deducted from the benefit value.

Electric vans

Since April 2021, there is no taxable benefit for a zero-emission van, including DCPUs, even if there is private use. The Government has no published plans to change this treatment.

Capital Allowances

Depending on the business circumstances, expenditure on a DCPU may qualify for the annual investment allowance (AIA), the 'full expensing' 100% first year allowance (FYA) or writing down allowance of 18% per annum in the main pool.

A motor vehicle not classed as a goods vehicle will not qualify for AIA and 'full expensing', although all vehicles which are electric or zero CO2 emissions can qualify for 100% FYA.