CHAVEREYS

CHARTERED ACCOUNTANTS & FINANCIAL ALCHEMISTS

Double Cab Pick Ups
Benefits-in-Kind and Capital Allowances

November 2024

It was announced in the Autumn Budget 2024 that the treatment of double-cab pickup vehicles (DCPUs) with a payload of one tonne or more will be changed.

Whilst those with smaller payloads have always been treated as cars for capital allowance purposes, benefit-in-kind (BIK) purposes, and certain deductions from business profits, this treatment will extend to all DCPUs with effect from April 2025 (from 1 April 2025 for Corporation Tax and from 6 April 2025 for Income Tax).

Currently, DCPUs with the larger payload are treated as goods vehicles, allowing businesses and individuals to benefit from preferential tax treatment. This includes a reduced BIK and accelerated capital allowances, which can be used to reduce business profits in the current year.

Under the new changes, where the vehicle is provided to an employee or director, a higher BIK value will apply, leading to an increased Employer Class 1A National Insurance Contribution (NIC) liability for the business. For capital allowance purposes, the Annual Investment Allowance (AIA) and First Year Allowance (FYA) will no longer be available for DCPU purchases. Additionally, the annual Writing Down Allowance will decrease from 18% to 6%.

However, the existing capital allowances treatment, including AIA/FYA, will continue to apply to qualifying purchases of DCPUs made before April 2025.

Transitional arrangements will apply for BIK purposes where the employer has purchased, leased, or ordered a DCPU before April 2025. In those cases, the current treatment will continue until the earlier of i) disposal of the vehicle, ii) lease expiry date, or iii) 5 April 2029.

Therefore, when considering the replacement of DCPU, or if the lease term is approaching its end, careful consideration should be given to the timing of your decision with April 2025 in mind. The treatment of single-cab pickups, vans and other commercial vehicles is unaffected.

If you plan to purchase or lease a new vehicle and are uncertain about its tax treatment, it is advisable to seek clarification from your usual Chavereys contact, and the dealer, to ensure the correct classification is applied.

HM Revenue and Customs (HMRC) is aware of instances where commercial vehicles have been modified, after assembly, to include additional passenger seats. HMRC's position is that the vehicle's construction should be assessed after modifications, which may result in the vehicle being classified as 'not primarily suited for carrying goods'. In such cases, HMRC will expect the vehicle to be treated as a car. Furthermore, care should also be taken regarding crash safety assessment and insurance of the vehicle, both of which may be invalidated by the alterations.