



## Income tax: van benefit charge for zero emission vans

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### Who is likely to be affected?

Businesses and employers that provide company vans which cannot in any circumstances emit CO<sub>2</sub> by being driven (zero emission vans) and employees provided with such company vans which are made available for significant private use.

### General description of the measure

The measure will increase the van benefit charge for zero emission vans from £nil, beginning in 2015-16. The van benefit charge for such vans will be 20 per cent of the van benefit charge for vans which emit CO<sub>2</sub> in 2015-16, 40 per cent in 2016-17, 60 per cent in 2017-18, 80 per cent in 2018-19 and 90 per cent in 2019-20. From 2020-21, the van benefit charge for zero emission vans will be the same as the van benefit charge for vans which emit CO<sub>2</sub>.

### Policy objective

By tapering the increase in the van benefit charge, there will still be an incentive to use zero emission vans so their production will continue to be encouraged. At the same time, increasing the taxable benefit ensures the tax system continues to support the sustainability of the public finances.

### Background to the measure

This measure was announced at Budget 2014.

## Detailed proposal

### Operative date

This measure will have effect on and after 6 April 2015.

### Current law

Sections 154 to 159 of the Income Tax (Pensions and Earnings) Act 2003 (ITEPA) provide for a van benefit charge for vans which emit CO<sub>2</sub>. When a van which is made available to an employee for reasons of the employee's employment and is also made available for private use, then the benefit of the van is treated as earnings from the employment. The benefit is subject to tax on the employee and Class 1A National Insurance contributions on the employer. If the employee is liable for the charge, it is applied as a single figure. The charge is not dependent on the value of the van or the proportion of private use within the period it has been made available unless it meets the conditions of restricted private use.

At present, sections 155(1)(a) and (2)(b) provide that vans which are incapable of producing CO<sub>2</sub> emissions under any circumstances (zero emission vans) have a van benefit charge of £nil.

### Proposed revisions

Legislation will be introduced in Finance Bill 2015 to amend section 155 ITEPA 2003 to increase the van benefit charge for zero emission vans as a percentage of the existing

charge for vans which emit CO<sub>2</sub>. The charge will gradually increase each year from 2015-16 to 2019-20.

The legislation will also amend the references to section 155 in other parts of the legislation in order to ensure that the calculation of the cash equivalent of a van includes the new provisions.

### Summary of impacts

| <b>Exchequer impact (£m)</b>                                    | 2014-15   | 2015-16    | 2016-17    | 2017-18    | 2018-19    | 2019-20    |
|---|---|------------|------------|------------|------------|------------|
|   | -   | negligible | negligible | negligible | negligible | negligible |
|   | This measure is expected to have a negligible impact on the Exchequer.  |            |            |            |            |            |
| <b>Economic impact</b>  | The measure is not expected to have any economic impacts.   |            |            |            |            |            |
| <b>Impact on individuals, households and families</b>           | <p>This measure will result in employees driving zero emission company vans which are also made available for significant private use beginning to pay income tax but at a lower rate than drivers of vans emitting CO<sub>2</sub>. This tax differential will be eliminated on a gradual basis in the run-up to 2020-21.</p> <p>The measure is not expected to impact on family formation, stability or breakdown.</p> |            |            |            |            |            |
| <b>Equalities impacts</b>                                       | The changes apply equally to all affected. There are no particular impacts on people with protected characteristics.  |            |            |            |            |            |
| <b>Impact on business including civil society organisations</b> | The measure is expected to have no impact on businesses or civil society organisations.   |            |            |            |            |            |
| <b>Operational impact (£m) (HMRC or other)</b>                  | Routine IT and guidance changes will be required for HM Revenue & Customs.  |            |            |            |            |            |
| <b>Other impacts</b>  | Other impacts have been considered and none has been identified.  |            |            |            |            |            |

### Monitoring and evaluation

The measure will be kept under review through regular communication with affected taxpayer groups.

### Further advice

If you have any questions about this change, please contact Alastair Dougans on 03000 584745 (email: [employmentincome.policy@hmrc.gov.uk](mailto:employmentincome.policy@hmrc.gov.uk)).