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## Car or Van?

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There are several tax areas which rely on being able to determine whether a particular vehicle is classified as a car or a van:

1. Benefits in kind, where car and fuel benefits are linked to a scale of CO<sub>2</sub> emissions, whereas vans are on flat rates.
2. Capital allowances, where vans qualify for annual investment allowance (100%) and the first year allowances (130%), whereas cars enter the main or special pools and qualify for writing down allowance only. Zero-emissions cars and vans are both entitled to 100% first year allowance.
3. VAT where input tax can be claimed on vans but not on cars (except in some very specific circumstances).

### Car benefit definitions

Every mechanically propelled vehicle is a car, unless it is:

- a goods vehicle
- a motor cycle (essentially a vehicle with less than four wheels which meets certain weight limits)
- an invalid carriage
- a vehicle of a type not commonly used as a private vehicle and unsuitable to be so used (e.g. ice cream vans, hearses)

A goods vehicle is defined as a vehicle of a construction primarily suited for the conveyance of goods or burden of any description (excludes people). The test is of construction, not use. It is only if the primary purpose for which the vehicle is constructed is the carriage of goods that it will escape from being a car.

For benefit tax/NIC and VAT purposes, one must look at the construction at the particular time in question (time of transaction or in relevant tax year).

A vehicle whose design weight exceeds 3,500kg is not a van, but a heavy goods vehicle.

## Double cab pick-ups

These vehicles were very popular a few years ago when the van benefit in kind was much lower than the car benefit. The substantial increase in van benefit from April 2007 made this less of an issue, but there are still potential savings to be made.

On the surface many double cab pick-ups appear to be equally suited to convey passengers or goods. However, when all factors relating to their construction are taken into account, a number of vehicles within this category do have a predominant purpose of carrying goods or burden. Each case will depend on the facts and exact specification.

As a general rule, HMRC accepts that a double cab pick-up with a payload of 1 tonne (1,000kg) or over is a van for benefit purposes. The 1 tonne rule applies only to double cab pick-ups, not to any other vehicle. Recent case law has shown that vehicles with payloads over one tonne are in fact cars, simply because they are primarily suitable for the conveyance of neither goods nor people and are multi-purpose vehicles (MPVs).

## Capital allowances definition

This is almost identical to the benefits definition.

## VAT input tax recovery

VAT rules say that a car is any motor vehicle of a kind normally used on public roads. It must have three or more wheels and meet one of the following conditions:

- It must be constructed - or adapted - mainly for carrying passengers.
- It must have roofed accommodation behind the driver's seat. This must either be fitted with side windows already or be constructed - or adapted - so that side windows can be fitted.

In addition, the following are not cars for VAT purposes:

- vehicles capable of accommodating only one person or suitable for carrying twelve or more people including the driver
- caravans, ambulances and prison vans
- vehicles of three tonnes or more unladen weight
- special purpose vehicles, such as ice cream vans, mobile shops, hearses, bullion vans, and breakdown and recovery vehicles
- vehicles with a payload of one tonne or more

## Problem car-derived vans

These vehicles, from the outside, still maintain the appearance of a car. However, from the interior the vehicles have the appearance and functionality of a van – the rear seats and seatbelts have been removed along with their mountings, the rear area of the shell is fitted with a new floor panel to create a payload area and the vehicle's 'side windows' to the rear of the driver's seat are made opaque. Such vehicles will be classified as vans, but all the criteria are very strictly applied.

## Vans with rear seats

Some vehicles look like vans and don't have windows in the sides behind the driver. But they do have additional seats for carrying passengers behind the front row of seats (or they're designed so they can be fitted with them). They're sometimes known as combination vans or combi vans.

HMRC considers that this type of vehicle is a commercial vehicle for VAT purposes if it meets either of the following conditions:

- It has a payload of more than one tonne after the extra seats have been added.
- The dedicated load area (the load area that's completely unaffected by the extra seats) is larger than the passenger area. This means that the main use of the vehicle is for carrying goods rather than passengers.

If it meets either of these conditions then the vehicle is a commercial vehicle for VAT purposes and you can reclaim the input VAT if you follow the normal rules for reclaiming VAT.

HMRC has produced a list of car derived vans and vans with rear seats showing whether they're classed as a van (commercial vehicle) or a car for VAT purposes:

[Check the HMRC list of car derived vans and combi vans](#)

Remember that vehicle specifications change so the list may not be up to date. If you're in any doubt you can contact the HMRC VAT Helpline (0300 200 3700) for guidance.

Exeter	Barnstaple	Bovey Tracey	Holsworthy	Honiton	Okehampton
Michael House Castle Street Exeter EX4 3LQ T: 01392 211233	Millennium House Brannam Crescent Roundswell Business Park Barnstaple EX31 3TD T: 01271 342233	The Steam Shop Pottery Road Bovey Tracey TQ13 9TZ T: 01626 200124	12 The Square Holsworthy EX22 6DL T: 01409 253620	Office 6 East Devon Business Centre Heathpark Way Heathpark Industrial Estate Honiton EX14 1SF T: 01392 211233	4 Fore Street Okehampton EX20 1AD T: 01837 52485

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