

Double Cab Pick-up (DCP) Tax Changes

What is the present income tax position regarding an employee provided with a DCP?

- Assuming the DCP's original construction has not been altered and the payload is 1 tonne or more, there is a fixed van benefit charge of £3,960 and a fixed van fuel charge of £757.

What is HMRC now stating?

- From 1st July 2024 HMRC will be changing their interpretation of the legislation regarding the benefit in kind position as regards DCPs.
- Under their revised interpretation HMRC believe that "most if not all" DCPs will be defined as a car for income tax purposes.
- This will heighten the benefit in kind charge considerably.

Example of the potential income tax impact on a Scottish taxpayer

- A DCP with a list price of £40,000 and CO2 emissions of 160km/g.

Intermediate rate taxpayer	Old rules	New rules
Tax on vehicle benefit	£831.60	£3,108.00
Tax on the fuel benefit	£158.97	£2,160.06
Total tax due	£990.57	£5,268.06

Higher rate taxpayer	Old rules	New rules
Tax on vehicle benefit	£1,663.20	£6,216.00
Tax on fuel benefit	£317.94	£4,320.12
Total tax due	£1,981.14	£10,536.12

Example of the potential income tax impact on a 'rest of the UK' taxpayer

- A DCP with a list price of £40,000 and CO2 emissions of 160km/g.

Basic rate taxpayer	Old rules	New rules
Tax on vehicle benefit	£792.00	£2960.00
Tax on the fuel benefit	£151.40	£2057.20
Total tax due	£943.40	£5017.20

Higher rate taxpayer	Old rules	New rules
Tax on vehicle benefit	£1584.00	£5920.00
Tax on fuel benefit	£302.80	£4114.40
Total tax due	£1886.80	£10034.40

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Are there any transitional arrangements?

- **Employers who purchased, leased, or ordered a DCP before 1st July 2024 will be able to apply HMRC's present interpretation regarding the income tax treatment of this vehicle until the earlier of disposal, lease expiring or 5th April 2028.**

Other factors to consider

- Subject to further confirmation from HMRC on this matter, employers are likely to incur a greater Class 1A national insurance (NI) charge as a result of HMRC's revised interpretation.
- Using the aforementioned example, the Class 1A NI on the vehicle benefit could rise from £546.48 to £2,042.40 and on the fuel benefit from £104.46 to £1,419.46.
- Subject to further confirmation from HMRC on this matter, employers may find that the amount of upfront capital allowances which can be claimed on the purchase of the DCP may fall from as high as 100% to as low as the 6%.
- Please note that this is HMRC's revised interpretation of the 'van' legislation, ultimately it is for the courts to decide, on a case by case basis, whether the Revenue's position is right or not if the taxpayer wishes to argue their point.

If you wish to discuss HMRC's change in stance re DCPS or other issues
please do contact us.