

Tax changes to Double cab pick-ups announced by HM Revenue & Customs (HMRC)

Last week HMRC issued new guidance, which means double cab pick-up trucks will be treated as company cars, rather than vans from 1 July 2024. The new rules apply to all double-cab pick-ups ordered after 1 July 2024, however, any vehicles already owned, leased, or ordered before 30 June will be subject to the existing van tax treatment until 5 April 2028.

Currently all pick-ups are subject to a fixed taxable benefit of £3,960 in the 2023-24 tax year, or if used predominately for business purposes, except for normal commuting journeys, no taxable benefit at all. This changes if the double cab pick-up trucks are taxed as company cars. For example, a double cab pick-up with a list price of circa £60,000 and CO2 emissions of over 200g/km, has a taxable benefit based on 37% of the list price of around £22,200. As can be seen, this is a lot higher than under the current tax system and will increase the tax payable by both directors/employees and the National Insurance Contributions payable by employers.

Transitional arrangements will apply for employers that have purchased, leased, or ordered a double cab pick-up before July 1, 2024, whereby they will be able to rely upon the previous treatment until the earlier of disposal, lease expiry, or April 5, 2028.

HMRC's internal guidance in their Employment Income Manual can be seen here: <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim23151> This includes the following examples, which all relate to double cab pick-ups made available to employees that are not of a construction primarily suited for the conveyance goods or burden.

Example 1

Employer A purchased a double cab pick-up on September 14, 2024. As purchases on or after 1 July 2024 would be subject to the new rules, in this example the vehicle would be classified as a car and a car benefit charge would arise.

Example 2

Employer B leased a double cab pick-up on April 10, 2024. As this was leased before July 1, 2024, the previous rules continue to apply for Employer B until the earlier of the lease expiry, or April 5, 2028.

Example 3

Employer C purchased a double cab pick-up on July 10, 2023. This was subsequently traded in on November 1, 2024, for another double cab pick-up.

The previous rules apply to the first vehicle for Employer C until the trade in point on November 1, 2024. As the new double cab pick-up was purchased after July 1, 2024 it will represent a car under the new rules and a car benefit charge would arise.

Example 4

Employer D placed an order for a double cab pick-up on January 5, 2024, but this was not available to the employer until September 2, 2024.

As the agreement was entered into before July 1, 2024, the previous rules continue to apply for Employer D until the earlier of disposal, lease expiry, or April 5, 2028.

The announced changes are disappointing, especially as the treatment for VAT purposes will be different and there will be business tax implications. However, the transitional arrangements will allow employers and employees to address the issues before 1 July 2024, to determine what action, if any, is necessary.

Please contact us for help or further information.