

# **FINANCE ACT 2014**

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## **EXPLANATORY NOTES**

### **INTRODUCTION**

#### ***Section 25: Cars and Vans: Payments for Private Use***

##### **Summary**

1. This section relates to taxable benefits on company cars and vans. With effect from 6 April 2014, any payment which an employee is required to make for the private use of a car or van needs to be made before the end of the tax year in which the private use was undertaken. Such private use payments can reduce the employee's tax liability on a car or van benefit.

##### **Details of the Section**

2. Subsection (1) amends section 144 (1)(b) of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) to provide for a reduction in the cash equivalent of the benefit of a car if, in a tax year, an employee pays in full the contributions required as a condition of that car being available for private use in that year.
3. Subsection (2) amends section 158 (1)(b) ITEPA 2003 to provide for a reduction in the cash equivalent of the benefit of a van if, in a tax year, an employee pays in full, the contributions required as a condition of that van being available for private use in that year.
4. Subsection (3) provides that these amendments have effect for the tax year 2014-15 and subsequent tax years.

##### **Background Note**

5. This section aligns the legislation with the Government's policy intention that any private use payment needs to be made in the tax year in which private use was undertaken. This section also ensures that if appropriate the full amount of tax is payable on a car or van benefit.
6. Section 144(1) ITEPA 2003 provides for an employee to reduce their tax liability on a car benefit if the employee makes payment for private use of the car.
7. Section 158(1) ITEPA 2003 provides for a similar tax liability reduction if payment for private use of a company van is made by an employee.
8. From 6 April 2014, sections 144(1) and 158(1) ITEPA 2003 will be amended to provide for a reduction in an employee's tax liability on a company car or van benefit only if payments for private use of a company car or van are made in the tax year in which the private use was undertaken.