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Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 3

EMPLOYMENT INCOME: EARNINGS AND BENEFITS ETC. TREATED AS EARNINGS

CHAPTER 6

TAXABLE BENEFITS: CARS, VANS AND RELATED BENEFITS

Vans: benefit treated as earnings

154 Benefit of van treated as earnings

- (1) [^{F1}If this Chapter applies to a van in relation to a particular tax year, the cash equivalent of the benefit of the van is to be treated as earnings from the employment for that year.]
- [^{F2}(2) In such a case (including a case where the cash equivalent of the benefit of the van is nil) the employee is referred to in this Chapter as being chargeable to tax in respect of the van for that year.
- (3) Any reference in this Act to a case where the cash equivalent of the benefit of a van is treated as the employee's earnings for a year by virtue of this section includes a case where the cash equivalent is nil.]
- [^{F3}(4) This section is subject to section 154A.]

Textual Amendments

F1 s. 154 renumbered as s. 154(1) (with effect in accordance with s. 7(9) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 7\(7\)\(a\)](#)

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- F2** S. 154(2)(3) inserted (with effect in accordance with s. 7(9) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 7\(7\)\(b\)](#)
- F3** S. 154(4) inserted (with effect in accordance with Sch. 2 para. 62 of the amending Act) by [Finance Act 2017 \(c. 10\), Sch. 2 para. 36](#)

[^{F4}154A Benefit of van treated as earnings: optional remuneration arrangements

- (1) Where this Chapter applies to a van in relation to a particular tax year and the conditions in subsection (2) are met—
- (a) the relevant amount is to be treated as earnings from the employment for that tax year, and
 - (b) section 154(1) does not apply.

In such a case (including a case where the relevant amount is nil) the employee is referred to in this Chapter as being chargeable to tax in respect of the van in the tax year.

- (2) The conditions are that—
- (a) the van is made available to the employee or member of the employee's household pursuant to optional remuneration arrangements, and
 - (b) [^{F5}the total foregone amount in connection with the van] is greater than the modified cash equivalent of the benefit of the van.

- (3) To find the relevant amount for the purposes of this section take the following steps—
- [^{F6}Step 1* Take the total foregone amount in connection with the van for the tax year.]
- Step 2* Make any deduction under section 158A in respect of payments by the employee for the private use of the van.

The result is the “relevant amount”.

- (4) In subsection (2) the reference to the “modified cash equivalent” is to the amount which would be the cash equivalent of the benefit of the van (after any reductions under section 156 or 157) if this Chapter had effect the following modifications—
- (a) omit paragraph (c) of section 155(8);
 - (b) omit section 158;
 - (c) in section 159(2)(b), for “155, 157 and 158” substitute “ 155 and 157 ”.
- (5) For the purposes of subsection (2) assume that the modified cash equivalent of the benefit of the van is zero if the condition in subsection (6) is met.
- (6) The condition is that the benefit of the van would be exempt from income tax but for section 228A (exclusion of certain exemptions).
- (7) Where it is necessary for the purposes of subsection (2)(b) and step 1 of subsection (3) to apportion an amount of earnings to [^{F7}a benefit mentioned in subsection (8)(a) or (b)] in the tax year, the apportionment is to be made on a just and reasonable basis.

In this subsection “earnings” is to be interpreted in accordance with section 69B(5).

[In this section the total foregone amount in connection with the van for a tax year is ^{F8}(8) the total of—

- (a) the amount foregone (see section 69B) with respect to the benefit of the van for that year, and

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- (b) the amount foregone (see section 69B) with respect to each other benefit that—
- (i) is connected with the van,
 - (ii) is provided in that year for the employee, or a member of the employee's household, pursuant to optional remuneration arrangements, and
 - (iii) is neither the provision of a driver nor the provision of fuel.]]

Textual Amendments

- F4** S. 154A inserted (with effect in accordance with Sch. 2 para. 62 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 2 para. 37](#)
- F5** Words in s. 154A(2)(b) substituted (with effect in accordance with s. 7(7) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [s. 7\(5\)\(a\)](#)
- F6** Words in s. 154A(3) substituted (with effect in accordance with s. 7(7) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [s. 7\(5\)\(b\)](#)
- F7** Words in s. 154A(7) substituted (with effect in accordance with s. 7(7) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [s. 7\(5\)\(c\)](#)
- F8** S. 154A(8) inserted (with effect in accordance with s. 7(7) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [s. 7\(5\)\(d\)](#)

[^{F9}155 Cash equivalent of the benefit of a van

[^{F10}(1) The cash equivalent of the benefit of a van for a tax year is calculated as follows.

(1A) If the restricted private use condition is met in relation to the van for the tax year, the cash equivalent is nil.

(1B) If that condition is not met in relation to the van for the tax year—

- (a) if the van cannot in any circumstances emit CO₂ by being driven and the tax year is any of the tax years 2015-16 to [^{F11}2021-22], the cash equivalent is the appropriate percentage of [^{F12}£3,490] and
- (b) in any other case, the cash equivalent is [^{F13}£3,490].

(1C) The appropriate percentage for the purposes of subsection (1B)(a) is—

- (a) 20% for the tax year 2015-16,
- [^{F14}(b) 20% for the tax year 2016-17;
- (c) 60% for the tax year 2017-18,
- (d) 80% for the tax year 2018-19, and
- (e) 90% for the tax year 2019-20.
- (f) 80% for the tax year 2020-21;
- (g) 90% for the tax year 2021-22.]]

(4) The restricted private use condition is met in relation to a van for a tax year if—

- (a) the commuter use requirement is satisfied throughout the year (or the part of the year on which it is available to the employee) or the extent to which it is not satisfied during that period is insignificant, and
- (b) the business travel requirement is satisfied throughout the year (or the part of the year on which it is available to the employee).

(5) The commuter use requirement is satisfied at any time if—

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- (a) the terms on which the van is available to the employee at the time prohibit its private use otherwise than for the purposes of ordinary commuting or travel between two places that is for practical purposes substantially ordinary commuting, and
 - (b) neither the employee nor a member of the employee’s family or household makes private use of the van at the time otherwise than for those purposes.
- (6) In subsection (5) “ordinary commuting” has the same meaning as in section 338 (travel for necessary attendance) (see subsection (3) of that section).
- (7) The business travel requirement is satisfied at a time if the van is available to the employee at the time mainly for use for the purposes of the employee’s business travel (see section 171(1)).
- (8) The cash equivalent of the van may be reduced—
- (a) under section 156 for any periods when the van is unavailable,
 - (b) under section 157 where the van is shared, and
 - (c) under section 158 in respect of payments by the employee for the private use of the van.]

Textual Amendments

- F9** Ss. 155-164 substituted for ss. 155-166 (with effect in accordance with s. 80(2) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 14 para. 5](#)
- F10** S. 155(1)-(1C) substituted for s. 155(1)(2) (with effect in accordance with s. 10(8) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [s. 10\(2\)](#)
- F11** Word in s. 155(1B)(a) substituted (with effect in accordance with s. 11(4) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 11\(2\)](#)
- F12** Sum in S. 155(1B)(a) substituted (with application in accordance with art. 1(2) of the amending S.I.) by [The Van Benefit and Car and Van Fuel Benefit Order 2020 \(S.I. 2020/199\)](#), arts. 1(2), 3
- F13** Sum in S. 155(1B)(b) substituted (with application in accordance with art. 1(2) of the amending S.I.) by [The Van Benefit and Car and Van Fuel Benefit Order 2020 \(S.I. 2020/199\)](#), arts. 1(2), 3
- F14** S. 155(1C)(b)-(g) substituted for s. 155(1C)(b)-(e) (with effect in accordance with s. 11(4) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 11\(3\)](#)

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