

FINANCE ACT 2015

EXPLANATORY NOTES

INTRODUCTION

Section 10: Zero-Emission Vans

Summary

1. This section increases the van benefit charge (currently £nil) on a tapered basis for company vans which cannot in any circumstances emit CO₂ by being driven (zero emission vans). The amendment will come into effect on or after 6 April 2015. This means that employees using zero emission vans for more than insignificant private use will now be liable for the charge, although the full charge will not come into effect until 2020-21.

Details of the Section

2. Subsection (1) introduces changes to the Income Tax (Earnings and Pensions) Act 2003.
3. Subsection (2) replaces sections 155(1) and 155(2) ITEPA 2003 and amends the method of calculating the cash equivalent of the benefit of a van. The charge is increased from £nil for zero emission vans to a percentage of the charge applying to vans which emit CO₂. This percentage increases each tax year from 40% in 2016-17 to 100% in 2020-21. For vans which emit CO₂, the existing van benefit charge continues to apply. The cash equivalent of the van benefit charge remains £nil where the restricted private use condition is met.
4. Subsection (3) replaces section 155(1) with new section 155 in section 156(1). When calculating the reduction for periods when the van was unavailable, the calculation of the cash equivalent of the benefit of a van now includes reference to the charge for zero emission vans.
5. Subsection (4) replaces section 155(1) with new section 155 in section 158(1). When calculating the reduction for payments for private use, the calculation of the cash equivalent of the benefit of a van now includes reference to the charge for zero emissions vans.
6. Subsection (5) replaces section 155(1)(b) with section 155(1B)(b) in section 160(1)(c). When calculating the benefit of van fuel treated as earnings, the new reference to calculating the cash equivalent of a van in other cases is used.
7. Subsection (6) replaces 170(1A). Following the introduction of subsection (2) of the new section, the references to the subsections on calculating the cash equivalent of a van are amended.
8. Subsection (7) revokes Article 3 of the Van Benefit and Car and Van Benefit Order 2014. Article 3, which sets the level of the full van benefit charge, is no longer necessary as a result of subsection (2) of this section.

*These notes refer to the Finance Act 2015 (c.11)
which received Royal Assent on 26 March 2015*

9. Subsection (8) provides that these changes and the revocation have effect for the tax year 2015-16 and subsequent tax years.

Background Note

10. The measure will phase out the existing £nil van benefit charge for zero emission vans between April 2015 and April 2020. From tax year 2015-16, a rate of 20% of the van benefit charge for vans which emit CO₂ will apply to zero emission vans. This rate will increase each year as follows until it is equivalent to 100% of the van benefit charge for vans which emit CO₂:

<i>Year</i>	<i>Rate of van benefit charge applying to zero emission vans</i>
2016-17	40%
2017-18	60%
2018-19	80%
2019-20	90%
2020-21.	100%

11. The 2009 Pre-Budget Report announced that the van benefit charge for zero emission vans would be £nil from 6 April 2010 to 5 April 2015, to support the uptake of cleaner goods vehicles. By tapering the increase in the van benefit charge, there will still be an incentive to use zero emission vans so their production will continue to be encouraged. At the same time, increasing the taxable benefit ensures the tax system continues to support the sustainability of the public finances.