

DOUBLE CAB PICK UPS

WHAT'S CHANGING?

From 6 April 2025, double cab pick-up trucks with a payload of at least one metric tonne will no longer be classified as vans for benefit-in-kind (BIK) or capital allowance purposes. Instead, they'll be treated as cars, aligning with recent case law and HMRC's revised interpretation of tax legislation. This change has several implications:

1. Higher BIK Taxes for employees using these vehicles for personal use.
2. Reduced Capital Allowances for businesses, making it harder to claim tax relief.
3. No Change to VAT Rules, which remain based on payload capacity.

THE IMPACT ON BIK TAXATION

Currently, double cab pick-ups classified as vans generate much lower BIK charges. From April 2025, the same vehicle will be taxed as a car based on CO2 emissions and the vehicle's list price. Here's an example:

2024/2025

Van BIK rate: £3,960
Van fuel BIK rate: £757
Assessable income: £4,717
Tax cost for higher rate payer (40%*): £1,887

2025/2026

List price: £40,000
CO2 emissions rate: 37%[‡]
Vehicle BIK rate (£40,000 x 37%): £14,800
Car fuel BIK rate (£28,200 x 37%): £10,434
Assessable income (£14,800 + £10,434): £25,234
Tax cost for higher rate payer (40%[‡]): £10,094

This represents a **432%**[§] increase in tax costs for employees.

* In Scotland, equivalent to potentially 45%, with a tax cost of £2,123

† In Scotland, equivalent to potentially 45%, with a tax cost of £11,355

‡ Most DCPUs will attract the highest CO2 emissions rate of 37%

§ In Scotland, equivalent to a 435% increase in tax costs for employees

CAPITAL ALLOWANCES

REDUCED RELIEF FOR BUSINESSES

Agricultural vehicles like tractors and quad bikes remain fully eligible for the Annual Investment Allowance (AIA). This means businesses can deduct the entire cost of these purchases from their taxable profits, up to the current AIA limit of £1 million.

Single cab pick-ups, as commercial vehicles, also continue to qualify for the AIA.

If vehicles are held by a sole trader or partnership, and there's a mix of business and private use, only the business portion of the cost can be claimed.

Cars, including double cab pick-ups, won't qualify for the AIA. Instead, tax relief depends on their CO2 emissions:

Brand-new, zero-emission cars
Eligible for a 100% first-year allowance

Second-hand electric cars
Allowable at 18% of their value

Cars with CO2 emissions of 50g/km or less
Allowable at 18% of their value

Cars with CO2 emissions over 50g/km
Allowable at just 6% of their value

For instance, if a self-employed business owner buys a single cab pick-up for £25,000 and splits its use 50/50 between work and personal activities, only £12,500 would qualify for the tax deduction.



LIMITED COMPANIES

For companies, private use is handled differently.

Full tax relief may still apply to the cost of the vehicle, but if it's made available for personal use by an employee or director a BIK charge will apply.

VAT

VAT rules for double cab pick-ups remain the same. Businesses can continue to reclaim VAT on vehicles with a payload exceeding one tonne.

TRANSITIONAL ARRANGEMENTS

REDUCED RELIEF FOR BUSINESSES

If you purchase, lease, or order a double cab pick-up before 5 April 2025, the current tax rules will continue to apply until whichever of the following comes first:

1. You dispose of the vehicle
2. The lease expires
3. 5th April 2029

This transitional period provides some breathing room for businesses and employees who act quickly. However, vehicles financed on long-term leases may still face the new rules if the lease extends beyond 2029.

WHAT CAN YOU DO?

To minimise the financial impact of these changes, you might consider the following:

Explore alternative vehicles

Assess whether a single cab pick-up or other commercial vehicle might better suit your needs.

Limit private use

Private use of vehicles classified as cars attracts stricter rules.

BUSINESS USE TIPS

Store the vehicle at the business premises outside of working hours.

Have no private cover on your insurance policy.

Use the vehicle strictly for business purposes only.

CAN WE HELP?

If you need advice and guidance on how these guidelines apply to your business, please do contact us.

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