

VAT and Vehicles – an update

Updated October 2009

New motor cars

Input tax cannot be reclaimed on the purchase of a new motor car that is available for private use. The only exception is if the vehicle is the actual tool of trading e.g. for a car hire business, taxi firm or driving school.

Note - with effect from 1 December 1999 vehicles are no longer treated as cars for VAT purposes if they have a payload of one tonne or more. Payload is the difference between a vehicle's maximum gross weight and its kerbside weight. In practice the change mainly affects those vehicles generally described as double cab pickups.

If you purchase a genuine pool car input VAT can be recovered if the following conditions apply:

- The car is normally kept at the principal place of business;
- It is not allocated to an individual; and
- It is not kept at an employee's home

Vans and commercial vehicles

There is no problem claiming input tax on vans and commercial vehicles. But what if a van is partly used for private purposes – let's say for 20% of the time?

You can either:

- claim 80% of the input tax on the cost of the vehicle at the time it is acquired i.e. to reflect the business use proportion
- claim 100% input tax at the time of purchase but then account for output tax on the private use element over a five-year period.

Vehicle Repairs

Even though a vehicle might be used for private purposes, 100% input tax can still be reclaimed on the costs of servicing and repairing the vehicle.

If you would like any more information on this subject please give us a call.

Peter Taaffe

Principal