



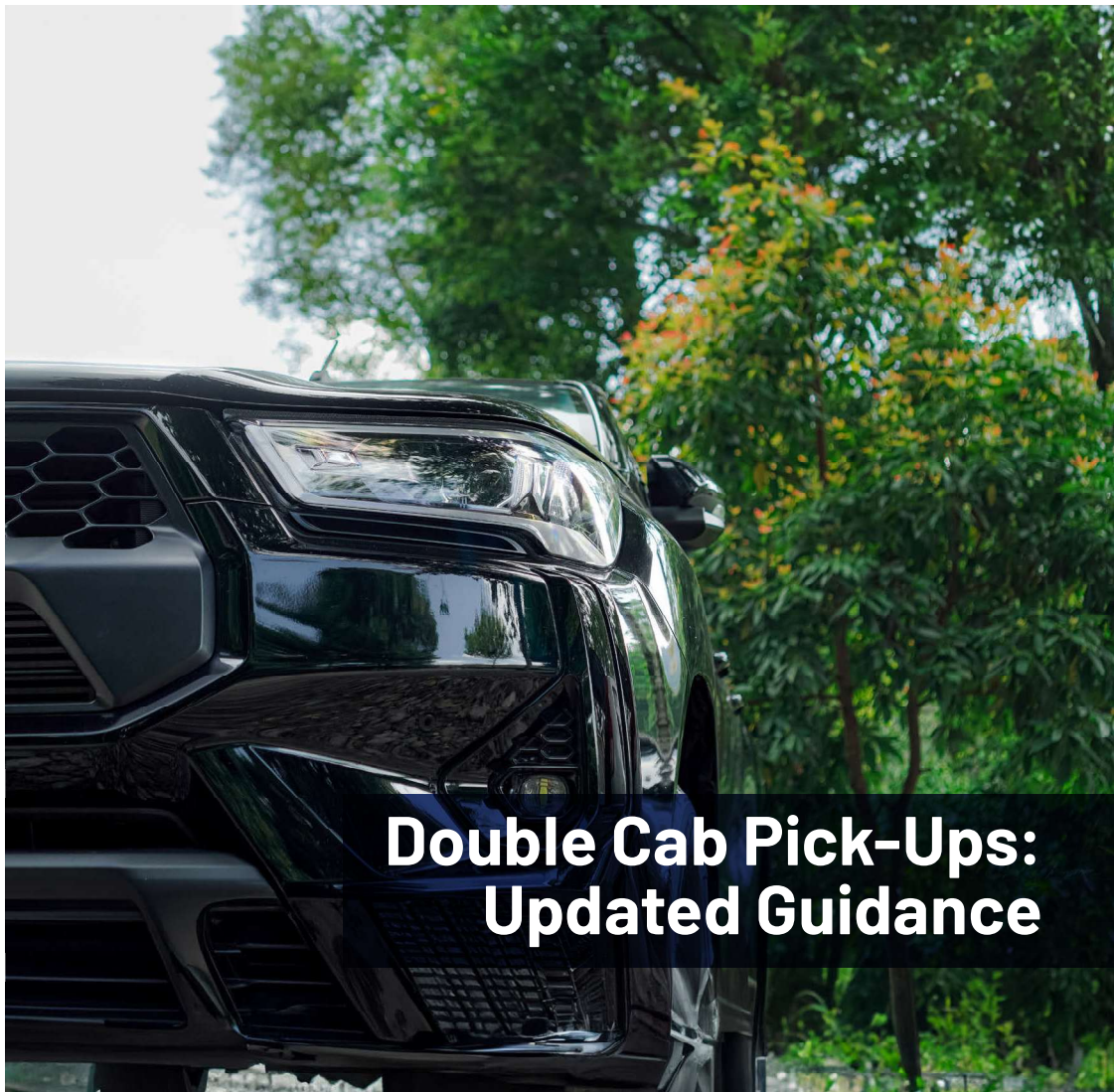
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**Double Cab Pick-Ups:
Updated Guidance**

Double cab pick-ups (DCPUs) will generally be treated as 'cars' for capital allowance, lease disallowance and employment benefit purposes from April 2025. This will reduce capital allowances and increase benefits in kind.

Changing approach

From 6 April 2002, HMRC has applied the definitions used for VAT purposes to the treatment of DCPUs for benefits and capital allowances. This means that DCPUs with a payload of one tonne (1,000kg) or more are treated as vans.

The intention to treat DCPUs as cars was originally announced in February 2024 with changes to the guidance expected to apply to DCPUs purchased after 1 July 2024. However, a week later this guidance was withdrawn meaning that DCPUs would largely continue to be treated as goods vehicles.

Autumn Budget 2024 announced that the change in approach would be introduced with effect from 1 April 2025 for Corporation Tax (capital allowances) and 6 April 2025 for Income Tax (capital allowances and benefits).

Capital allowances

The importance in the distinction for capital allowance purposes is that, generally, cars are ineligible for both the Annual Investment Allowance and First Year Allowances (the main exception being First Year Allowances on zero emission cars). In addition, whilst vans are considered main pool assets and therefore eligible for writing down allowances at 18%, cars are allocated to either the main rate pool or the special rate pool (6% writing down allowance) depending on the carbon dioxide emissions of the vehicle.



Expenditure incurred before 1/6 April 2025

For expenditure incurred before 1/6 April 2025 a DCPU with a payload of one tonne or more, will continue not to be treated as a car.

Expenditure incurred on or after 1/6 April 2025

For expenditure incurred on or after 1/6 April 2025, HMRC will no longer interpret the legislation that defines a car for capital allowances purposes as excluding DCPUs with a payload of one tonne or more. Tax law defines a car as a vehicle other than one of a construction primarily suited for the conveyance of goods or burden of any description. It is considered that most, if not all, DCPUs, are equally suited to convey passengers or goods and will be classified as cars under this provision.

Transitional arrangements

Transitional arrangements will apply for purchases (including hire purchase) where expenditure is incurred on a DCPU as a result of a contract entered into before 1/6 April 2025 and the expenditure is incurred on or after that date but before 1 October 2025. Such DCPUs with a payload of one tonne or more will continue not to be treated as a car.



HMRC have issued the following examples:

Example 1

New Morning Floral Designs Limited enters into a contract on 1 January 2025 to purchase a DCPU (payload 1,075kg) from Oxford Town Motors Limited for its expanding delivery service. The total cost of the vehicle is £35,000. They pay a 10% deposit of £3,500 on 1 January 2025, the day they sign the contract. The vehicle is available for collection on 1 June 2025 and the company pays the balance of £31,500 on collection. The deposit of £3,500 is incurred on 1 January 2025, before the commencement of the revised interpretation for DCPUs. Accordingly, this will be expenditure incurred on the provision of a goods vehicle and the company may be entitled to claim annual investment allowance or full expensing.

The balance of £31,500 is incurred on 1 June 2025, which is on or after 1 April 2025, when the revised interpretation for DCPUs applies. However, this expenditure has been incurred in respect of a contract entered into before 1 April 2025 and, as a result, the pre-1 April 2025 interpretation will apply.

Example 2

New Morning Floral Designs Limited's delivery service goes from strength to strength. On 1 September 2025, the company enters into a contract to purchase a further DCPU, paying the full price of £38,000 at that time and take delivery one week later. The expenditure is incurred on 1 September 2025, which is on or after 1 April 2025, and as a result of a contract entered into after that date, so the new interpretation will apply. Accordingly, the purchase is likely to be treated as on the provision of a car for capital allowances purposes and the expenditure will not qualify for the annual investment allowance or full expensing.

DCPUs - payload under one tonne

- The application of the definition of a car to DCPUs with a payload of under one tonne has not changed. It is expected that these vehicles are not primarily constructed for the conveyance of goods or burden of any description. Accordingly, these vehicles will continue to be treated as cars.

Leases

Changes to the guidance also means more DCPUs will be treated as cars when considering the lease rental disallowance which applies to cars over 50g/km.

For expenditure incurred on the hire of a DCPU before 1/6 April 2025 a DCPU with a payload of one tonne or more will continue to not be treated as a car. As above, for expenditure incurred on the hire of a DCPU on or after 1/6 April 2025, DCPUs which are not primarily constructed for the conveyance of goods or burden of any description will be treated as cars.

Transitional arrangements will apply to expenditure incurred on the hire of a DCPU with a payload of one tonne or more if the contract for hire is entered into before 1/6 April 2025 and the expenditure is incurred on or after these dates but before 1 October 2025. In these circumstances, the expenditure will continue to be treated as expenditure not incurred on the hire of a car.

Expenditure incurred on or after 1 October 2025 will be treated as expenditure on the hire of a car, regardless of when the contract for hire was entered into.

Benefits in kind

The above guidance also applies to benefits in kind. As for capital allowances, classification of DCPUs will be determined by assessing whether it has primary suitability for the conveyance of goods or passengers as at the date it is made available. It is therefore expected most DCPUs will be treated as cars from 6 April 2025. This is because typically these vehicles are equally suited to convey passengers and goods and have no predominant suitability.

Transitional arrangements

Transitional arrangements will apply for employers that have purchased, leased or ordered a DCPU before 6 April 2025, so that they will be able to rely upon the previous treatment until the earlier of disposal, lease expiry or 5 April 2029. The position prior to 6 April 2025 remains unchanged.



The following examples have been issued by HMRC:

Example 1

Employer A purchased a DCPU on 14 September 2025. As purchases on or after 6 April 2025 would be subject to the new rules, in this example the vehicle would be classified as a car and a car benefit charge would arise.

Example 2

Employer B leased a DCPU on 10 December 2024. As this was leased before 6 April 2025, the previous rules continue to apply for Employer B until the earlier of the lease expiry, or 5 April 2029.

Example 3

Employer C purchased a DCPU on 10 January 2024. This was subsequently traded in on 10 April 2025 for another DCPU. The previous rules apply to the first vehicle for Employer C until the trade in point on 10 April 2025. As the new DCPU was purchased after 6 April 2025 it will represent a car under the new rules and a car benefit charge would arise.

Example 4

Employer D placed an order for a double cab pickup on 5 January 2025, but this was not available to the employer until 2 September 2025. As the agreement was entered into before 6 April 2025, the previous rules continue to apply for Employer D until the earlier of disposal, lease expiry, or 5 April 2029.

VAT

The treatment for VAT purposes has not changed; DCPUs with a payload of one tonne (1,000kg) or more are treated as vans. DCPUs with a payload under one tonne are considered to be cars.

If a vehicle is classified as a van, full VAT recovery is allowed on the purchase if the business can demonstrate that it is used exclusively for business purposes. If there is any private use, only a proportion of the VAT can be reclaimed.

If a vehicle is classified as a car VAT cannot generally be recovered on its purchase.