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Briefing Note

VAT Liability on Transport to Work

VAT zero rating is allowed for public passenger transport in any vehicle designed or adapted to carry not less than 10 passengers. For vehicles designed or adapted to carry less than 10 passengers VAT is at standard rate.

This means that if you charge workers for transport to work in a vehicle designed or adapted to carry less than 10 passengers then you must pay VAT on the charge.

So for example if you charge £5 per day from workers for transport then the standard rate VAT element of this is payable to the HMRC. In order to effectively charge the workers £5 as a contribution towards your transport costs you must actually add standard VAT to this.

Should the HMRC conduct an inspection and find that you have not been paying this they are entitled to claim back payment for 3 years from the end of the VAT quarter of the inspection.

The rules on VAT for Passenger Transport are contained in Public Notice 744 available at: http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?nfpb=true&pageLabel=pageLibrary_PublicNoticesAndInfoSheets&propertyType=document&columns=1&id=HMCE_CL_000161