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Payment of specific car costs does not reduce benefit in kind

The finance ministry has decreed that lump sum and pro rata payments by the employee reduce the company car benefit in kind whilst the assumption of specific costs does not.

There are two alternative ways of calculating an employee's benefit from his or her private use of a company car. These are the "1% rule" (1% p.m. of the list price of the car for the private use plus 0.03% p.m. per km distance between home and work for driving to work, if applicable) or taxing the portion of the actual running cost of the car attributable to its private use. This proportion is to be established from a mileage log. Under either alternative, the benefit charged to tax is the gross benefit as calculated less any amounts paid by the employee towards the car's running cost.

The finance ministry has now issued a decree to the effect that to qualify for benefit reduction, the employee's contribution must have been formally agreed (e.g. by contract, union or shop agreement) and must be a fixed amount or based on usage. The fixed amount is typically expressed as so much per month; the usage contribution can be a fixed amount per kilometre driven. The amounts as set are not open to dispute. However, they cannot be set on the basis of specific running expenses. Thus an agreement that the employee pay for "his" share of the petrol (gasoline) cost of the car does not reduce the benefit in kind, whilst an agreement setting the private use contribution at 0.01% per km driven privately (and/or to work), or at, say, €200 per month, does. The new rule distinguishing between lump sum and specific cost reimbursement applies to all open cases; the requirement for a formal agreement applies as of July 1, 2013.

Schlagwörter

1% rule, benefit in kind, company car