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Costs for use of private car instead of company car not tax deductible

Expenses incurred for business travel by private car are generally considered unreasonable and therefore cannot be fully deducted as income-related expenses if the taxpayer is provided with a company car and would not have incurred any travel expenses had he used it. This is the conclusion of the Supreme Tax Court in a recently published decision.

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Background

The plaintiff is in employment. His employer provided him with a company car which he and his wife were permitted to use for private purposes as well provided that no business requirements precluded its use. Where the company car was used for business trips the employer reimbursed the incurred fuel costs. However, the use of a private vehicle was approved only in exceptional cases because the company car or vehicles provided by the company's fleet had priority of use.

Nevertheless, the plaintiff made three business trips using his private vehicle during the year in dispute. During this time, his wife used the company car. In his income tax return the plaintiff claimed mileage expenses for his trip with the private car. The tax office did not allow the deduction of these costs. The tax court of first instance upheld the plaintiff's claim.

The decision of the Supreme Tax Court in brief

The expenses cannot be deducted as income-related expenses because they affect the plaintiff's personal life and are further viewed as unreasonable according to the prevailing general view and public understanding ("*allgemeine Verkehrsauffassung*").

Although taxpayers are free to choose their means of transport for business trips, the use of a private car is not generally prohibited. Such expenses are generally considered part of one's personal lifestyle and are tax-deductible only to the extent that they are not considered unreasonable according to the general perception of the public.

However, the situation is different in the case of "alternating use of a company car and a private vehicle" ("dual-use"). In this case, the costs of business trips using a private vehicle - regardless of the taxpayer's general choice of transportation - are regarded as unreasonable in full (and not merely on a pro rata basis) because a prudent and conscientious taxpayer would not have borne the expenses incurred through the use of a private vehicle under these circumstances (i. e., with the option of free use of a company car). Nevertheless, the non-deductibility only applies if the "dual-use" is not due to work-related reasons. The same applies if the taxpayer chooses a different means of transport for professional reasons instead of the company car for his business trips (e.g., to save time).

Source:

Supreme Tax Court, judgment of 21 January 2026 (VI R 30/24) published on 7 May 2026.

Schlagwörter

company car, private use