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By PwC Deutschland | 18 January 2026

No reduction of taxable company car benefit by parking costs borne by employee

The Supreme Tax Court decided that the taxable benefit from private use of a company car may not be reduced by parking costs borne by the employee. The provision of a parking space or garage free of charge is considered separate to the benefit in kind of using a company car for private trips.

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Background

The private use of a company car may be valued at 1% per month of the manufacturer's list price of the car when new – the "1% rule". However, it is open to the taxpayer to value the private-use benefit at actual cost to the company allocated between business and private travel on the basis of an accurate and detailed log of all business travel – the "log rule". In addition, the monthly benefit in kind for each km of driving to work in a company car is set at 0.03% of the list price of the car when new.

The plaintiff in the case in dispute had allowed some of its employees to use company cars also for private purposes. As stated in the plaintiff's "company car policy" this did not cover the costs incurred by employees for renting garages and parking spaces. As there are only a limited number of public parking spaces available in the vicinity of the plaintiff's offices the latter offers the possibility to its employees to rent a parking space near their place of work for a monthly fee of €30 regardless whether they use a company car or a private vehicle.

The tax office took the view that the value of the benefit in kind from private use of a company car should not be reduced by the cost for the parking space because this was not part of the total cost of the vehicle. The appeal against this decision was successful in the first instance. In the opinion of the lower tax court, the costs for the parking space at the place of work were directly related to the maintenance and operation of the company car and were inevitably incurred in connection with its use.

Decision

The Supreme Tax Court considered this view to be incorrect. The plaintiff had wrongly taken into account the parking space costs borne by the employees when assessing the benefit in kind

The only expenses incurred and borne by the employee which can reduce the benefit of being able to use a company car for private journeys, are those, which, if (hypothetically) borne by the employer, would be considered as part of this benefit and thus covered by the compensatory effect of the 1% rule. In addition to mileage-based expenses for fuel and lubricants this also includes regularly recurring fixed costs (e.g., liability insurance, motor vehicle tax, depreciation, maintenance and inspection costs, tire changes, vehicle cleaning). On the other hand, costs borne at the plaintiff's own discretion and which are not related to the use, maintenance, and intended operation of a motor vehicle (such as, e. g., ferry, toll, or vignette costs for private trips, depreciation for a bicycle rack) cannot reduce the benefit in kind.

The same applies to rental costs for parking space and garage because even the provision of a parking space or garage free of charge constitutes an independent benefit that is not to be valued according to the 1% rule or the logbook method if the provision is not made in the employer's own business interests.

Note: The situation would most likely be different if the assumption of costs had been agreed in the employment contract or was based on another legal ground under labor or employment law (e.g. company car regulations). In such cases, the tax authorities apparently take the employees' expenses into account as a reduction in benefits.

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Source:

Supreme Tax Court, decision of 9 September 2025 (VI R 7/23), published on 15 January 2026.

Keywords

benefit in kind, company car, employee benefit