

## Fuel cards and other fuel expenditure: tax authorities publish FAQ

When a company puts a car at the disposal at a director or employee for free, they obtain a taxable benefit in kind. The company itself should report 17% of the expenses as disallowed expenses. Since the beginning of this year this percentage has increased up to 40% for companies which also bear the fuel costs. This rule gives rise to a lot of extra administration: in case the company wants to avoid that it will have to report 40% as disallowed expenses, it will have to demonstrate that only professional fuel costs were taken into consideration.

### Report 17% or 40% is disallowed expenses?

Companies which only bear the cost of professional fuel expenses, can report 17% in their disallowed expenses. Companies also paying for private fuel expenditure (including travel from home to work and back) should report 40% in their disallowed expenses. Even when they only partly pay for the private fuel costs. This can be done by giving fuel cards to the employees, but also by paying the fuel costs through expense notes.

### How to determine whether the company contributes to private expenses: mention it in the contract

One way to determine whether the company pays for private fuel costs is to examine the contract with the employee/director or the *car policy* of the company. According to the tax authorities, also the use of a subaccount of the cost account 61 'Services and other goods', where fuel costs are accounted for separately, can be used.

On the other hand, these documents are only an indication. Even when the contract stipulates that private fuel costs are not reimbursed, 40% will have to be reported as disallowed expenses if in practice it shows that the company has paid for private fuel on expense notes.

### Nothing foreseen in the contract = counting kilometres

Is nothing provided in the contract or the *car policy*? Then you have to count kilometres.

The tax authorities suggest in first instance to keep a **trip administration** as it is the case for VAT purposes (in order to determine the deductibility for cars with mixed use). This means: recording the date of each trip, start and end address and the number of professional kilometres for professional use. At the start and the end of the taxable period the mileage of the car is registered, so it is sufficient to deduct the number of professional kilometres from the total mileage, in order to know the number of professional kilometres.

This asks a lot of administration; therefore, the tax authorities propose an alternative. The tax authorities have determined the following formula: number of private kilometres during a period of twelve months = home-work distance x 2 (there and back) x 200 (number of working days) + 6.000 ('real' private kilometres). Also, this method is used for VAT purposes for whom does not keep a trip administration.

*Example*

Karel lives 12 km from his work. He has a car with fuel card. His private kilometres amount to  $12 \times 2 \times 200 + 6.000 = 10.800$ .

**Demonstrate that private kilometres are not reimbursed**

Subsequently the company should demonstrate that only professional mileage, as determined on the basis of one of the above formulas, are reimbursed.

This can be done in two ways:

**First method for reimbursement through expense notes**

Demonstrate that the total amount of expense notes, filed during the taxable year per user of the vehicle, does not exceed the result of: (professional kilometres per year/total mileage per year) x total fuel cost per year.

*Example*

The bvba DESMEDT puts a car at the disposal of her director Marc. He files expense notes in order to obtain reimbursement of the professional fuel costs. During the year, he drives a total distance of 24.000 km, of which 17.000 km for professional purposes. The total amount of the fuel costs for that year is 3.000 EUR for 2.400 litres fuel. Marc can obtain maximal reimbursement of  $(17.000/24.000) \times 3.000 \text{ EUR} = 2.125 \text{ EUR}$ .

In this case, the 17% rate can be applied provided that the documents kept by the director demonstrate that the reimbursement concerns maximum 1.700 litres fuel =  $(17.000/24.000) \times 2.400$  litres of fuel.

**Second method for a director with a fuel card**

Demonstrate that the company has recharged an amount to and obtained reimbursement of the user, which at least equals: (number of private kilometres per year/total mileage) x total fuel cost per year.

*Example*

The same data as above, but the director received a fuel card. The director will have to reimburse the amount related to his private mileage =  $(7.000/24.000) \times 3.000 = 875 \text{ EUR}$ .

**Electrical and hybrid vehicles**

For **electrical vehicles**, the 40% should be applied in case the company provides a **charging point** and bears all the costs. In case the company recharges the electricity for the private mileage to the user, the 17% rate can be applied. In case the director receives a **charging pass** or a subscription through which electrical stations which are publicly accessible can be used, the above rules for fuel are applicable. The consumption of electrical cars is expressed in kilowatt-hour per 100 kilometres.

Mixed situations may occur. Possibly the user has a charging point at home and at work. He can also use the charging point at work and have a loading pass or subscription in order to use publicly accessible charging points. In such cases, it should be demonstrated that the employee bears the costs for private mileage according to the above methods.

In case the user when using the electrical vehicle for private purposes charges it with 'domestic' electricity, also the 17% rate can be applied. Provided that he does not ask for reimbursement of these costs through his expense report. This hypothesis is only possible in case the director has a device at home making it possible to charge the battery.

Also for **hybrid vehicles** these rules apply:

- For hybrid vehicles with a plug-in system, both for the fuel and the electricity expenses;
- For the (other) hybrid vehicles the tax authorities only takes the 'classical' fuel costs into consideration (diesel, petrol, ...) according to the above rules.

### Starting when?

The new rules relating to the disallowed expenses for car expenditure are applicable to the expenses made or borne as from 1 January 2017, irrespective the registration date of the vehicle.

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