

## Cash for car: interesting for who?

The tax and social advantageous mobility allowance or cash for car scheme is not the same as the mobility budget. This we explained earlier. The mobility allowance exists since 1 January 2018, the introducing of the mobility budget is in preparation. In this article, we focus on the legal and tax treatment of the mobility allowance: swap a company car for cash.

For this scheme company cars are passenger's cars, cars for double use, minibuses, including the 'false' light trucks (art. 65 Income Tax Code) which are registered in the name of the employer or are part of a renting or leasing contract and which are put at the disposal, whether or not for free, to the employee for its private use (journey to and from work, other private displacements).

The cash for car scheme applies to:

- All employees in the private or public sector with a company car. They should have had a company car for at least 12 months during the last three years of which 3 months uninterruptedly previous to the application. Special rules apply for employees changing work.
- All employers which have - during an uninterrupted period of at least 3 years - provided one or more company cars to one or more employees. This time period does not apply to starters.

The mobility allowance does not apply to directors. Employees having a free mandate as director in the same company, do qualify for the mobility allowance.

## Legal aspects of the mobility allowance

The employers take the initiative to introduce a mobility allowance. The employee should apply for the allowance with his employer in writing, which can be accepted or rejected. When rejected, the decision should be motivated. Employees with several company cars with the same employer, can swap only one car for a mobility allowance.

The formal application of the employee and the positive decision of the employer create an agreement which forms part of the labour agreement. This agreement precedes the first payment of the mobility allowance and quotes a.o. the base amount of the mobility allowance.

The mobility allowance is a monthly cash payment which equals the annual benefit in kind of the company car which is turned in. The cash amount is calculated based on the (annual indexed) list price of a new company car which is turned in: list price x 6/7 x 20%. Employees having a company car and a fuel card are entitled to a higher mobility allowance: list price x 6/7 x 24%. The CO2-emission is not taken into consideration.

In case the employee has had multiple cars during the last 12 months, the value of the car which he has used the longest will be taken into consideration.

The mobility allowance is not considered as salary and is therefore explicitly excluded from the salary concept for social security purposes for the calculation of social security payments.

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### Tax consequences

When a company car is replaced by the mobility allowance, the latter becomes a taxable benefit in kind. The annual taxable benefit is limited to 4% of the calculation base: i.e. 6/7 of the list price with a minimum of 1.310 euro (indexed amount for tax year 2019; base amount: 820 euro). The amount of the mobility allowance exceeding the above amount is exempt.

### Deduction for personal income tax purposes

An employer subject to personal income tax, can deduct the mobility allowance up to 75%. An employee receiving a mobility allowance and using his own car for journeys to and from work, can deduct the car costs as professional expenditure at 0,15 euro per kilometer.

### Deduction for corporate tax purposes

The solidarity contribution which is due by the employer for the mobility allowance, is fully tax deductible as professional expenditure.

Employer should for corporate tax purposes add 17% or 40% of the taxable benefit in kind in the hands of the employee to the disallowed expenses. The increased percentage of 40% applies when the company (fully or partially) pays for the fuel costs of the replaced vehicle.

### Loss of advantages

The mobility allowance loses its social security and tax advantages in case the employer - additionally to the mobility allowance - still grants or again grants the benefit of a company car for private displacements. Except in special circumstances such as the use of a pool car.

The mobility allowance cannot be combined with the exemption for a repaid train pass or an exempt bike allowance, unless such benefit was already combined with the use of a company car. The employer can also no longer grant an allowance for journeys to and from work.

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