VAT consequences of mixed use of company cars revisited

The VAT incurred on a mixed used company car (private and professional use) can only be partially deducted. Previously we explained the three methods according to which the allowed deduction can be calculated. The VAT authorities published a new circular letter on 9 September 2013 in which the different methods are explained, some changes are made and a fourth method is added.

Means of transport within scope

The definition of the means of transport within scope is amended. The circular letter states that the calculation methods can only be applied to means of transport with an engine of more than 48 cc or with a power of more than 7,2 kilowatt intended for the use of persons and/or goods by road.
A bike, a trailer or a boat do not fall within the scope.

Additionally, some motorized vehicles (which in principle fall within the definition) are still excluded:

- Vehicles with an allowed weight of more than 3500kg;
- Vehicles for the transport of persons with more than eight seats (the driver's seat not included);
- Vehicles for the transport of the sick or wounded people, prisoners and bodies;
- Vehicles which cannot be registered with the vehicles' registration services (DIV) due to their technical characteristics;
- Campers.

How much VAT can you deduct?

If you have calculated the professional use according to one of the methods below, you know how much VAT you can deduct/recuperate: this is the percentage of the professional use.
The deduction limitation applies to all expenditure the VAT payer makes for this car: purchase, but also fuel, repair, maintenance, ..
Note: the 'normal' deduction limitation for cars still applies, so you can never recuperate more than 50% of the VAT.

Example
Your company buys a car in 2013 for an amount of 35.000€, exclusive 7.350€ VAT. Your total professional use of the car amounts to 38%. Consequently you can deduct 38% of 7.350€ (= 2.793€).

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The three existing calculation methods

The three existing methods are retained. We remind you of these three methods and explain them through a new example.

First method: mileage administration

For this method, you should keep an administration with data on your professional mileage: date, place of departure and destination, number of kilometers and total number of kilometers per day. In this way you can calculate your professional mileage. Subsequently you calculate the ratio with the total annual mileage.

Example
During a year you drove 4.800 professional kilometers with a total of 12.000 kilometers. Your professional use amounts to 40%. You can deduct 40% of the VAT.

Second method: lump sum formula

The second method combines a formula with a lump sum. This lumps sum relates to the 'pure' private use (this is other private use than the home-work mileage) and amounts to 6.000 kilometers per year. With this formula you calculate your private use. The formula contains a second lump sum, i.e. 200, which is the number of days you are assumed to have home-work mileage.

The formula: (distance home-work x 2 x 200 + 6000)/total distance during the year

Example
You live 12 km from your work. Your private use then amounts to: 12 x 2 x 200 + 6000 = 10.800 kilometers. Imagine that this equals 64% of the total mileage, then your professional use amounts to 36% (100% - 64% private use).

Third method: general lump sum of 35% and no more requirement of four cars

The last method is the special lump sum of 35%. Initially only companies with at least four cars could apply this method. This requirement is now abolished. Who opts for this calculation method, should apply it for at least four years.

Combining methods

The third method cannot be combined with other methods.

A new method: lump sum of 85% for light trucks

For the known 'light trucks' which are mainly used by the VAT payer to transport goods within the framework of the economic activity, a new lump sum is introduced. These vehicles are deemed to be used professionally for 85%.
The circular letter lists the vehicles which fall within scope (the qualification given by 'DIV' is not relevant).

Applicable as from when?

Most of these rules apply as from 1 January 2013.
The lump sum of the third method can also be applied as from 2012 for those who have less than 4 cars.

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