

PwC's webinar week: Future of mobility

The changing landscape of mobility

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Speakers



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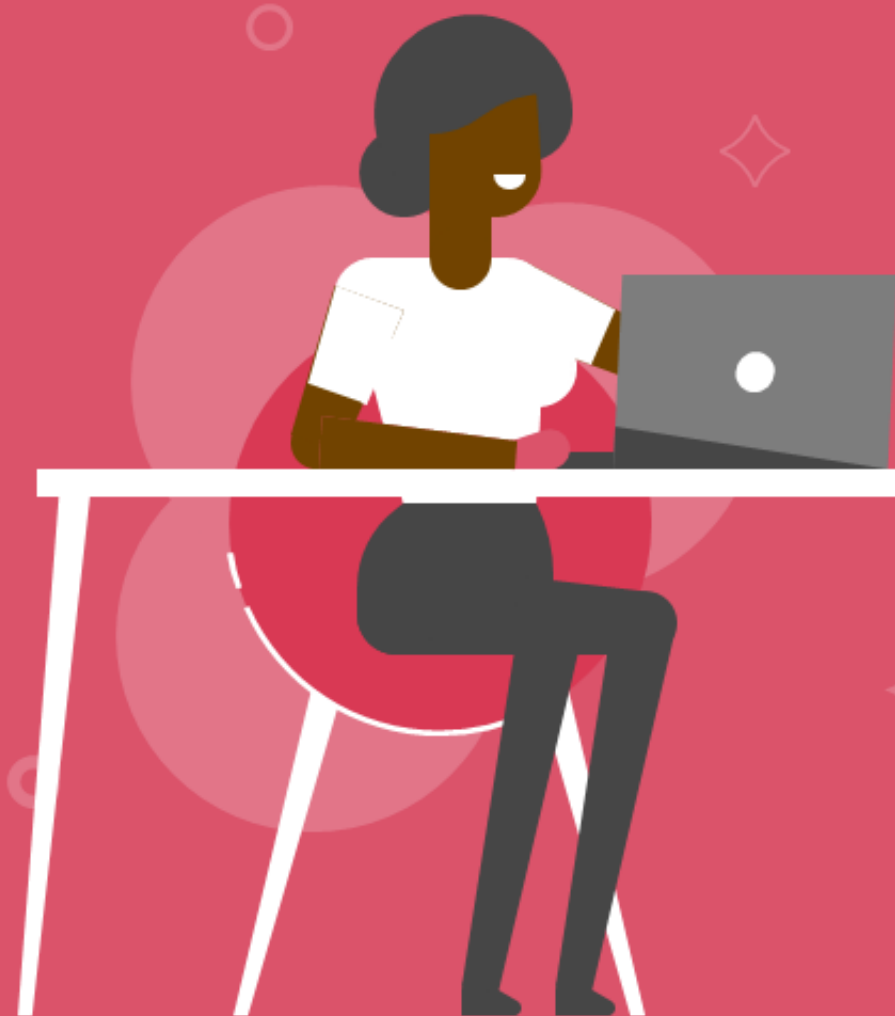
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Agenda

- 1 Company cars: current regime
- 2 Upcoming changes
- 3 The impact (of the new legislation)



Company cars: current regime



Mobility is high on the agenda...

16 074 km

(2019)

Average distance travelled per inhabitant
per annum (private car)

29 615 km

(2019)

Average distance travelled per inhabitant per
annum (company car)

Covid year 2020

Average decrease of 4.624 km

Number of Company Cars

+/- 700.000

2,8 Mio ton CO2

= 1/5 of total CO2 emission of
all cars in Belgium

Number of Salary cars

2.3 Evolutie van het aantal salariswagens



Car fleet

5.9M

of cars in Belgium (2021)

+67%

Hybrids
(in comparison with
2020)

+70%

Electrics
(in comparison with
2020)

Congestion cost

€ 8Mds

Per annum

Pollution costs

€ ~1.650

Per year & per inhabitant gathering the
impact on health, biodiversity, work
productivity (1)



Why is the salary car so popular in Belgium?

Company cars in the viewfinder:

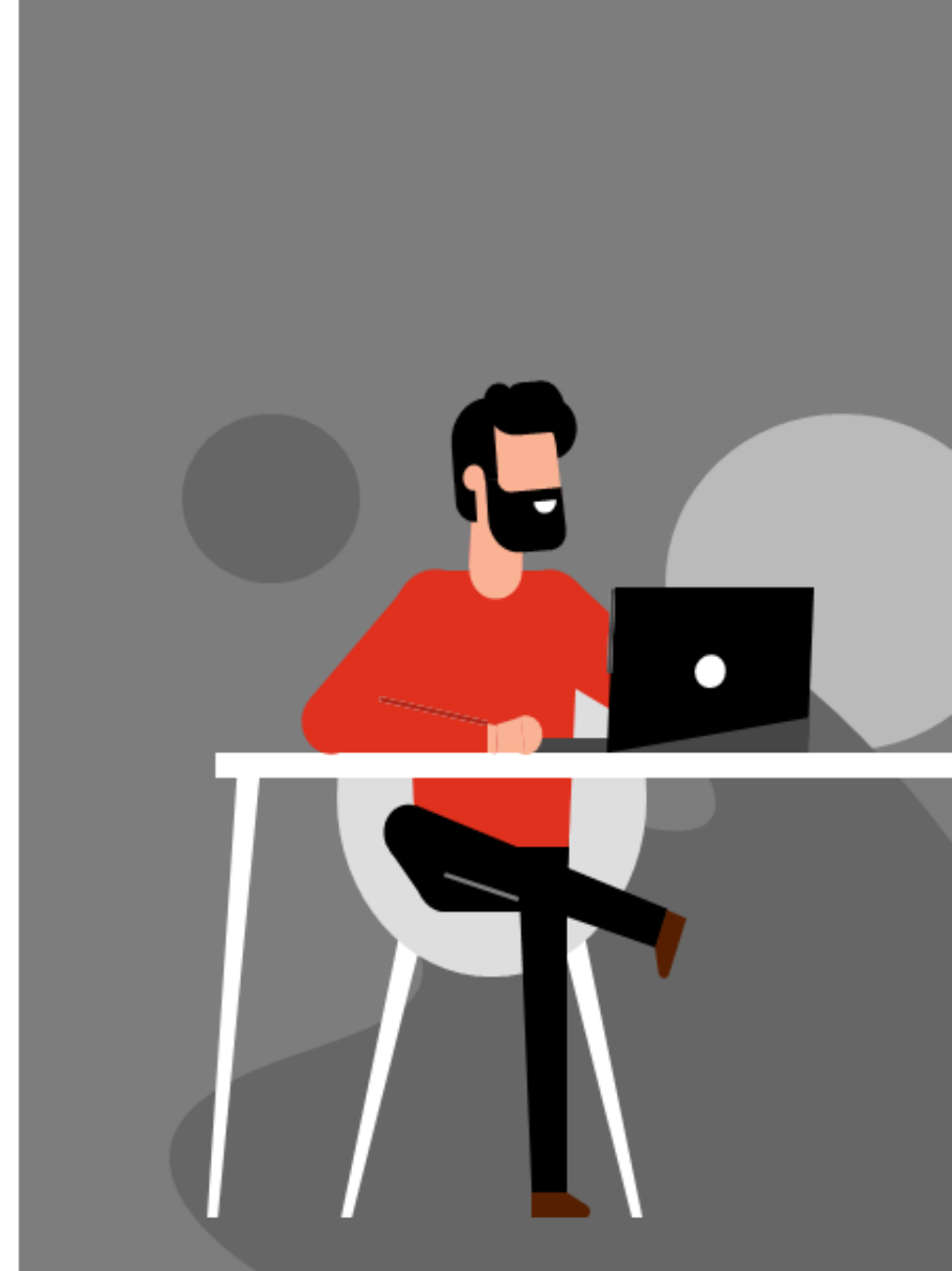
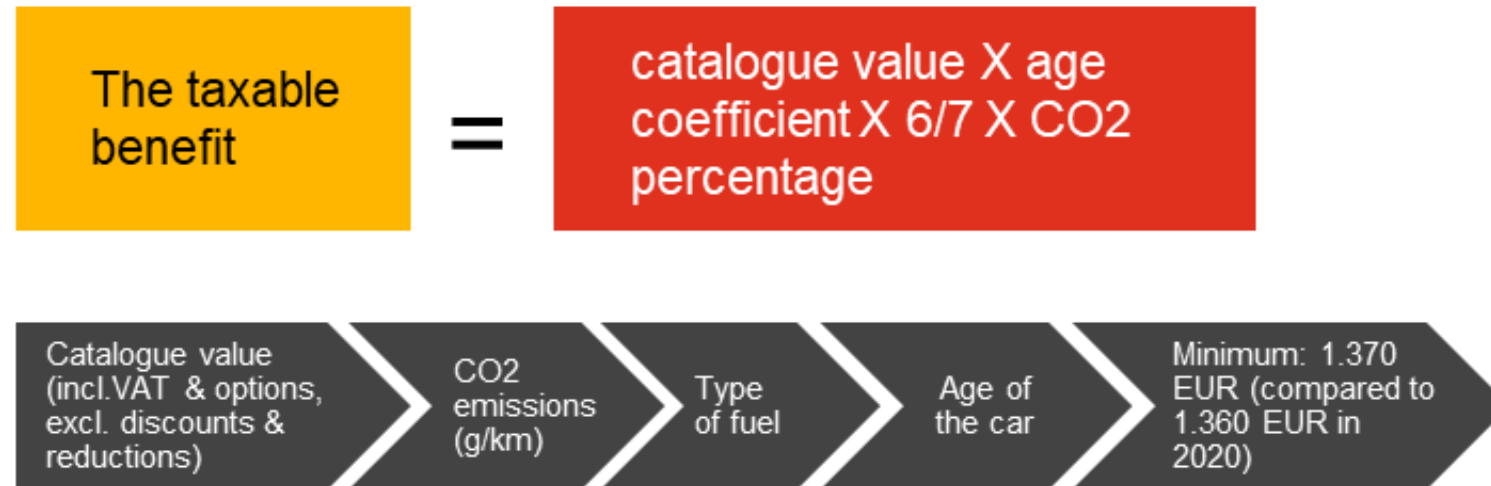
- Favourable tax treatment for both employees and employers
- Employee is taxed on a lump sum amount that does not take into account the actual cost (eg. number of kilometres of private use)
- Employers : the benefit of using a company car is not subject to the regular system of employers' social security contributions and car expenses are (partially) deductible under corporate income tax rules



Personal income tax: benefit in kind

Calculation benefit in kind company cars

Lumpsum valuation method:



As from income year 2020 - Tax year 2021

Deduction of car costs Formula

$$120\% - (0.5\% \times \text{coefficient} \times \text{gr CO}_2/\text{km})$$

Cars	Rate	Formula
200 gr CO ₂ or more	40%	N/A
diesel engine	Between 50 and 100%	$120 - (0,5\% \times 1 \times \text{gCO}_2/\text{km})$
other engine	Between 50 and 100%	$120 - (0,5\% \times 0,95 \times \text{gCO}_2/\text{km})$
natural gas engine and <12 fiscal hp	Between 50 and 100%	$120 - (0,5\% \times 0,90 \times \text{gCO}_2/\text{km})$
“fake” hybrid bought as from 1 January 2018	Between 50 and 100%	formula and CO ₂ emission level of the corresponding car model without hybrid drive or, in absence of such model, level of CO ₂ emission x 2,5
“real /true” hybrid	Between 50 and 100%	$120 - (0,5\% \times 0,95 \times \text{gCO}_2/\text{km})$ (official level of CO ₂ emission)
electric car	100%	/

Social security

In principle, company cars are exempt from social security contributions



No employee social security contributions

For the employee

For the employer



Solidarity contribution calculated on the basis of:

- CO2-emission
- Annual index coefficient



What does this mean in EUR (annual amounts)?

Example BMW 320i xDrive (gasoline) - Starting point: Total Cost of Ownership

Determination of total cost for the Company	
TOTAL COST*	17.809
*TCO = Lease price + fuel + non deductible VAT + CO ₂ -contribution + CTX non deductible costs	
Net employee	
Fully serviced car	TBD
Benefit in Kind (BIK)	3.992
TOTAL NET cost for the employee to drive a fully serviced car (per year)	2.136

Based on the below assumptions, the total cost of the employer amounts to **EUR 17.808,64**. In this scenario, the employee has a fully serviced car for a net private cost of **EUR 2.135,64**.

Assumptions: BMW 320i xDrive Berline (48 months contractual lease term) ; List price: EUR 43.525,00 (incl. VAT and under the condition of standard discount) ; Leasing price (incl. insurance and financing) : EUR 9.543,36/year (excl. VAT) ; CO₂ emission: 154 g/km; Gasoline; fuel for EUR 3.371,92/year (excl. VAT).



What does this mean in EUR (annual amounts)?

Example BMW 320e (hybrid) - Starting point: Total Cost of Ownership

Determination of total cost for the Company	
TOTAL COST*	14.015
*TCO = Lease price + fuel + non deductible VAT + CO ₂ -contribution + CTX non deductible costs	
Net employee	
Fully serviced car	TBD
Benefit in Kind (BIK)	1.728
TOTAL NET cost for the employee to drive a fully serviced car (per year)	925

Based on the below assumptions, the total cost of the employer amounts to **EUR 14.014,86**. In this scenario, the employee has a fully serviced car for a net private cost of **EUR 924,57**.

Assumptions: BMW 320i xDrive Berline (48 months contractual lease term) ; List price: EUR 50.405,00 (incl. VAT and under the condition of standard discount) ; Leasing price (incl. insurance and financing) : EUR 10.477,20/year (excl. VAT) ; CO₂ emission: 30 g/km; Hybrid gasoline; electricity for EUR 1.360,80/ year (excl. VAT).



Upcoming changes



Let's go greener



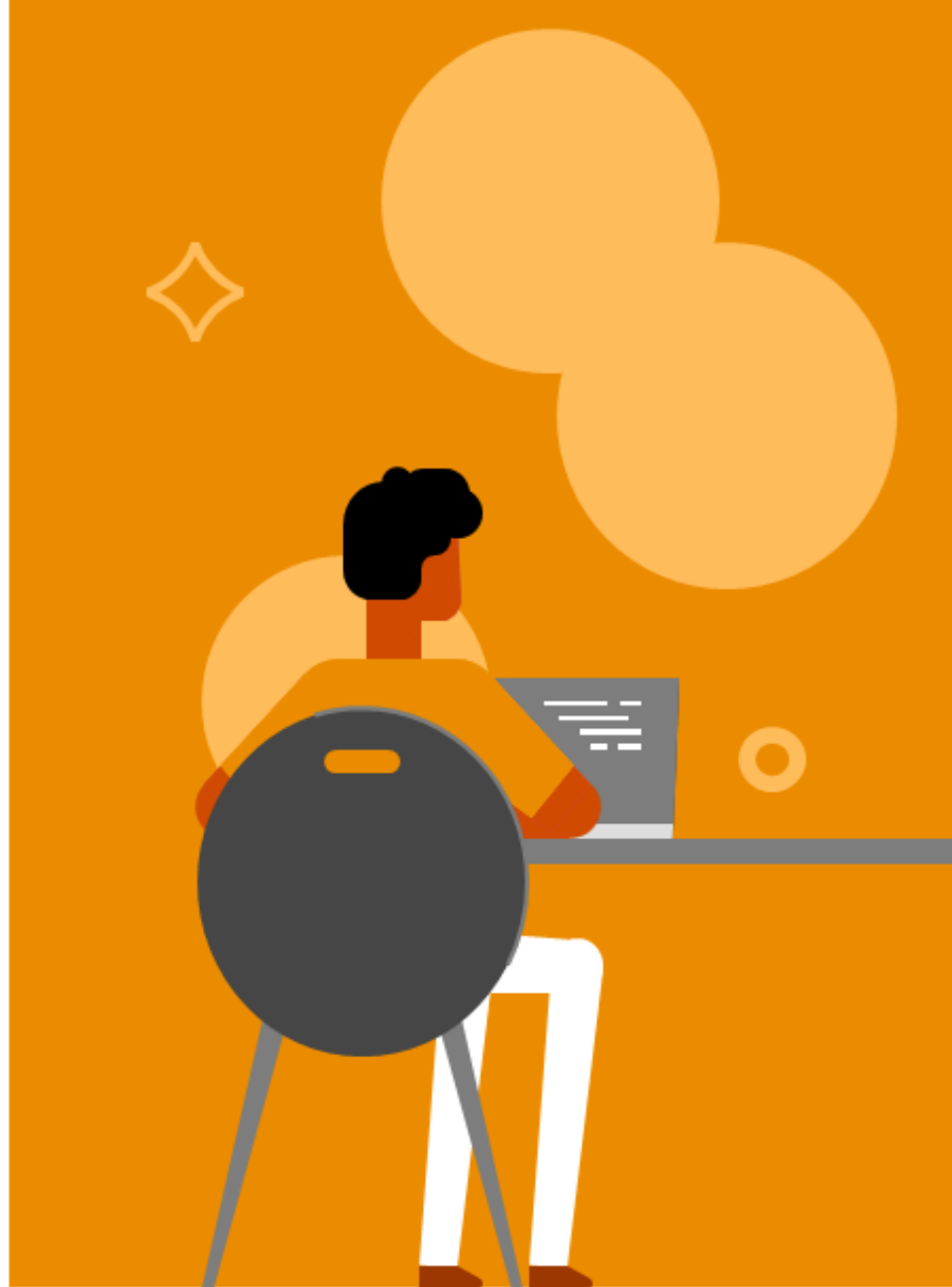
A tax incentive for company cars without carbon emissions and the installation of electric-charging stations are, along with the simplified mobility budget, the levers par excellence to accelerate the greening of our mobility and our car fleet. Without affecting existing contracts, this bill takes important steps towards better air quality and better quality of life”
(Minister Van Peteghem)



Let's go greener


Tax & social Reform

- ☐ Bill van Peteghem : Projet de loi organisant le verdissement fiscal et social de la mobilité / Wetsontwerp houdende de fiscale en sociale vergroening van de fiscaliteit.
- ☐ Positive contribution to society: environment, health, traffic jams,... (zero emission cars & mobility budget)
- ☐ Phased approach & grandfathering of existing contracts, but be prepared
- ☐ Upcoming changes in the tax treatment mainly linked to the tax deduction of costs linked to company cars
- ☐ Tax rules for the calculation of the benefit in kind for the employee will not change
- ☐ CO2 solidarity contribution of the employer will increase as from July 2023



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Projet de loi organisant le verdissement fiscal et social de la mobilité
Wetsontwerp houdende fiscale en sociale vergroening van de mobiliteit

 **3 objectives**

Company car fleet ⇒ only zero emission cars

Tax incentives for installing charging infrastructure

Simplification of the mobility budget



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Tax deductibility - Carbon emission cars

- Check date of purchase, lease or rent
- Before 1 July 2023 :
Current rules stay applicable : $120\% - (0.5\% \times \text{coefficient} \times \text{gr CO}_2/\text{km})$
- Between 1 July 2023 and 31 December 2025 (transition regime) :
Tax deductibility decreases over time by introducing different maximum and minimum

	2023	2024	2025	2026	2027	2028
Maximum	100%	100%	75%	50%	25%	0%
Minimum	50%	50%	0%	0%	0%	0%

- As from 1 January 2026:
Cost no longer tax deductible



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Tax deductibility - Zero emission cars

- Currently zero emission cars are 100% tax deductible
- As from 2026 **only zero emission cars** will be tax deductible
- As from 2027, the deduction rate will **decrease** and be capped :

Tax deductibility rates	
In 2026	100%
In 2027	95%
In 2028	90%
In 2029	82,5%
In 2030	75%
In 2031	67,5%



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Deduction of fuel costs

Current regime

- Deductibility is linked to:
 - CO₂-emission
 - Based on the formula that entered into force January 2020
 - In principle, charging costs for electric cars are 100% deductible

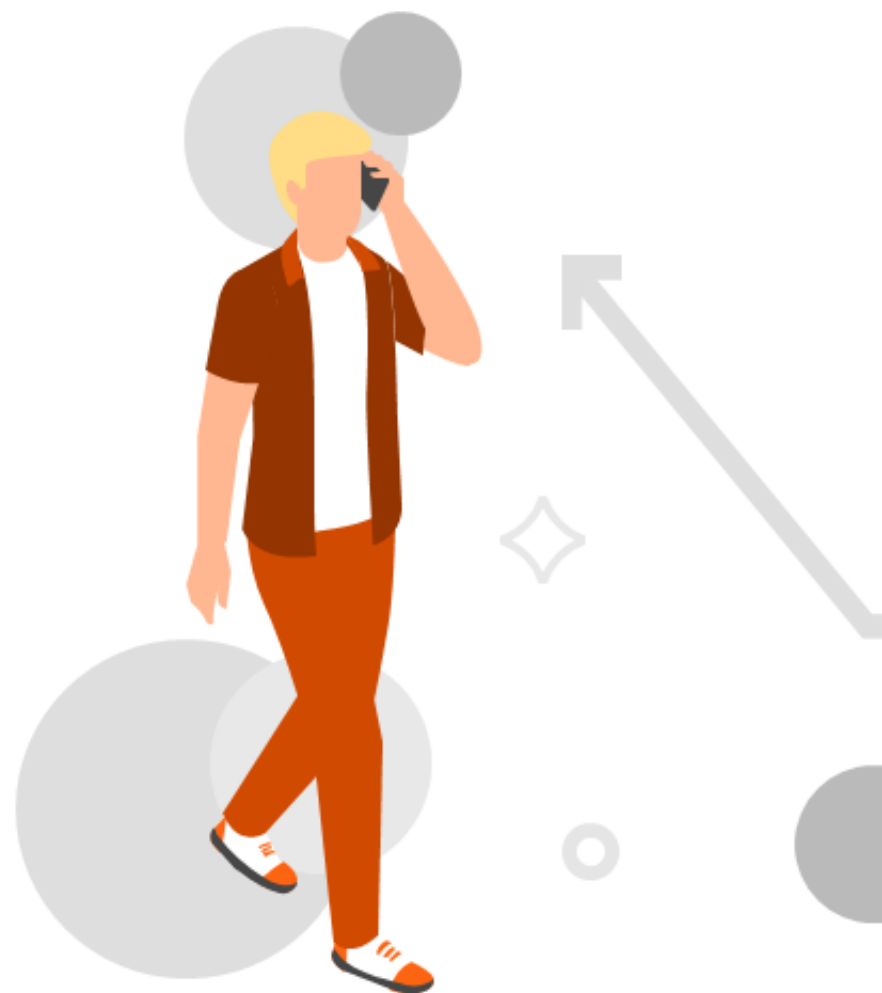


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Deduction of fuel costs

Hybrid company cars purchased as from 1 January 2023:

- tax deductibility of gasoline or diesel fuel costs will be limited to 50%
- to encourage the driving in electric mode
- also applicable for the so called fake hybrids cars
- as from 1 January 2026 : tax deductibility deleted



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CO2 contribution

Formulas to calculate the CO2 contribution :

- Gasoline (incl. Plug in hybrid gasoline) :
 $(\text{CO2} \times 9 \text{ EUR}) - 768 / 12 \times \text{index}$
- Diesel (incl. Plug in hybrid diesel) :
 $(\text{CO2} \times 9 \text{ EUR}) - 600 / 12 \times \text{index}$
- LPG/CNG :
 $(\text{CO2} \times 9 \text{ EUR}) - 990 / 12 \times \text{index}$

Index

Until end of 2021 : 1,3222
As from January 2022 : 1,3525



For cars purchase, leased or rented as from 1 July 2023
the contribution will be increased by :

	As from 1/7/2023	2024	2025	2026	2027	2028
CO2 contribution coefficient	2,25	2,25	2,75	4,00	5,50	5,50
Minimum CO2 contribution	20,83€ x 2,25	20,83€ x 2,25	23,41€ x 2,75	25,99€ x 5,50	28,57€ x 5,50	31,15€ x 5,50

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Tax incentives to expand the charging infrastructure in Belgium

- ☐ Investment for charging station at home: tax reduction in the personal income tax return
- ☐ Company costs for **public charging stations**: increased tax deduction



Companies

Increased tax deduction

- Investment between 1 September 2021 and 31 December 2022: **200%**
- Investment between 1 January 2023 and 31 August 2024: **150%**
- As from September 2024: **100%**



Individuals
(property owners
or tenants)

Tax reduction rate:

- Investment between 1 September 2021 and 31 December 2022: **45%**
- Between 1 January 2023 and 31 December 2023: **30%**
- Between 1 January 2024 and 31 August 2024: **15%**
- **Absolute maximum : EUR 1.500**



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Alternatives mobility solutions (theory)

Plan de mobilité / Mobiliteitsplan

- Initiative employer/ choice employee
- On top of a salary “flex plan”
- Benefits:
 - Mobility: car company, bike, public transport, parking fees,...
- No specific (para) fiscal treatment:
 - “Playing the rules of the game”

Cash for car 4/18

- Law of 30 March 2018
- Initiative employer / choice employee
- Hand in company car
- Benefit:
 - Cash
- (Para)fiscal treatment:
 - Taxed on a lump sum basis
 - No social security contributions



Mobility budget

- Law of March 2019 (& AR 21/3)
- Choice of the employer to implement it/choice of the employee to request it
- Allows employee to hand his company car in exchange for a budget based on the Total Cost of Ownership (TCO)

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The Mobility Budget - 3 pillars in which you can spend your created budget

Budget creation by handing in your car (entitlement) : based on TCO

Pilar 1

Eco-friendlier company car

- Electric car
- Other cars:
- Max CO₂-emission of 105gr/km
- Emission standards have to be the same or less compared to exchanged car
- No car
- Para(fiscal) treatment: same treatment as a common company car

Pilar 2

More sustainable means of transportation

- "Soft" mobility, such as bicycles, motorbikes, steps...
- Public transport (subscriptions for commuting, or tickets for private purposes)
- Organised and common transport
- Sharing solutions, such as carpooling, car sharing, rent of cars with driver or rent of cars without driver (max 30 days),...
- Combination of the above mobility services
- Bike allowance of 0,24 cent/ km for commuting purposes
- Also rent/interest cost for own dwelling of employee if he lives within a range of 5 km of his workplace
- Para(fiscal) treatment: Not subject to social security contribution, neither personal income taxes

Pilar 3

Cash balance

- Remaining budget will be paid out in cash
- Para(fiscal) treatment: Not subject to PIT, but subject to a special social security contribution of 38,07% (fully borne by the employee)

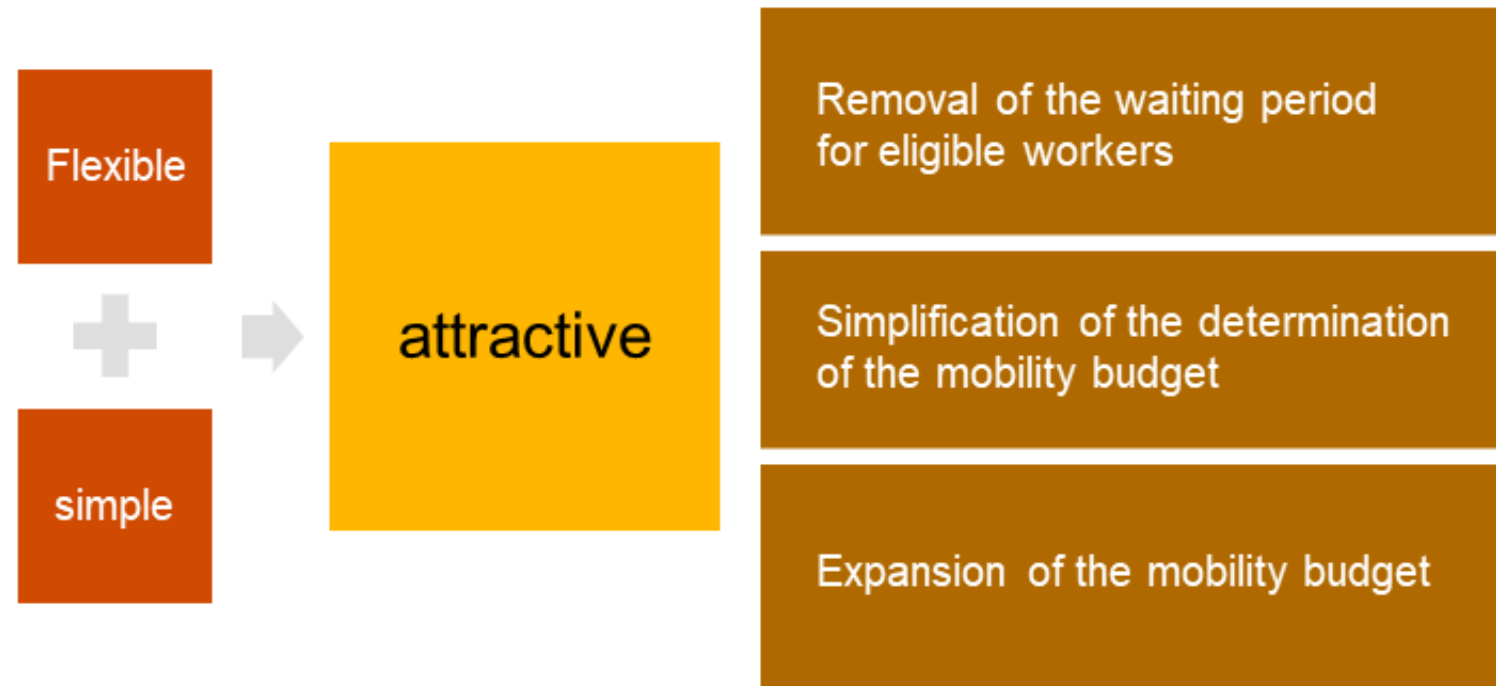


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New changes for the mobility budget

As for now only 4% of workers use the mobility budget

25% workers are ready to give up their company car for the mobility budget



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New changes for the mobility budget Total Cost of Ownership (TCO) concept

Annual gross cost of the car that will be exchanged

This means (?) :

- Annual lease value (in case car is property: depreciation of 20%)
- Cost of finance
- Maintenance costs
- Fuel costs
- Non-deductible VAT
- (Grossed-up cost of) the corporate income tax on the disallowed expense of the car
- CO2 solidarity contribution
- ...



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New changes for the mobility budget Determination of the mobility budget

- minimum: 3.000 EUR /year
(cf. recommendation of the National Labour Council and the Central Economic Council of 28 September 2021)
- maximum: 1/5 of the total gross salary mentioned in Article 6, § 1, paragraph 3, of the Salary Protection Act of 12 April 1965
- Absolute maximum: 16.000 EUR /year
(cf. recommendation of the National Labour Council and the Central Economic Council of 28 September 2021)



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New changes for the mobility budget Spending



Chapter 1

Chapter 2

Chapter 3

Pillar 1

- Exception for end-of-series cars is removed
- **As from January 2026 : zero emission car**

Pillar 2

- **Extension of the scope of the mobility budget**
- Financing costs (i.e loans for bicycles), parking costs and the costs of equipment that improves the safety and visibility of soft mobility.
- New electric mobility devices, such as electric steps.
- Public transport abonnements for the employee's family members living in the same household.
- Parking fees related to the use of public transport.
- A premium for walking from the residency place to the workplace : maximum amount of 0,24 EUR/km (income year 2021 / tax year 2022)
- Housing costs extended to a radius of 10 kilometres from the workplace (instead of currently 5 kilometres).
- Mortgage capital repayments (not only interest repayments)
- **Zero emission condition as from January 2026** : applicable to all motorised soft mobility vehicles, car-sharing and car-pooling solutions and car rental services with driver

The impact of the new legislation



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What will happen in the future:

From an employee perspective:

- Chances are your employer will switch towards electric cars (only these will be eligible for a tax deduction)
- Economic interest for the employer to go for zero emission company cars
- Personal income tax: No impact really the BIK remains unchanged
- Questions raising : Changing mindset on usage of car and other means of transportation

From an employer perspective

- Analyse the cost of your future car fleet
- Fiscally attractive to switch to zero emission cars sooner rather than later
- Installation of charging stations
- Parking management
- Alternative means of transportation / homeworking



What does this mean in EUR (annual amounts)?

Example BMW 320i xDrive (gasoline) - Starting point: Total Cost of Ownership

Determination of total cost for the Company	Now	In 2024	In 2025	In 2026	In 2027	In 2028
TOTAL COST*	17.809	18.830	19.351	20.372	22.376	23.267

*TCO = Lease price + fuel + non deductible VAT + CO₂-contribution + CTX non deductible costs

Net employee	Now	In 2024	In 2025	In 2026	In 2027	In 2028
Fully serviced car	TBD					
Benefit in Kind (BIK)	3.992	3.992	3.992	3.992	3.992	3.992
TOTAL NET cost for the employee to drive a fully serviced car (per year)	2.136	2.136	2.136	2.136	2.136	2.136

What does this mean in EUR (annual amounts)?

! Calculations made taking into account electricity costs only !

Example BMW 320e(hybrid) - Starting point: Total Cost of Ownership

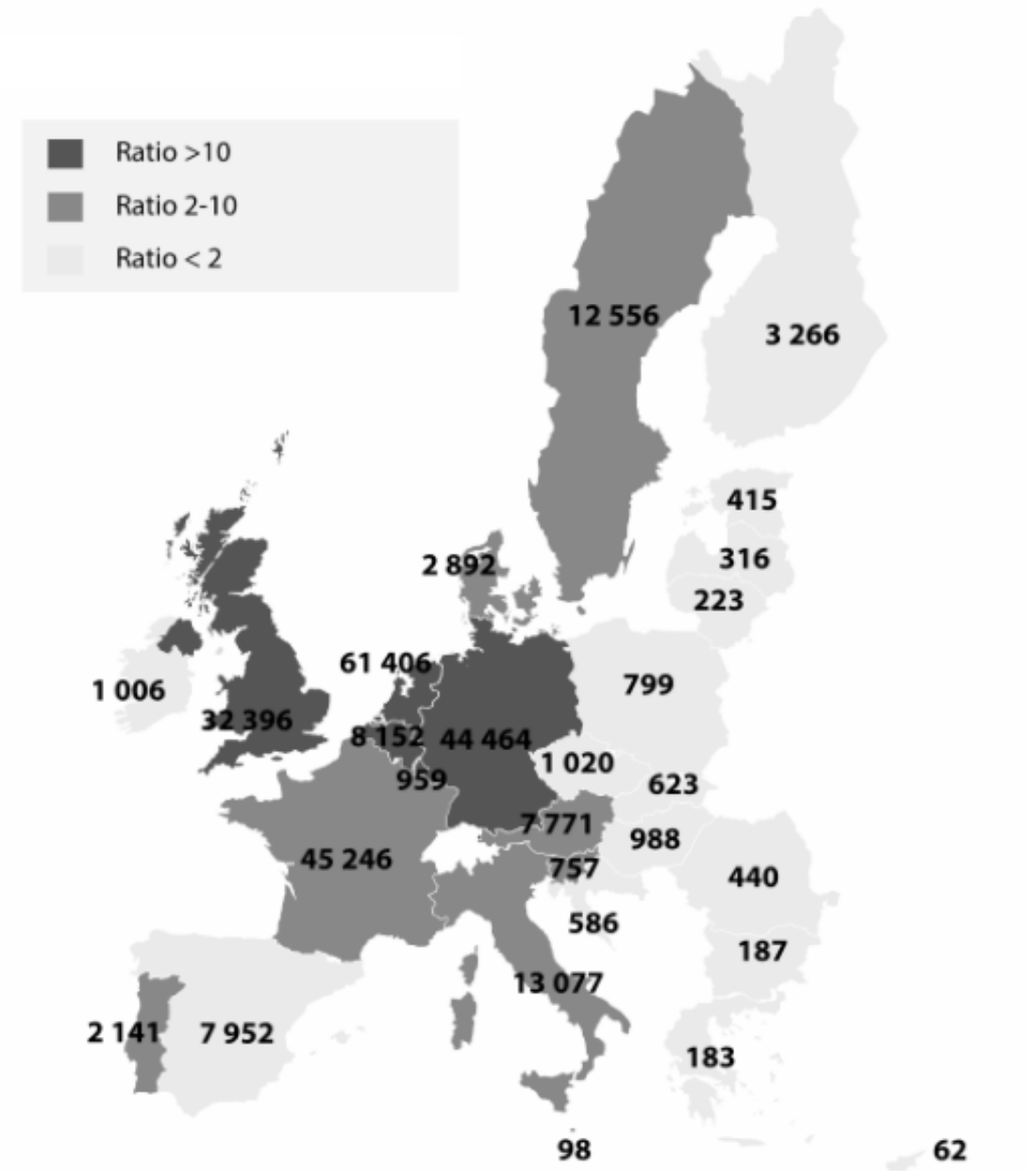
Determination of total cost for the Company	Now	In 2024	In 2025	In 2026	In 2027	In 2028
TOTAL COST*	14.015	14.428	15.570	16.961	18.434	19.411

*TCO = Lease price + fuel + non deductible VAT + CO₂-contribution + CTX non deductible costs

Net employee	Now	In 2024	In 2025	In 2026	In 2027	In 2028
Fully serviced car	TBD					
Benefit in Kind (BIK)	1.728	1.728	1.728	1.728	1.728	1.728
TOTAL NET cost for the employee to drive a fully serviced car (per year)	925	925	925	925	925	925

Situation now: the number of charging stations

- **More charging stations
in Amsterdam than in Belgium...**



COVID-19 triggered a rethink of our mobility

COVID 19 impacted our economy but also our mobility

Quarantines, lockdowns

Remote working became the new normal

Less km travelled

2020 : overall decrease of 25% in average mileage

Higher demand for home working after covid

Should we still have 2 cars per household ?, ...

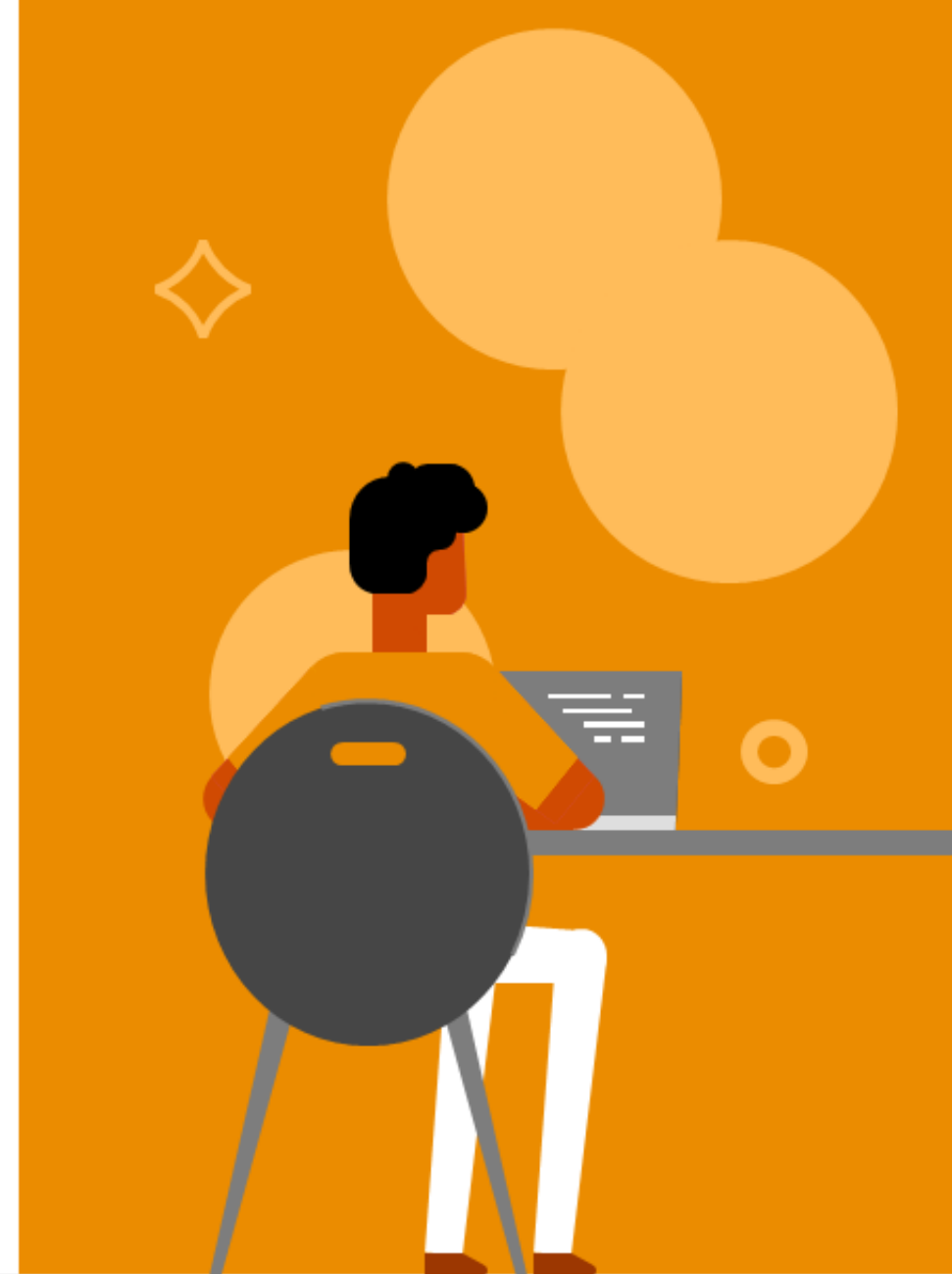


Conclusion

Recent trends (i.e : remote working) and new legislation are changing the mobility of the future.

New legislation is promoting the change to zero emission cars, making it fiscally attractive to make the change sooner rather than later.

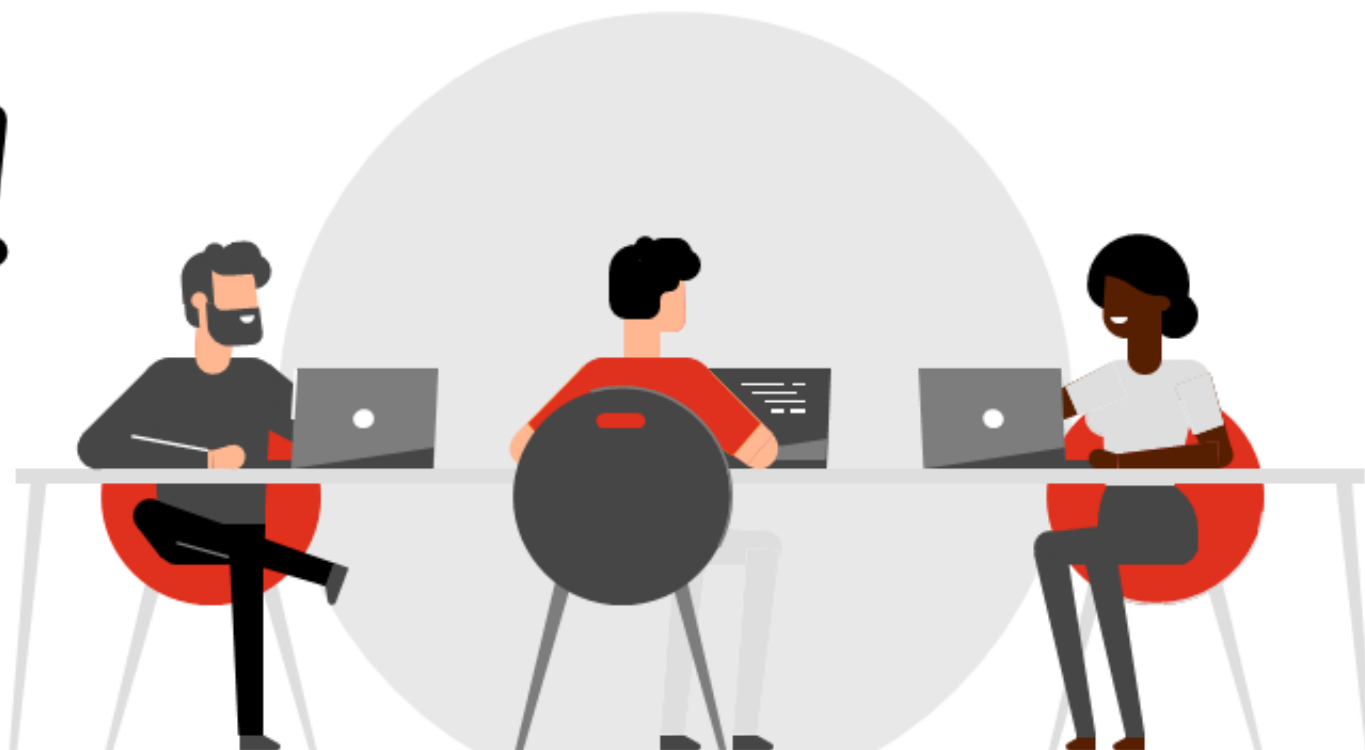
New legislation is promoting the mobility budget as an alternative to company cars by making it more flexible and simple



Questions?



Thank you!



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