

PAYROLL ALERT

REFORM REGARDING THE UPDATE OF THE BENEFIT IN KIND FOR COMPANY CARS

The Grand-Ducal regulation of 12 May 2022 has inserted new rules for determining the value of the benefit in kind of company cars.

This adaptation concerns company cars owned by the employer or leased by the employer and made available, at least partially, for non-business purposes by the employer to the employee.

As a reminder, until the 2017 tax reform, a single rate of 1.5% was applied to the new value of the car (including VAT) to determine the taxable benefit in kind. Since 2017, the percentage of the benefit in kind depends on the type of engine and the CO2 emissions. Since 2020, the benefit in kind is calculated on the basis of the WLTP (World Harmonised Light Vehicle Test Procedure) values.

Tax regime applicable in 2022

CO2 emission category	Percentage of the value of the vehicle (new, including options and VAT)		
	Vehicle <u>without</u> diesel engine	Vehicle <u>with</u> diesel engine	100% electric vehicle
0g/km	-	-	0.5
>0-50g/km	0.8	1.0	-
>50-110g/km	1.0	1.2	-
>110-150g/km	1.3	1.5	-
>150g/km	1.7	1.8	-

Cars concerned:

- ▶ cars registered before 31 December 2021,
- ▶ cars for which a leasing contract has been concluded before 1 January 2022 and cars registered until 31 December 2022.

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Tax regime applicable from 2023

CO2 emission category	Percentage of the value of the vehicle (new, including options and VAT)				
	Vehicle <u>without</u> diesel engine	Vehicle <u>with</u> diesel engine	Hydrogen fuel cell vehicle	100% electric vehicle	
				≤18kWh/100km	>18kWh/100km
0g/km	-	-	0.5	0.5	0.6
>0-50g/km	0.8	1.0	-	-	-
>50-80g/km	1.0	1.2	-	-	-
>80-110g/km	1.2	1.4	-	-	-
>110-130g/km	1.5	1.6	-	-	-
>130g/km	1.8	1.8	-	-	-

Cars covered by the tax regime applicable from 2023:

- ▶ cars registered from 1 January 2022, without being the subject of a contract signed until 31 December 2021,
- ▶ all cars registered from the year 2023 onwards and,
- ▶ cars for which leasing contracts have been concluded until the end of 2024, provided that the registration of the vehicle takes place before 31 December 2025.

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Tax regime applicable from 2025

CO2 emission category	Percentage of the value of the vehicle (new, including options and VAT)		
	Other engines	100% electric vehicle	
		≤18kWh/100km	>18kWh/100km
0g/km	-	1.0	1.2
>0g/km	2.0	-	-

Cars covered by the tax regime applicable from 2025:

- ▶ newly registered company cars from 1 January 2025, for which no contract will be signed before 31 December 2024.

In view of the legislative adaptations relating to the evaluation of the benefit in kind regarding leased vehicles, it would be advisable to verify the financial interest for the employee to use this type of contract.

However, due to the crisis, the government has chosen to reduce the value added tax as from January 2023 (Law of 26 October 2022 implementing the temporary reduction of the VAT rate and amending the law of 12 May 2022 establishing a financial compensation allowing the temporary reduction of the selling price of certain petroleum products and Circular No. 812 of 6 December 2022 of the Directorate of Registration, Domains and VAT). This measure will thus have a positive impact on the amount of the benefit in kind given that the latter is determined by considering the new value of the car including VAT (vehicles concerned by an invoice dated 2023).

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INTERESTED?

Get in touch with:



Sandra Claro

Partner

+352 45 123 284
sandra.claro@bdo.lu



Gerdy Roose

Partner

+352 45 123 371
gerdy.roose@bdo.lu



Laura de Stefanis

Manager

+352 45 123 579
laura.destefanis@bdo.lu

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