The social and fiscal greening of business mobility

LeasePlan
What's next?

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PHEV:
plug-inhybrides

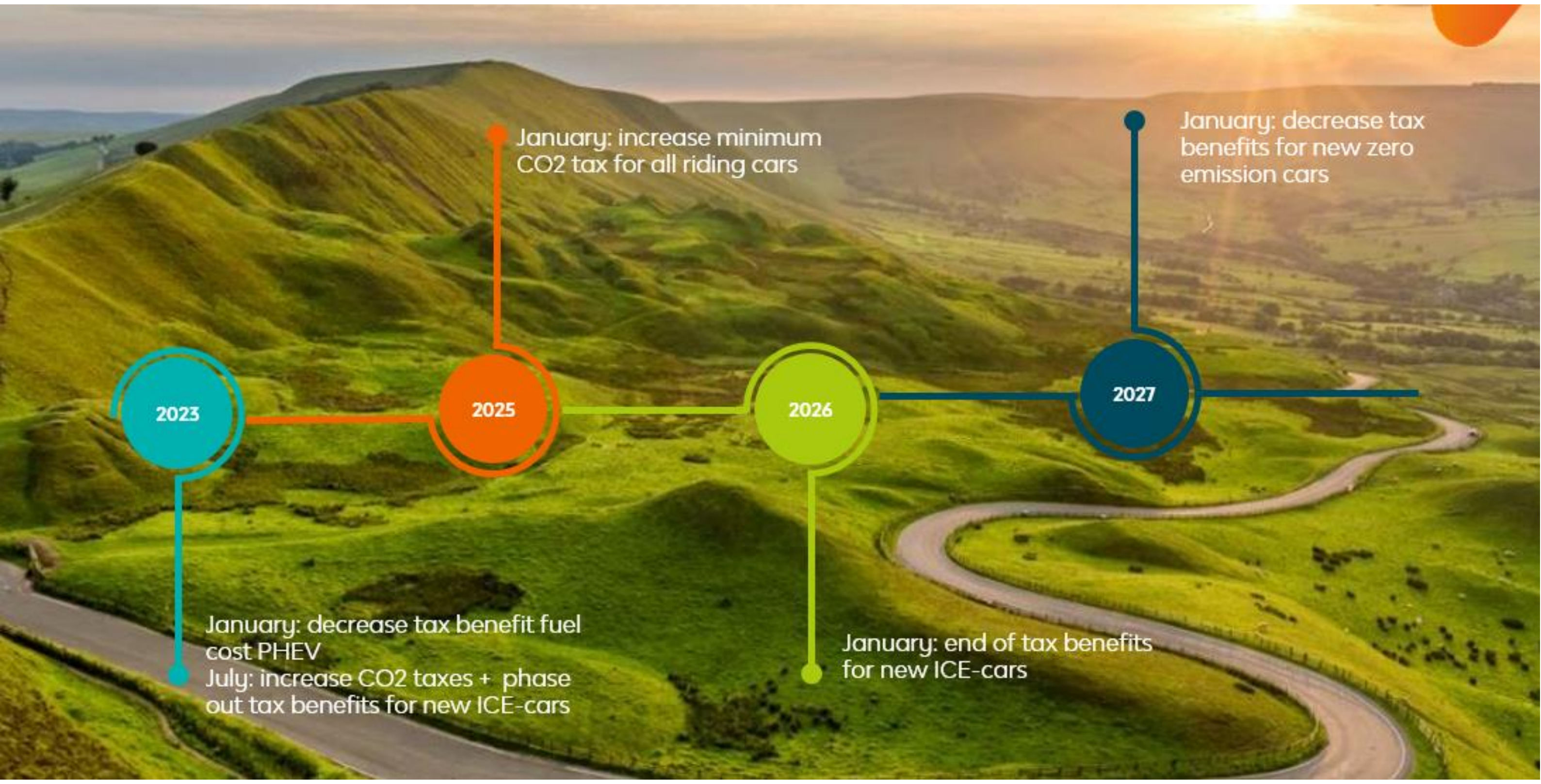
ICE:
vehicles with combustion engines

1. Introduction

1.1 Disclaimer

This document provides an insight into Belgian taxes on company cars. By company cars we mean passenger cars, dual-purpose vehicles, and minibuses. This does not include light commercial vehicles. This document's content is based on the current and future taxation on company cars known at the time of writing (January 2023). LeasePlan shall not be held liable for any errors, incomplete information or direct or indirect damage caused by the use of this document.

1.2 Timeline



2. CO_2 contribution

2.1 Basic principle

The CO_2 contribution, also referred to as the CO_2 tax or CO_2 solidarity contribution, is payable if the **employees** are also permitted to use their company car for **private purposes** (commuting, weekends, holidays etc.). The income from the CO_2 contributions go to social security.

The CO_2 contribution does not apply to self-employed workers and self-employed company directors. Light commercial vehicles are subject to CO_2 contributions, unless the employer can demonstrate that they are not used for private purposes.

2.2 Calculation method

The CO_2 contribution is based on the vehicle's CO_2 emissions and engine type. The CO_2 contribution is 100% deductible from the company's taxable income.

The formula for calculating the CO_2 tax is:

[(CO_2 emissions x €9) - 768 (petrol) or 600 (diesel) or 990 (LPG)/12] x index coefficient

The index coefficient and minimum contribution are adjusted annually. For 2023, the index coefficient is 1.5046 and the minimum contribution is €31.34 per month. This minimum amount also applies to electric cars.

2.3 Future CO_2 contribution

2.3.1 July 2023: introduction of the "multiplier"

For cars with internal combustion engines **ordered** on or after **1 July 2023**, the calculated CO_2 contribution (based on the formula) will be multiplied by a '**multiplier**' that will increase annually:

Year	Multiplicator
2023	* 2,25
2024	* 2,25
2025	* 2,75
2026	* 4
2027	* 5,5

If the calculated CO_2 contribution after applying the multiplier is lower than the minimum contribution, the minimum contribution applies. The measure also applies to vehicles that are rented out for short periods. Short-term vehicle rental contracts signed on or after 1 July 2023 are therefore subject to the CO_2 contribution increase.

The legislator understands 'order date' as follows:

- *In case of a lease car: the* **date of signature** *of the* **lease quote**
- *In case of a personal purchase: the* **date of signature** *of* **the dealer quote**
- *In case of short-term rental: the* **date of signature** *of the* **short-term rental quote**

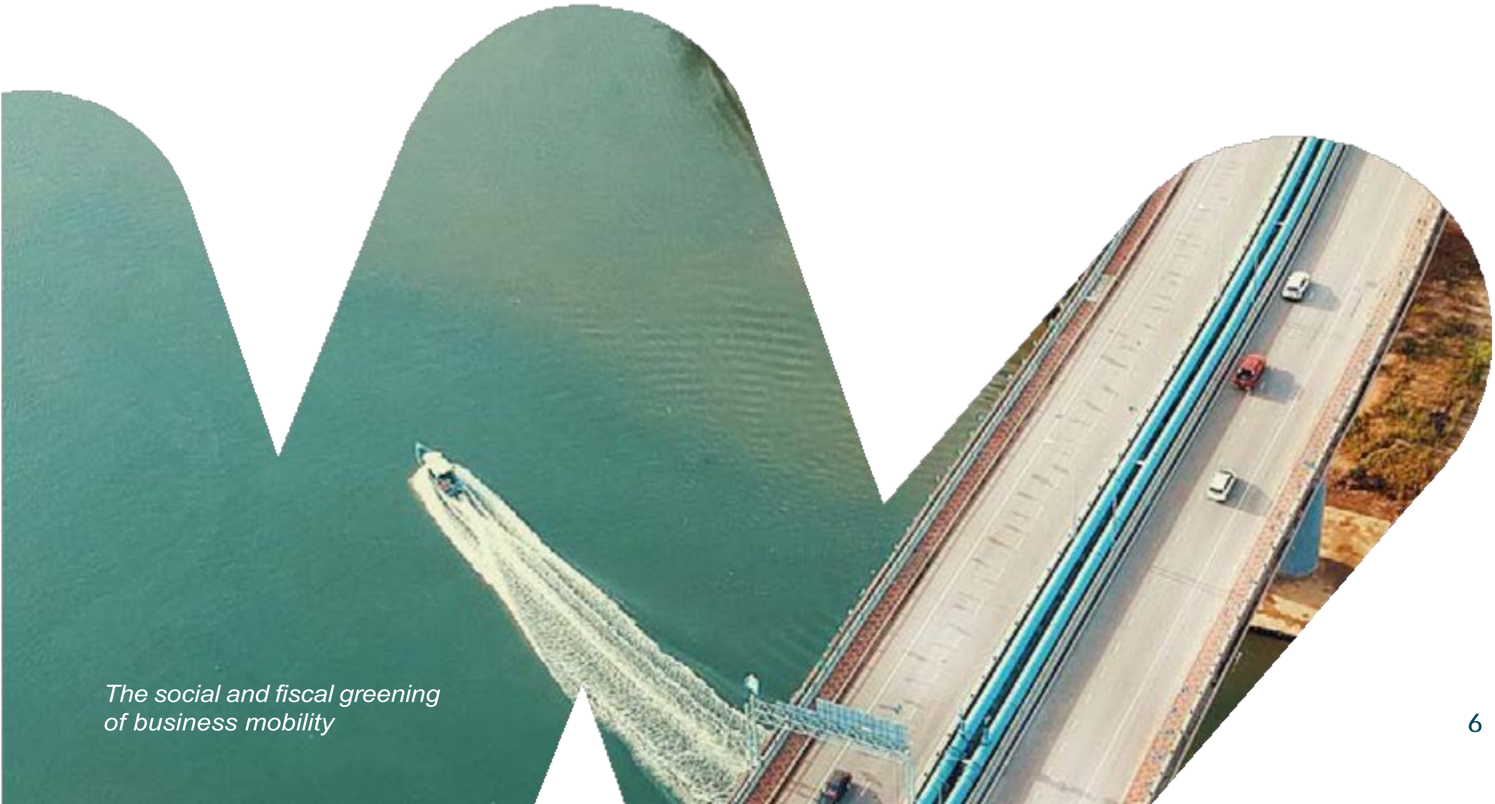
2.3.2 January 2025: The minimum CO_2 contribution rises

The base amount used to calculate the **minimum contribution** was set at €20.83/month when the CO_2 tax was introduced and will **increase** annually from **2025**. This base amount must be multiplied by the index coefficient. The coefficient for the coming years is currently not yet known.

This measure applies to **all cars** regardless of their engine type and comes into effect for both **new** cars and cars that are **already on the road**.

The impact of this measure is much smaller than that of the 'multiplier'. It will only be noticeable for cars with an internal combustion engine with low CO_2 emissions and for electric cars.

Year	Base amount for minimum CO2 taxes/month
2025	€ 23,42
2026	€ 25,99
2027	€ 28,57
2028	€ 31,15



3. Phasing out of tax benefits

3.1 Basic principle of deductibility of vehicle costs before 2023

Company car costs are (partially) deductible from a company's taxable income and therefore lead to less corporation tax.

The deductibility depends on the type of costs:

- *Interest costs (including non-recoverable VAT): 100% deductible*
- *Car costs (including non-recoverable VAT): variable deductibility*

The formula for deducting car costs is:

120% - (0.5% x coefficient x CO_2 g/km)

The coefficient in the formula is:
= 1 for diesel
= 0.90 for compressed natural gas ≤ 11 tax horsepower
= 0.95 for all other power sources

Minimum and maximum limits have been set regardless of the formula result. For cars ordered before 2023, the **maximum deduction is 100%** and the **minimum deduction is 50%**. For very polluting cars with CO_2 emissions > 200g/km, the deductibility is limited to 40%. Only cars of sole traders or self-employed people that were purchased before 1 January 2018 will remain at least 75% deductible.

3.2 Deductibility of vehicle costs from 2023

3.2.1 January 2023: Fuel costs for new plug-in hybrid electric vehicles (PHEVs) are 50% deductible

For PHEVs **ordered** on or after **1 January 2023**, the fuel costs no longer follow the rules for the car's tax deductibility and are only **tax-deductible up to 50%.** This government measure aims to prevent PHEVs being ordered solely because of their tax breaks without charging them regularly. Only PHEVs that are never or infrequently charged will be affected. The impact on PHEVs that are being charged will be limited. With this in mind, the use of PHEVs becomes all the more important for the right driver profiles. Only the fuel costs of PHEVs are dealt with separately. The other car costs follow the general tax rules.

3.2.2 July 2023: Phasing out tax breaks for cars with internal combustion engines

Cars with an internal combustion engine **ordered** on or after **1 July 2023** will see their **tax benefits** gradually **fall**:

The **maximum deduction** is **capped**. The cap will start at 75% in 2025. It will be 50% in 2026, 25% in 2027 and finally 0% in 2028.

The **minimum deduction** of 50% (and 40% for cars with emissions above 200g) **will disappear** from 2025.

Year	Multiplicator
2023	50 - 100%
2024	50 - 100%
2025	0 - 75%
2026	0 - 50%
2027	0 - 25%
2028	0%

Income year

Order year

ICE cars	2023	2024	2025	2026	2027	2028
2023	50 - 100%	50 - 100%	0 - 75%	0 - 50%	0 - 25%	0%
2024		50 - 100%	0 - 75%	0 - 50%	0 - 25%	0%
2025			0 - 75%	0 - 50%	0 - 25%	0%
				0%	0%	0%

3.2.3 January 2027: tax deduction for zero-emission cars will be reduced

From **2027**, the tax deduction for zero-emission cars will gradually fall from **100%** to **67.5%** in 2031. The “**grandfather clause**” is applicable here: the deduction percentage that is valid at the time of the order remains valid for the rest of the term.

Year	Tax deduction
2026	100%
2027	95%
2028	90%
2029	82,5%
2030	75%
2031	67,5%

Zero emission vehicles (Order year) / Income year	2026	2027	2028	2029	2030	2031
2026	100%	100%	100%	100%	100%	
2027		95%	95%	95%	95%	95%
2028			90%	90%	90%	90%
2029				82,5%	82,5%	82,5%
2030					75%	75%
2031						67,5%

4. Impact of measures

ICE
CO_2 130 g

The two practical examples below illustrate the impact of the measures implemented in 2023.

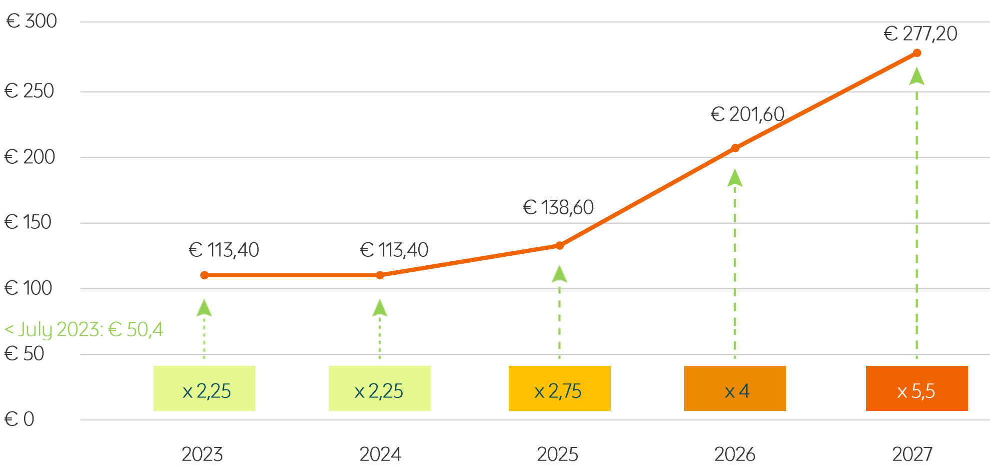
4.1 Example 1: Petrol car

The first example is a C segment car with an internal combustion engine. Models in this category include e.g. a VW Golf, Renault Mégane and Opel Astra. The example is about a petrol car with CO_2 emissions of 130g/km.

4.1.1 Impact of a higher CO_2 contribution

If this car is ordered in the first half of 2023, the CO_2 tax calculated based on the formula is €50.40.

If the same car is ordered in or after July 2023, the multiplier will take effect. The effect of this is as follows: the CO_2 tax will be €113.40 in 2023–2024, €138.60 in 2025 and will eventually reach €277.20 in 2027. These amounts are on a monthly basis. Converted into an annual figure, the CO_2 contribution in this example is €3,326.40. If we multiply that by the number of equivalent cars in a fleet, this becomes a significant cost.



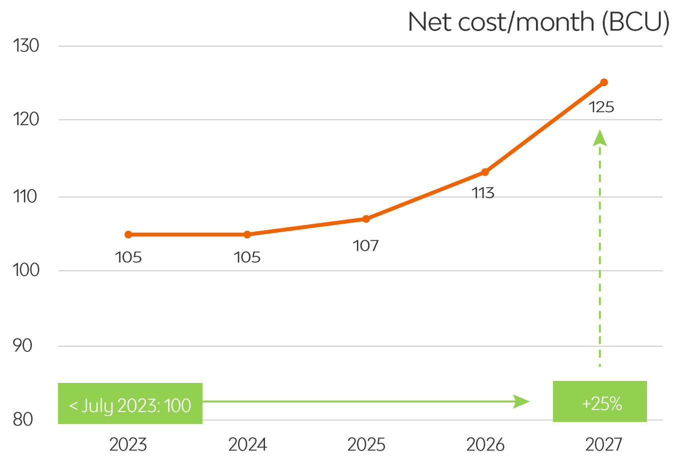
4.1.2 Impact of higher CO_2 contribution and reduced tax deduction

In addition to the impact of the higher CO_2 tax, we also calculate the impact of the reduced tax deduction for this type of car. We do this by looking at the net cost, also known as the budgeted cost of use (BCU). How does LeasePlan define BCU? In addition to the sum of all car-related costs, i.e. the upfront rental price, energy cost, non-recoverable VAT (65% of 21%) and rejected expenses (40% of the benefit in kind), we take into account the tax break the car generates, which is the part of the car costs that can be deducted from the company's tax base. The result is the net cost or BCU.

- *If this car is ordered before 1 July 2023, the tax deduction is 58.28% and the increased CO_2 contribution does not apply.*

- *If the car is ordered on or after 1 July 2023, there will be a limited impact until 2025: only the CO_2 contribution will increase. The lower tax deduction does not yet apply to this car because the result of the formula is still within the maximum limit. However, from 2026, when the maximum limit goes down to 50%, the net cost will start to rise significantly. The graph below shows the increase in index amounts compared to the situation for orders before*
  1 July 2023.

Year	Tax deduction
2023	58,28%
2024	58,28%
2025	58,28%
2026	50%
2027	25%



4.2 Example 2: Petrol plug-in hybrid electric vehicle

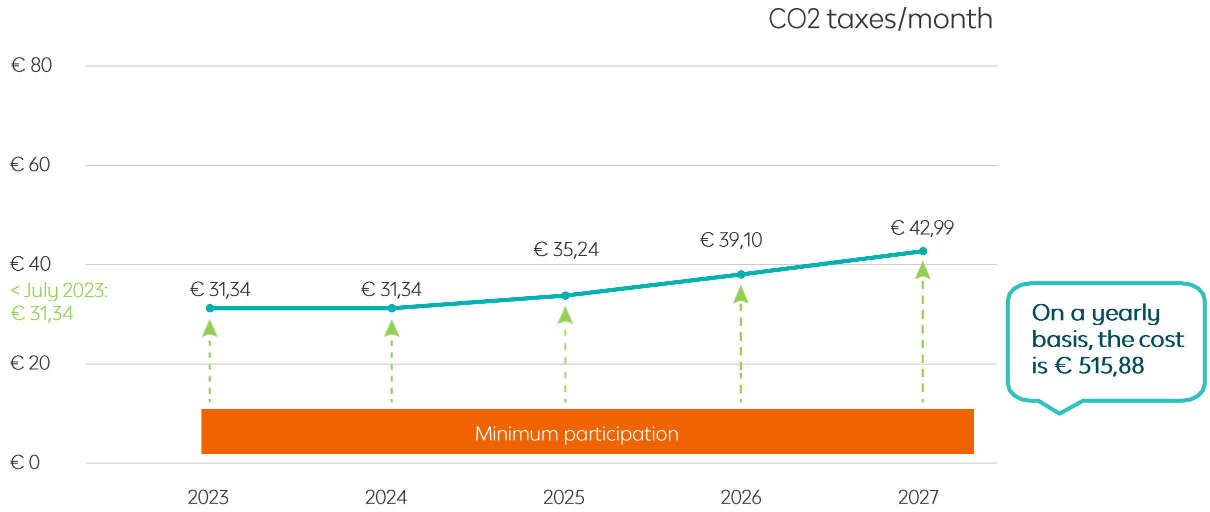
4.2.1 Impact of a higher CO_2 contribution

PHEV
CO_2 45 g

The second example is a car with an internal combustion engine in the SUV mid-size segment. Models in this category include the Volvo XC60, Audi Q5 etc. This example is a petrol plug-in hybrid electric vehicle with CO_2 emissions of 45g/km.

If this car is ordered before 1 July 2023, the CO_2 tax will be €31.34. This is the minimum contribution: the result of the formula is actually lower than this amount.

If the vehicle is ordered from 1 July 2023, the CO_2 contribution remains limited to the minimum contribution. The calculated contribution, multiplied by the multiplier and by the indexation coefficient is lower than the minimum contribution, so it remains applicable. This minimum contribution will evolve over the period from €31.34 in 2023 to €42.99 in 2027. These amounts are on a monthly basis. Converted to annual figures, the CO_2 contribution for this vehicle comes to €515.88.



4.2.2 Impact of higher CO_2 contribution and reduced tax deduction

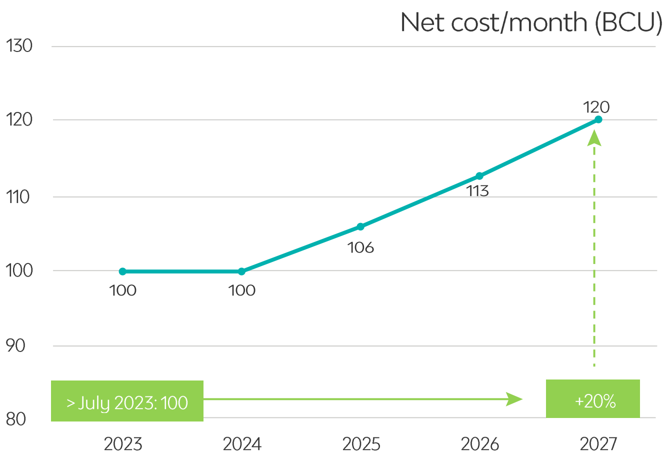
In addition to the impact of the higher CO_2 tax, we also calculate the impact of the reduced tax deduction for this car. Again, we do this based on the calculation of the budgeted cost of use (BCU), which we explained under section 4.1.2.

The impact of the lower tax deduction will be felt immediately from 2025 for this car. Whereas 98.63% of the car costs can still be deducted in 2023 and 2024, this will fall to 75% in 2025. This is because the lower limit starts to come into play.

- If this car is ordered before 1 July 2023, the tax deduction is 98.63% and the increased CO_2 contribution does not apply.

- If the car is ordered on or after 1 July 2023, the impact will be significant from 2025. This is mostly because of the reduced tax deduction. The CO_2 contribution increase is not that significant here. Whereas 98.63% of the car costs can still be deducted in 2023 and 2024, this will fall to 75% in 2025. The reduced tax deduction of fuel costs for PHEVs has also been incorporated into this example. The graph below shows the increase in index amounts compared to the situation for orders before 1 July 2023.

Year	Tax deduction
2023	98,63%
2024	98,63%
2025	75%
2026	50%
2027	25%



5. Recommendation

≤ 01/07/2023	01/07/2023 - 31/12/2025	≥ 01/01/2026
Transition to zero emission fleet if possible If zero emission cars are not yet possible, order ICE-cars before 01/07/2023. Taxation will remain as is.	**Maximise transition to zero emission fleet as much as possible** If zero emission cars are not yet possible, ICE-cars can still be considered. The main cost impact will follow in 2025. In order to limit this impact, consider: • ICE-cars with low CO_2 emissions • Shorten contract durations • In case of PHEV, use battety as much as possible	**Zero emission fleet only**

If you want to avoid the impact of the tax measures, a transition to zero-emission cars is clearly the best route.

This is not yet possible for all fleets. If your company still wants to order petrol, diesel or plug-in hybrid cars, we recommend ordering them before 30 June 2023 where possible. This will ensure that the current taxation continues to apply and avoid most of the consequences of the tax adjustments.

In the period from July 2023 to the end of 2025, the measures will certainly have an impact on the tax deduction and result in a higher CO_2 contribution for cars with internal combustion engines. We recommend focusing on cars with the lowest possible CO_2 emissions to limit any changes to the CO_2 contribution. If your company still decides to order cars with internal combustion engines, the biggest impact will be felt from 2025–2026.

Applying a shorter term to orders in 2023, 2024 or 2025 may also be an option for drivers who are not yet able to switch to an electric car. Of course, the costs must be considered here, as a shorter term will also result in a higher monthly rent. If your company opts for PHEVs, make sure they are used for the right profiles (for example not for people who only drive on motorways) and you incentivise drivers to charge their vehicle and drive on electric power as much as possible.

From 2026, all the tax breaks for cars with internal combustion engines will expire and only zero-emission cars will be tax-efficient. The tax breaks for cars with internal combustion engines will then come to an end.

We hope this information has provided you with additional insights into the coming changes. Please get in touch with your LeasePlan contact person if you have any questions.