Company car rules in the Netherlands

By Ralph Wilbers, managing director of ***Payroll Resources***

In the February issue, I spoke about travel allowances in the Netherlands when using public transportation, your own form of transportation and business trips. We get a net travel allowance paid by our employer (even if we work from home) while on a holiday or sick leave for a short period – even if we walk or use our bikes

In this issue, I'll explain the rules when driving a company car. The Dutch government loves to change rules every year, but they also love to make sure that we still use old rules as well - they refer to this as a 'transitional arrangement'. This means that our work as payroll specialists is never dull.

When you are the lucky employee who gets to drive a company car, the tax department wants you, the employee, to pay for this 'advantage'. You will need to add a certain amount to your taxable income. But when you do not use the car for private use then there is no 'advantage' so no tax paying, right? Yes. However, the fact that you are not paying taxes means that you have to do something more than just sign a declaration for the tax department stating that you will not use the car in private.

Private use starts after 500kms a year. You will need to prove that you don't drive more than 500kms for private use on an annual basis. Every single trip you make, therefore, needs to be registered. You will need to record the start to end of your journey, mentioning the kilometres between A and B, the start address and destination address and if this is a business or private trip.

Your private car can be your company car

When your employer covers all of the costs to

drive your own personal car, for example, road tax, insurance, fuel and maintenance etc, your car will be treated as a company car.

For all privately used company cars registered on or after 1 January 2016, the tax addition with CO2 emissions is as follows:

CO2 Emission grams per km	Tax addition
0	4%
0 - 50	15%
50 - 106	21%
106	25%

Some exceptions

- When your car is at least 15 years old the tax addition is 35 per cent, which is calculated on today's market value (economic value), not the original catalogue value.
- If you live, for instance, in Belgium or Germany and drive a company car registered in that country, but work and get paid in the Netherlands, the tax addition will be calculated on the Dutch value of the car, which can be much higher than Belgian or German cars due to local taxes.
- When you drive more private than business kilometres, you could end up having a larger tax addition than the mentioned rates, we call this 'excessive private use'. ▶

Example

A company car with CO2 emissions of 132 grams and a catalogue value of 42,000 Euros.

The monthly tax addition to your payroll then will be: 42,000 Euros x 25 per cent/12 months = 875 Euros per month

With a gross pay of 3,000 Euros per month this will be 430 Euros less net pay.

We may deduct this 875 Euros with your contribution for private use, this could be your expenses for the carwash or parking, but also a monthly net contribution. When we look at the company car policy you may be allowed to order a company car of a certain value with some extra luxury. Employers may allow this when you pay for the extra yourself. We like to call this 'own contribution for private use'.

Own contribution for private use = 75 per month

42,000 Euros x 25 per cent/12 months = 875 - 75 = 800 Euros per month

With a gross pay of 3,000 Euros per month this will be 470 Euros less net pay.

So the 75 Euros of own contribution for private use only 'costs' you about 40.

Back to the transitional arrangement. The percentages will remain valid for a maximum of 60 months, you will still apply the table of CO2 and tax addition changes from the year of registering your car.

If you drove a company car anywhere before 1 July 2012, the 2012 tables apply. Back then a CO2 emission of more than 110 grams but less than 140 was 20 per cent.

42,000 Euros x 20 per cent/12 months = 700 Euros per month

With a gross pay of 3,000 Euros per month, this will mean 345 Euros less net pay, that's 85+.

One thing that employers should know

As an employer, you cover the cost for the cars of course, but also deduct paid VAT. The tax department wants an adjustment because the employee is driving the car and he wouldn't normally be VAT eligible.

So, besides extra wage taxes, the government also wants tax on the VAT advantage:

2.7 per cent of the catalogue value needs to be added to the last VAT declaration of the year.

42,000 Euros x 2.7 per cent = 1,134 Euros to be paid as a VAT.

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When *Payroll Resources* founder Ralph Wilbers first had a taste of personnel and payroll administration in 2002, he decided to specialise in payroll. Ralph is now a NIPRA and Registered Payroll Professional (RPP) certified payroll professional. Payroll Resources boast a 'new approach to payroll', turning services into an experience with the help of experienced and enthusiastic professionals.