



## Reform of company car taxation

The Grand-Ducal regulation of May 12, 2022 has introduced new rules for determining the value of the benefit resulting from the provision of a car.

The announced objective is to adapt the current regime so that in the short term **only company cars with zero or low emissions will be fiscally advantaged**. The reform will take place in two phases: a first phase as of 2023 and a second phase as of 2025.

No changes are to be expected for this year (2022). The current regime for calculating the benefit-in-kind rate will continue to apply. All new cars registered, for which a leasing contract has been concluded after 31 December 2021 will however be subject to the new calculation regime as of January 2023. It is therefore important to inform employees who are currently in the process of ordering a company car.

### I. As of 2023

In concrete terms, a new regime for calculating the benefit-in-kind rate depending on the type of engine and CO<sub>2</sub> emissions will be introduced so that the rate will be increased by +0.2% for the majority of car categories with CO<sub>2</sub> emissions above 80 g/km. There will be no adjustment of the currently applicable rates for cars in emission categories up to 80 g/km. The maximum rate of 1.8% will apply to company cars with CO<sub>2</sub> emissions above 130 g/km (currently 150 g/km). This maximum rate corresponds approximately to the average threshold at which a company car is no longer financially advantageous for the employee compared with acquiring the car in his or her own name or by private leasing.

For cars with zero CO<sub>2</sub> emissions, i.e. pure electric cars and hydrogen fuel cell cars, a minimum rate of 0.5% is maintained. The 0.5% rate will however apply only to cars with a low electrical energy consumption, i.e. less than or equal to 18 kWh/100km.

### II. As of 2025

As of 2025, a second change in the benefit-in-kind rate for company cars will apply.

For company cars newly registered as of 1 January 2025, for which no contract will be signed before



31 December 2024, the benefit-in-kind flat rate scheme will be simplified and particularly favourable to cars with zero CO2 emissions.

The 0.5% rate will no longer apply, so a 1% rate will be set for pure electric cars with an electric energy consumption of up to 18kWh/100km and for hydrogen fuel cell vehicles. For electric company car models with an electric energy consumption of more than 18kWh/100km, a rate of 1.2% will be prescribed.

For other engines - including, in particular, petrol, diesel, CNG, LPG and including all hybrid and plug-in hybrid engines with a combustion engine - the rate for calculating the monthly value of the benefit in kind will be set at 2%.

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