

What is considered a vehicle?

An employer's vehicle is considered to be a vehicle in the employer's possession – whether it is owned by the employer, acquired on the basis of a lease agreement, rented, in use (free of charge) on the basis of a usufruct agreement, etc. It is important that while the vehicle is put at the employee's disposal, it is owned or held by the employer.

As the Income Tax Act does not specifically address what is considered to be a vehicle, the definition of a vehicle is based on the legislation in which that concept is set out. According to the Road Traffic Act, a vehicle means a device powered by a motor or in another way, designated for road traffic or driving on the road. Therefore, when a fringe benefit arises, it does not matter what type/category of vehicle is involved. Whether it is a car, truck, bus, ATV, motorcycle, tractor, etc., if the employer allows the employee to use the vehicle owned or in the possession of the employer for free or at a preferential price for the employee's private rides, a fringe benefit arises and, also, a tax liability.

For employer's passenger cars (M1 and M1G category vehicles), the legislator has established specific rules for calculating the tax liability. The reason is the fact that enabling the employee to use the employer's car is very common and calculating the tax liability according to the general rules for giving property to use would be too burdensome for the taxpayer.

In the case of the employer's van (N1 category vehicle), the legislator has given the taxpayer the opportunity to choose whether the price of the fringe benefit for private rides is calculated:

1. based on the rental market price,
2. based on the difference between the rental market price and the preferential price or
3. the calculation of the fringe benefit is based on the power of the vehicle's engine and the age of the vehicle. With new cars, the price of the fringe benefit is 1.96 euros per month for an engine power unit (kW) of the automobile as indicated in the motor register. In the case of an automobile older than five years, the price of the fringe benefit is 1.47 euros for an engine power unit (kW) of the automobile.

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