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What car expenses can I deduct from my taxable income ?

If you use a **privately-owned car, van, or motorcycle** for business purposes, either for your **self-employed activity** (as a freelancer or company director) or in the context of an **employment contract**, your vehicle expenses can be eligible for a **tax deduction**. Car deductions are among the most-claimed tax deduction items, but they do require **a bit of admin**.

First, you need to **keep track of your mileage** to be able to calculate the total distance driven at the end of the calendar year. You **need to distinguish** between (i) business trips, (ii) home-to-work travel and (iii) private trips. The latter category obviously **never entitles** you to any tax deduction. For **home-to-work travel** (commuting between home and work or vice versa) you are allowed to deduct a fixed amount of 0.15 €/km for a maximum of 200 km (or € 30.00) per day. This amount includes all expenses related to your car (e.g. fuel, insurance, parking, etc.). If you **travel to work by bike** instead, you can even claim 0.35 €/km (tax year 2025).

In other words, the only category of expenses for which **you actually need to keep receipts** of all your expenses are the **business trips**. If you **keep a logbook** and you deduct the total mileage for home-to-work travel and private trips, it is possible to calculate your **business-use percentage** (this is the **ratio or percentage** split between work, home-to-work and personal driving). Then, you can claim the allowed business percentage of the car related expenses. **These expenses include** e.g. fuel, parking, registration and road tax, insurance, maintenance, interest on loan costs, depreciation, and other running costs.

For **example**, if your total annual mileage is 25,000 km and your business trips amount to around 5,000 km, you can claim 20% of all your car expenses as a tax-deductible expense. **Before 2020**, this amount had to be further reduced to 75%. **From 2020 onwards**, individuals (and companies) claiming their car expenses must apply the following formula to determine the deductibility of their car expenses: **120% - (0.5% × fuel coefficient × amount of CO₂ in g/km)**

The coefficient is set at 1 for diesel engine vehicles, 0.90 for vehicles running on natural gas, and at 0.95 for vehicles with a different type of engine. The **minimum deductibility is 50%** (except for cars that emit more than 200 g of CO₂/km – for which the deductibility drops to 40%) and the **maximum is 100%**. For **example**, a car with a petrol engine (fuel coefficient = 0.95) that emits 100 g of CO₂/km, the deductibility is as follows: $120 - (0.5 \times 0.95 \times 100) = 72.5\%$. Do note that special rules apply for so-called 'false hybrids' and 'plug-in hybrids'. The **deductibility for fuel cars** purchased **after 30 June 2023** will be gradually reduced until it will be 0% in 2028.

If you do not want to make the effort of **keeping track of all your receipts** or your car expenses are relatively minor, the tax office will always let you apply a **standard business expense** deduction. This includes **all** your business expenses, and evidently not only your car costs.

If you are not sure which deduction method is best for you, TAXPATRIA® can **assist with optimizing your business expenses** and **preparing your income tax return**.