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**Austria – Value of  
Company Car Benefit  
Raised**

by KPMG Alpen-Treuhand  
AG, Austria (a KPMG  
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## *flash* International Executive Alert

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In Austria, starting from March 1, 2014, the maximum acquisition costs for the determination of the monthly benefit-in-kind related to private/personal use of a company car have been increased to EUR 48,000.00 (from EUR 40,000).<sup>1</sup>

### **Why This Matters**

Starting March 1, 2014 onwards, this new acquisition cost threshold results in a higher maximum benefit-in-kind to the employee of EUR 720.00 per month (full benefit-in-kind) and EUR 360.00 (half benefit-in-kind). (For years, the benefit-in-kind for the private use of a company car was capped at EUR 600.00 (full benefit-in-kind) per month and EUR 300.00 (half benefit-in-kind) per month.)

The rise in the value of the benefit may increase the taxability of affected employees, and thus potentially raise costs related to the international assignment. Not only is the employee affected by a higher taxable benefit-in-kind, but also this impacts the employer as the gross income for employees is considered as a base for social security as well as other wage-tax related employer's contributions.

Consequently, changes to payroll withholdings should be made immediately if they have not been made already.

### **Background**

Many companies provide as a benefit to their employees – including those on international assignment in Austria or outside Austria (but subject to Austrian taxation) – a company car. Often this happens when the car is an essential part of the employee's activities or is seen as a competitive incentive/perquisite to hire and retain employees, or as part of an expatriate compensation package.

The private use of a company car is considered as taxable benefit-in-kind for an employee. The benefit-in-kind is determined as a percentage of the acquisition costs, which were capped at EUR 40,000.00 for the last ten years.

This value was linked to the maximum amount deductible for a company car for personal and corporate income tax purposes. Any excessive costs for a company car were not tax deductible and the benefit-in-kind for the private use of a company car was limited to the same amount.

Basically, the monthly benefit-in-kind is calculated at 1.5 percent of the acquisition costs (including NOVA [Standard Consumption Tax] and VAT). As acquisition costs were capped at EUR 40,000.00, the maximum monthly benefit-in-kind for a company car was

EUR 600.00 (full benefit-in-kind). In cases where the employee was able to substantiate (e.g., through a driver's log-book) that the private use of the company car did not exceed 500 km per month, then only 0.75 percent of the acquisition costs was considered as taxable benefit-in-kind. This leads to a "half" benefit-in-kind of maximum EUR 300.00 per month.<sup>3</sup>

### Increase of the Threshold and Effects on the Benefit-in-Kind

The effect of raising the maximum acquisition costs to EUR 48,000.00 has led to a maximum benefit-in-kind of EUR 720.00 per month (full benefit-in-kind) and EUR 360.00 per month (half benefit-in-kind).

This rule applies starting from March 1, 2014, onwards and also affects benefits-in-kind for company cars, which were provided to the employee for private usage before March 1, 2014.

**Example:** An employee has the right to use a company car for private purposes. The acquisition costs of the company car amount to EUR 60,000.00 (including Standard Consumption Tax and Austrian VAT).

*January and February 2014:*  $60,000.00 \times 1.5\% = \text{EUR } 900.00$  -> maximum benefit-in-kind EUR 600.00 per month

*March 2014 onwards:*  $60,000.00 \times 1.5\% = \text{EUR } 900.00$  -> maximum benefit-in-kind EUR 720.00 per month

This means that from March 2014 onwards, an employee taxed at the highest tax rate of 50% experiences an increase of his taxable base of EUR 120.00 monthly, which leads to a lower net income of EUR 60.00 per month.

### KPMG Note

As the example shows, the employee is impacted by virtue of the greater taxability of the benefit-in-kind. However, employers are impacted as well by this change since the gross income for employees is considered as a base for social security as well as other wage-tax related employer's contributions.

This means that employers need to be looking – if they haven't done so already – at these changes and considering how, from March 1, 2014 onwards, they are valuing and applying this particular benefit-in-kind and the impact this is having on their costs.

### Footnotes:

1 BGBl II 29/2014.

2 The acquisition costs are not expressed as annual or monthly amounts; they represent the value at which the car is bought at acquisition – so the EUR 48,000.00 and EUR 40,000.00 amounts remain constant over time. From this amount, the monthly benefit-in-kind is calculated. Please note, the tax deductible amount for the employer related to the acquisition of a company car remains unchanged at EUR 40,000.00.

3 *Lohnsteuerrichtlinien Rz 175 ff* (Wage Tax Directive of the Austrian Ministry of Finance).

*For additional information or assistance, please contact your local IES or People Services professional or one of the following professionals with the KPMG International member firm in Austria:*

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## **Save the Date!**

### **LINKing Global Mobility and Talent Management**

Please 'Save the Date' in your calendar and join us in Chicago, Illinois, USA, at KPMG's International Executive Services: Global Mobility Forum 2014. We have a fantastic line-up and look forward to seeing you in Chicago on **6-8 October 2014**.

If you have any questions, please contact your usual KPMG professional or send an e-mail to: [go-fmforum@kpmg.com](mailto:go-fmforum@kpmg.com).

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