'Digitisation trending' even in tax context

Few things in life are as unavoidable as taxes; but that does not mean we should passively accept whatever the taxman sends our way. And nowhere is that more true than for car taxation – an undervalued but increasingly important element of the Total Cost of Ownership, and of fleet and mobility management in general. So what's trending? "Companies are focusing more and more on green taxation, but that has been going on for some time".

Frank JACOBS

In 2016, we've really noticed fleets focusing on digitisation", a trend with a potential to change the market, says Erwin Boumans, partner and car taxation specialist at BDO.

Of course, digitisation in itself is not new, but the amplitude of the trend is, Erwin Boumans says. "We are noticing an uptick in companies moving to centralise, automate and digitise their fleet processes, for example relating to fuel cards and travel expenses. This is of course an attempt towards optimising fleet and mobility costs". Another element of the trend are mobility budgets, which are rapidly becoming mainstream: "Moving from a car-centric to a user-centric multimodal mobility system will have fiscal implications". An automated, digitised approach allows fleet and mobility managers to keep a better eye on the growing range of expenditures, and on their tax consequences.

Peter Wuyts, partner and employment tax specialist at BDO

Erwin Boumans, partner and car taxation specialist at BDO

Practicable EVs

The trend towards 'green' car taxation is not new either. "Companies shouldn't expect any major quantum leaps, but they should know that the direction will continue to be the same, even if the steps will be very incremental: whatever pollutes, will be taxed at increasingly higher rates; and cleaner alternatives will be subject to a variety of fiscally advantageous measures, be it subsidies or tax breaks", Erwin Boumans says. "One example of this is the premium recently instated in Belgium for registering electric vehicles. However, it should be pointed out that such incentives in and of themselves do not suffice to provide an impetus for alternative motorisations. You also need sufficient infrastructure – and while some countries provide funding for charging points, like in Scandinavia or the Netherlands, this is not the case in other countries, even if they offer incentives for the vehicles themselves. Of course, this has consequences for the practicability of electric mobility in some markets".

Changing orientation

The proof of the pudding is in the eating, agrees Boumans' colleague Peter Wuyts, partner and employment tax specialist at BDO. "Belgium has just decided to introduce a mobility budget starting next year, and other countries already offer something or soon will. But the question is, in each country: How will each government enable, secure and promote the mobility budget option? Each country will of course work out a specific set of rules and measures. But the general trend will be the same: Cars in general will be subject to a relatively higher level of taxation, and other modes of mobility will be subject to tax breaks and other fiscal stimuli".

Both experts clearly see mobility budgets as the way forward, in their various implementations across Europe.

"Correspondingly, we notice quite a bit of unease on the side of the fleet industry itself, faced as it is with a massive paradigm shift, which will be implemented in a very varied way across the different markets. However, the transition can have positive effects for those providers who pro-actively change their orientation from fleet provider to mobility provider – several providers have already explicitly announced such a shift or will most likely (need to) do so in the near future".

"Digitisation in company car taxation in itself is not new, but the amplitude of the trend is"

Challenging environment

It is, however, always advisable to keep in mind that the perfect world of good intentions does not correspond to the actual measures taken on the ground. Rules change and contradict; cross-border taxation issues complicate matters even further. This makes for a very challenging fiscal environment.

"For example, in an ideal world, the shift towards a mobility budget would imply a set of transparent rules that facilitate a direction away from certain mobility modes, and towards other mobility modes. But new tax directives often have the nasty habit of being added to existing rules, making for more complexity, not less", says Peter Wuyts. "So, while we hope that the introduction of mobility budgets will happen via a uniform set of rules and regulations, that will not always be the case".

Low-car diet

It is up to fiscal specialists with an international scope to see the forest for the trees, and find the nuggets of gold in the various national tax systems – each different from the other.

"A recent study indicates that Belgium spends no less than 1.2% of its Gross Domestic Product on tax breaks for company cars. That is, of course, huge – and an indication of the rigidity of the national tax system towards other ways and means of rewarding employees", says Erwin Boumans. "Another national peculiarity is a Dutch contest called the 'low-car diet': this is a challenge whereby companies can give their employees permission to experiment with alternative means to get to work, other than the company car".

In theory, the varied fiscal landscape of Europe is a smorgasbord of innovative tax techniques from which everyone can learn. In practice, some countries are more advanced than others: "Using car taxation as a means to implement mobility policies is very advanced in Scandinavia, for instance, but almost non-existent in Eastern Europe or the Baltics", says Erwin Boumans. Brexit may create even more divergence: "The UK will no longer need to conform internally to EU directives concerning CO_2 targets. That will give them some flexibility lacking on the Continent".

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DO'S and DONT'S

Given the trends in taxation of company cars over the last couple of years, a smart, tax-efficient fleet strategy is of major importance. As a fleet organisation you might therefore want to have a multiple focus in the next few years:

- **DO** modify your fleet, offering 'green cars', selecting cars with low carbon-emitting (electric or hybrid) engines. Fleet managers can already generate significant savings in fuel costs by lowering CO_2-emissions by only 10g;
- **DON'T** neglect to take into account the mobility profile of your drivers: distance driven, areas they drive (urban, non-urban, or highway) in order to compose a tailor made fleet for your customers;
- **DO** also open up to new trends whereby mobility solutions become the new key drivers, so do not only look at cars.

But always keep the necessary flexibility that allows you to adapt to changes that may occur, following the latest (local) state budget needs.
Fleet managers with international responsibilities should realize that policies they implement can have very diverse tax consequences in the different territories they are implemented in. Therefore, flexibility in policies, local adjustments in view of local tax regulations will be key.

And last but not least: do not forget about tackling driver behavior which may also have a huge impact on your Total Cost of Mobility and ecological footprint.