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Leasing and taxation issues regarding electric cars and hybrids





Introduction

Electric cars and hybrids are quickly becoming increasingly common. According to The Finnish Transport and Communications agency Traficom, there are notably more fully electric cars and plug-in hybrids in use now than there was a year ago. In 2019, over 4,600 fully electric cars were in use, while in 2018 the corresponding number was about 2,400. The number of plug-in hybrids in 2019 was 25,000 compared to only slightly over 13,000 in 2018.

The growth is also visible at Arval: in 2019, the percentage of hybrids and electric cars climbed to 35.6% of all the delivered new cars. In this summary, we give further details about the following leasing and taxation issues regarding electric cars and plug-in hybrids:

- 1) The taxable value and vehicle tax of electric cars and hybrids
- 2) Taxation related to charging electric cars and hybrids
- 3) Taxation when establishing a charging station at the employees' home
- 4) Establishing a charging station at the workplace car park

We will gladly help if you have any questions!

1. The taxable value and vehicle tax of electric cars and hybrids

A company car benefit, meaning a vehicle given to the employee for private use, is a taxable in-kind benefit. Cars always have a defined taxable value which serves as the basis for the tax paid by the employee.

The taxable value is affected by many factors, such as the price of the vehicle, the year in which the car was taken into use, whether the benefit type is limited or unlimited and the value of the car's accessories. In case of a fully electric car, EUR 120 is deducted from the monthly taxable value. This deduction is not applicable to hybrids. Although this means a person purchasing a fully electric car gets a slight tax benefit, it is good to remember that fully electric cars are usually correspondingly more expensive.

Electric cars and hybrids have a lower vehicle tax than cars with internal combustion engines because emissions affect the tax. Unlike for petrol cars, an additional tax on driving power is calculated in addition to the basic vehicle tax. Due to the low emissions, the total tax for electric cars remains lower than for petrol cars and notably lower than for diesel cars, which have a relatively high tax on driving power. Whether the vehicle tax is payable by the employee or the employer depends on the company's car policy.



Calculation examples (calculations made in January 2020):

Car	Price without car tax	Car tax	Annual vehicle tax	Unlimited company car benefit	Limited company car benefit
Plug-in hybrid: Volkswagen Passat Variant GTE Plug-In Hybrid 160 kW DSG automatic	EUR 48,280	EUR 1,548.44	EUR 106.22	EUR 910	EUR 745
Diesel: Volkswagen Passat Variant Style 2.0 TDI EVO SCR 110 kW DSG automatic	EUR 34,920	EUR 4,764.17	EUR 577.06	EUR 770	EUR 605
Petrol: Volkswagen Passat Variant Style 1.5 TSI EVO 110 kW DSG automatic	EUR 32,700	EUR 6,189.14	EUR 160.96	EUR 760	EUR 595

2. Taxation related to charging electric cars and hybrids

An electric car works the best when it is charged when parked. In an ideal situation, an electric car could be charged at home, at work or in public places, such as shopping centres.

Taxation is the same for charging electric cars and plug-in hybrids. The main factor that affects taxation is whether the company car benefit is limited or unlimited.



In an unlimited company car benefit, the employer pays all the costs related to owning and using the car. In a limited company car benefit, the employee pays a portion of the costs. The company's car policy defines which costs the employee pays. According to the Tax Administration's guidance, the employee pays at least the fuel or energy costs of the vehicle in case of a limited company car benefit.



Unlimited company car benefit and taxation of charging

At work

When charging happens at the workplace, the employer pays for all the electricity the same way they would pay for fuel. This is already taken into account in the taxable value of the car, so there are no other tax repercussions.

At home

Charging the car at home is tax free if the amount of electricity used for charging can be measured. In this case, the employer can pay for the electricity used for charging. Measurement is typically easy with current charging equipment. Most meters can be read remotely, but there are ones that do not support remote reading.

Arval provides home charging stations that are established together with a partner that invoices Arval for the electricity used and correspondingly compensates the employee for the cost of electricity. A home charging station provided by Arval works with a small token to ensure it cannot be used, for example, by neighbours.

Limited company car benefit and taxation of charging

At work

If the workplace provides a possibility for charging and the employer pays for the electricity, the employee will incur a monthly taxable benefit of EUR 30. In other words, the employee will pay tax for the sum of EUR 30 monthly, according to their own tax percentage. Alternatively, the workplace can arrange the possibility to pay for the charging based on usage. In this case, the employee pays for the cost of charging directly.

At home

Charging does not affect taxation if the employee pays for the electricity personally. In case the employer pays for the electricity that is needed for charging at the employee's home, the value of the benefit is the current price of the electricity – in practice the amount the employer pays for the electricity. The company can freely decide whether the company or the employee pays for the electricity for charging at the employee's home. With a limited company car benefit, the latter option is often better.



3. Taxation when establishing a charging station at the employees' home

The price will depend on the electrical connections in the location where the station is to be installed and its remote reading capabilities. The price of an individual charging station, including installation, is approximately two thousand euros.

There are two options for establishing a home charging station in case the employee's company car benefit is a plug-in hybrid. Either the company pays for the charging station, in which case it incurs taxable income for the employee, or the employee pays for their home charging station personally.

Installing the charging station requires a professional. In addition, a separate charging station is practically mandatory because the manufacturer does not recommend charging the car from an ordinary outlet due to, for example, the risk of a short circuit. An employee who has a plug-in hybrid receives practically no benefit unless the vehicle can be charged at the employee's home.

Establishing a charging station at a detached house is usually straightforward, but the attitude of housing companies can vary. Some housing companies are very favourable to establishing charging stations, but in some cases, things do not proceed as fluently.

Taxation in case the employer owns the charging station

In this option, the employer makes the necessary investments for the home charging station, covering the cost of the purchase and installation of the station.

According to the Tax Authority's current guidelines, a home charging station is not included in the taxable value of the car, but instead a separate taxable value is calculated for it because the station does not move with the car. When calculating the taxable value of the charging station, the purchase cost is divided over the expected period of utilisation of the device.

In this case, the write-off period of the device - as estimated by the company - may be considered as the period of utilisation, with a maximum period of 10 years. Interest on the capital is then added to the calculated annual write-off. In later years, the interest is calculated by deducting the write-off taxed during the previous year on the total amount of capital. The utilised interest rate is the base rate confirmed twice a year by the Ministry of Finance. If the rate is negative, an interest rate of zero is utilised.



Example of calculating the taxable value of a charging station

Price of charging station, including installation	EUR 2,100
Write-off period in the company's bookkeeping (maximum of 10 years)	5 years
Annual write-off	EUR 2,100/5 = EUR 420
The interest rate (Ministry of Finance's base rate) added to the amount of annual write-off	-0.25% * EUR 420 = EUR 0
Annual in-kind benefit	EUR 420 + EUR 0 (interest) = EUR 420
Monthly in-kind benefit	EUR 420/12 = EUR 35

Taxation in case the ownership of the charging station is transferred to the employee

The employer may also make the investments related to the charging station but transfer the ownership of the station immediately to the employee. In this case, the current value of the station, meaning its price and cost of installation, are considered in their entirety as the employee's taxable income at the moment the station is installed.

If the station was originally owned by the employer but is transferred to the employee within the period of utilisation, the station can either be sold to the employee or its ownership can be transferred to the employee. This could happen, for example, if the employee leaves the company. In a situation where the ownership of the charging station is transferred to the employee (the station is not removed from the employee's home), the charging station is valued at its current value. The current value of the charging station at the moment of transferring the ownership is regarded as taxable income of the employee, not a taxable in-kind benefit.

Taxation in case the employer has rented the charging station

If the employer has rented the charging station and given it for the employee's use, the rental amount is considered as the value of the taxable in-kind benefit.

Employer pays for the home charging station

The employer can also pay all of the cost of establishing a home charging station, in which case there are no tax repercussions.

4. Establishing a charging station at the workplace car park

Most public charging stations are so-called slow basic chargers of type 2. They are the standard in public charging stations in Finland and elsewhere in Europe. They are capable of charging almost all types of rechargeable cars. There are separate quick charging stations, too, which utilise three-phase current and do not support charging hybrid cars at all.



Whatabout the number of charging stations required in the workplace car park? Every organisation can of course define the number of charging stations for themselves. A charging station per car is a good rule of thumb, but it might also make sense to anticipate – the number of rechargeable cars is likely to increase in the future. When establishing charging stations, it is possible to prepare for additional stations at the same time.

The charging station can also be added to an application which shows the location of public charging stations on a map. This way, the network of charging stations becomes more comprehensive and the use of electric vehicles becomes easier. This way a company can, for example, offer charging stations for the use of its customers.



These questions will get you started with establishing a charging station at the workplace car park

- 1) **Permits and contracts:** What possibilities does the infrastructure offer for charging stations? If the car park is on rented property, you must agree with the landlord regarding the installation of charging stations and the principles for the payment of the electricity. The options are either a monthly value or payment according to use.

It is also possible that the landlord is not interested in cooperating with investing in charging stations. In this case, the company may try to rent electricity and cabling, for example, from the neighbouring property.

If there are many companies in your area, you might want to find out if others are interested in sharing the costs of charging stations.

- 2) **Electrical installation:** How long is the distance between the car park and the main distribution board? The costs will increase if underground cabling is required.
- 3) **Purchasing the charging stations:** There are many charging station providers and with industry standards their installation has become easier. When calling for tenders keep in mind at least the need for employee charging cards and the principles of charging, data management, invoicing and reporting. You might, for example, require reports on per-employee electricity use.

For further information, please contact:

[Tax Administration guidance: the valuation of taxable in-kind benefits to be applied in 2020](#)

[Tax Administration guidance \(in Finnish\): taxation of in-kind benefits \(7 Company car benefit\)](#)

[Estimate your car's taxable value with the Tax Administration's car benefit calculator – the calculator does not work for fully electric cars](#)

[Traficom's guidance related to the vehicle tax](#)