Company Car for Executives: Fringe Benefit Deduction

A company car for executives is one of the most sought-after and widely used fringe benefits. When a car is assigned for mixed-use, meaning both for business and personal purposes, significant tax implications arise that directly affect both the executive and the company. The fringe benefit calculation for mixed-use is based on the **ACI tables**, published annually by December 31, and the value of this benefit is charged in the payroll, impacting the taxable salary. Proper management of this charge requires attention to tax regulations and may also offer opportunities to optimize personal taxation.



Mixed-Use Cars vs. Company-

Exclusive Cars

When managing **company cars** for executives or company-exclusive cars, it is important to distinguish between two categories:

- **Mixed-use cars**: assigned to managers to be used for both business and personal purposes, such as private and family travel and outside of work hours. In this case, the company car is a true **fringe benefit**, therefore the mixed use of the vehicle is **charged on the pay slip.**
- **Cars for exclusive company use**: reserved exclusively for the performance of work activities, without the possibility of personal use. In this case, there is no **charge on the pay slip**, since the vehicle does not constitute a direct personal benefit. However, the **operating expenses** are entirely borne by the company.

Generally, the car for exclusive company use is assigned to individuals who need to travel to carry out their duties, the classic example being technicians. Differently, managers are mainly assigned cars for mixed-use. This method of assigning the car allows managers to benefit from a vehicle without having to bear the costs associated with purchase, maintenance and insurance, although this entails a certain **tax incidence**.

Payroll Fringe Benefit Charge: Models and Benefits for Executives

The fringe benefit charge for a company car for executives can be managed in different ways, and the choice of the model adopted can significantly affect the tax burden that the manager will have to bear. The main options are **partial charge** and **total charge**.

Company Car for Executives: Partial Charge of Fringe Benefit

Many companies opt for a **partial payroll charge**, usually between **30% and 50%** of the total value of the fringe benefit, thus reducing the tax impact for the manager. This approach is particularly advantageous for those who want to enjoy the benefits of a company car without the cost becoming excessively onerous in economic terms.

Partial charging is an effective compromise: the manager contributes only part of the cost of the car, while the company covers the difference. In addition, many companies promote the use of **environmentally friendly vehicles** (hybrid or electric), applying further reductions in the charge for those who choose low-emission models. This not only allows the manager to save even more, but also strengthens the company's reputation for environmental sustainability.

Partial charge example: If the manager uses a **BMW 5 Series 530e Hybrid**, with an annual fringe benefit value of **€7,200**, with a **30%** charge, the value charged to the pay slip will be:

1. **Annual amount charged to the manager**: €7,200 × 30% = **€2,160**
2. **Monthly charge**: **€180 per month**

This allows the manager to benefit from the use of the vehicle with a **reduced tax impact**.

Company Car for Executives: Total Fringe Benefit Charge

In multinationals, especially in the financial and automotive sectors, it is common to **charge the entire fringe benefit to the manager in the paycheck**. In this way, the manager

assumes **100% of the fiscal cost** of the car but has the possibility of accessing **high-end vehicles**, equipped with optional extras and customizable. Although this entails a greater fiscal burden, access to high-end vehicles can offset the economic burden. The **manager therefore** does not have to take charge of managing operating costs such as ordinary maintenance or insurance, which remain the responsibility of the company.

Example of full charge: Still using the **BMW 5 Series 530e Hybrid**, the annual fringe benefit is **€7,200**. With the full charge of the fringe benefit, the amount charged will be:

1. **Annual amount charged to the manager**: **€7,200**
2. **Monthly charge**: **€600 per month**

This model is advantageous for executives who want to enjoy high-end cars with the possibility of customization, although it entails a **higher tax burden**.

Customizations and Manager Contribution

One flexibility that managers particularly appreciate in relation to cars for personal and business use is the **customization** of the company car. As mentioned, managers have the possibility of modifying the vehicle according to their needs, choosing **additional options** or switching to more ecological models, such as hybrid or electric versions. The cost of these customizations is usually **charged to the paycheck**, in a lump sum or through installments, offering the manager the possibility of adapting the vehicle without immediate impacts on the personal budget.

This flexibility improves the overall experience of using a company car, allowing executives to enjoy a personalized

vehicle without the company having to sustain additional costs.



Operational Management: Car Policy and Rules of Use

Companies impose well-defined conditions for the use of **company cars**, both for safety reasons and to ensure correct use of the vehicle. Managers are therefore required to comply with the **car policy**, which is a document that contains the regulations for company cars and the instructions for **ordinary and extraordinary maintenance** of the vehicle, which must be carried out at approved workshops. Furthermore, **car policies** may provide for sanctions or additional costs in the event of **improper use** of the vehicle or in the event of exceeding the mileage limits (where applicable).

In the event of prolonged downtime of the car, the manager has

the right to a **replacement car**, even if the characteristics of the vehicle may vary based on the company leasing contract.

Tax Benefits for Executives and the Company

The **tax advantages** offered by company cars for mixed-use do not only concern the company. The manager can also benefit from **concessions** in terms of expense deductions, especially when the chosen car falls into the **low-emission** categories. For the company, however, the expenses related to leasing, fuel and maintenance of the car can be deducted up to **70%**, resulting in a significant reduction in the overall tax burden and making the fringe benefit more advantageous for both parties.

Current Trends: Sustainable Mobility and Car Sharing

Corporate policies are evolving towards greater **sustainability**, with the introduction of **hybrid and electric cars** in company fleets. This trend, also encouraged by environmental regulations and **tax breaks**, allows managers to access cutting-edge vehicles with reduced tax costs.

Corporate car sharing is another emerging trend, with the aim of reducing costs and optimizing the use of company cars. This mobility management model allows managers to use the vehicle only when necessary, contributing to a more efficient and sustainable use of company resources.

Company Car for Executives:

Conclusions

For **managers**, the assignment of a **company car for mixed use** represents a significant advantage in terms of convenience and flexibility, but it also entails tax implications that must be carefully managed. **Payroll charging**, which can be partial or total, allows balancing costs and taking advantage of a highly competitive benefit. Finally, the adoption of ecological vehicles, car-sharing policies and the careful management of company **car policies** represent strategic tools to optimize the fringe benefit and ensure maximum efficiency in the management of company resources.

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