

URL: <http://mobile.deloitte-tax-news.de/german-tax-legal-news/limits-on-use-of-non-eu-company-cars-of-cross-border-commuters-within-the-eu.html>

 27.05.2015

German Tax and Legal News

Limits on use of non-EU company cars of cross-border commuters within the EU

As from May 2015, non-EU-registered company cars no longer may be used by cross-border commuters for private purposes in the EU without customs clearance.

An EU regulation that applies as from 1 May 2015 limits the private use of non-EU company cars within the EU without customs clearance. Previously, if the private use of a company car of a non-EU company was covered by the employment contract, the employee could use the car for private purposes within the EU without having to pay import duties.

Due to a change in the EU Customs Code designed to prevent abuse, import duties (i.e. customs and import VAT) will be charged when a non-EU company car is used for private purposes. If the company car is used only used for travel between the workplace and home, or for business purposes, no import duties should arise. However, all other cross-border use of the car for private purposes in the EU, such as for holidays, will result in an obligation to pay import duties on the non-EU company car.

Since the customs authorities can request a copy of the employment contract to prove the business purpose of use of car, the employee should keep a copy of the contract in the car when driving within the EU.

Due to this development, non-EU companies with employees resident in the EU should verify their handling of company cars.

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