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Private share of company car

Dear Ladies and Gentlemen,

The topic of this newsletter is company cars. What, officially, is a company car? Under which conditions do charges arise for private use, and how can a correct submission avoid any possible issues with the authorities before these could even be created? As artax Fide Consult AG is based in Basel, and the EU is a critical issue due to the close geographical proximity and cross-border commuters, we will also risk an excursion and examine the risks lurking in the EU.

Basic prerequisite

Once an employer allows an employee to use a company car that, apart from any use for business purposes, can also be used for private purposes (e.g. commuting to and from work, holidays, etc.), conditions for services against payment to the employee are met.

There are two different options that are accepted by the tax authorities:

Effective method

A clear distinction between private use and business use needs to exist. A suitable solution is keeping a logbook in which all journeys are noted. Any distances not travelled in the interest of the company will be added up, and the employee will be charged with the given reference rate of CHF 0.70/kilometre. A lower rate can only be applied in cases with a justifiable calculation. The same goes for any vehicle in the luxury bracket – against which the rate is increased accordingly.

Flat-rate method

As the effective method is rather time-consuming, many companies prefer the flat-rate method. Generally the basic rate is the vehicle's shop floor price, minus VAT – the employee is then charged 0.8% of this basic rate, or a minimum of CHF 150.00 per month as his or her private share. However, this method can only be applied for passenger cars up to a weight of 3.5 tonnes and for vehicles used for passenger transport registered for less than nine passengers including driver.

For special vehicles with limited scope for private use (e. g. service vehicles with a permanently installed workshop), no private share can be charged, and generally there is a monetary charge for placing these at the employee's disposal. Any mixture of these two different methods will neither be accepted by the tax authorities, nor will it be allowed to be part of any expenses regulations.

What effects on salary statements are there in placing a car at someone's disposal?

Using the flat-rate method the determined amount must be entered under 2.2. in the salary statement. In case of either method, box F (transport free of charge between home and work place) must be ticked off.

What rights does an employee have, who uses his private car for business purposes?

If the employee fully bears all costs for the vehicle, he or she is entitled to adequate compensation. This compensation does not need to be added to the salary statement as long as the amount of CHF 0.70/km is not exceeded. This compensation is neither subject to social insurance nor to tax, and consequently does not have to be dealt with by the payroll department.

Overview of the different cases

<i>Use</i>	<i>Determining private share</i>	<i>Salary statement</i>
Business only	No private share	No effect
Business incl. commute	No private share	Tick off box F
Business/private	Private share effective/flat-rate	Tick off box F, extrapolate PS value
Private vehicle	Irrelevant	Irrelevant

Excursion European Union

As the media has recently frequently reported about horrendous fines for EU citizens who had been using vehicles registered in Switzerland, we thought it worthwhile investigating this issue. There is a judgement by the European Court that prohibits any private use of vehicles with duty unpaid within the EU. There is a distinction between employees and senior management level. Senior management level includes managing director, member of the board of directors or of the executive board, and company owners. Any business travels for senior management level need to be substantiated via work contracts; private use of vehicles with duty unpaid within the EU is prohibited.

Sales representatives aside, mainly senior employees were able to benefit from the use of company cars. Until recently, any prerequisites for the use of a Swiss-registered company car within the customs area of the EU were handled very laxly. Now, Germany has taken steps and has introduced tightened criteria for use, as of 1st January 2014.

We have received varying answers from the authorities to our enquiries. In general, it is recommended to keep a copy of the work contract or an addendum to the work contract in the vehicle, proving that the employee in question is entitled to use, for example, the vehicle with registration BS 1234. Any such authorisation to drive a vehicle need not contain irrelevant or private information.

Kind regards
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