

Regulations and Benefits: the latest on company cars

Expert's opinion

Company car and relevant optional features

by **Moira Tacconi**
Labour Consultant - Leoni Grant Thornton & Partners

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Overview

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by **Giovanni Natale**
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Focus on

The tax treatment of electric car charges: a new frontier to be explored

by **Stefano Lunghi**
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When dealing with the broad topic of company cars assigned to employees for business and personal use, there are a series of ancillary though not secondary aspects relevant to their management which often require an in-depth analysis, as they are not always clearly defined by legislation. While a proper management of company cars assigned to employees for business and personal use is certainly based on specific principles and criteria related to assignment parameters and the economic...

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Cars for business and personal use – Regulatory novelties

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The European Green Deal, i.e. the strategic initiative launched by the EU in 2019 with the primary objective of achieving climate neutrality by 2050 through the adoption of a series of social, environmental, economic and political measures aimed at preserving the health, sustainability and prosperity of our planet, has recently prompted the Italian legislator to intervene in various economic-social sectors introducing norms aimed at promoting ecological transition processes. Besides its impact on our habits and lifestyle as individuals, the energy and climate transition inevitably involves the main economic players: businesses. Being regarded as “sustainable” is nowadays crucial to being competitive in the market. Clients now favour sustainability, and consumers are increasingly aware of the environmental impact of products’ manufacturing processes and transportation. Having a green certification can be a plus to increase market appreciation. Within this scenario, this article will analyse in detail the impact of the “green” measures introduced in the Italian legislation on corporate car fleets.

Besides being green in terms of mere corporate image, when choosing their company car fleet, companies must now consider the penalties introduced in the Italian law with reference to internal combustion engine cars granted to employees for business and personal use. The granting of cars for business and personal use to employees - especially to those holding managerial or executive roles or appointed as directors - is common practice among companies. Additionally, cars are granted when instrumental to carrying out the employees’ working activity, as for example in case of sales staff. However, as the granting of cars for business and personal use is a fringe benefit for the employees, it represents a cost for companies which, as employers, are required to pay social security contributions for this form of remuneration in kind. Therefore, the higher the value of the fringe benefit, the higher the cost borne by the company. A first step in a greener direction was the introduction of new provisions with Budget Law 2020, effective from July 2020, namely a different method to quantify cars granted as fringe benefits using ACI (Italian Automobile Club) tables. Although the 15,000 km reference distance travelled per year remained unchanged for the purposes of calculating the contribution in kind, the standard 30% rate was substituted with different increasing and progressive percentages, which penalise cars with higher CO2 emissions.





For example, a favourable 25% taxation was introduced for CO2 emissions up to 60g/km, whereas a more penalising 60% tax rate applies to emissions exceeding 190g/km. In a business scenario where attention to corporate costs is paramount and a crucial factor for the management to consider, having a sustainable car fleet is, if not vital, at least no longer negligible for reducing corporate costs. It should also be noted that employees are taxed for receiving fringe benefits, both at a fiscal and social security level, as they constitute remuneration in kind. Consequently, as the value of the remuneration in kind increases, the employees' net pay decreases in inverse proportion. Another aspect to be necessarily considered by companies is their people's satisfaction, especially those in management positions. With Budget Law 2025, the granting of cars for business and personal use underwent an even greater shift towards "green" vehicles, with the introduction of a clear distinction between internal combustion engines and electric engines, effective from 2025. The amount of the remuneration in kind is no longer determined based on CO2 emission levels, but rather on the vehicle power supply. To vehicles powered exclusively by electric batteries a 10% rate applies, still based on the 15,000 km reference distance travelled per year and calculated on the operating cost per kilometre as indicated in the ACI tables. Plug-in electric vehicles also qualify for a reduced 20% tax rate.

Other categories of cars that do not fall into the two previous categories (combustion engines or non-plug-in hybrids) are instead penalised with a 50% tax rate. It is therefore crucial to make ecological choices if labour costs are to be kept down, also in the light of the recent clarifications provided by the Italian Revenue Office on electric charges, as analysed in the next section of this issue of TopHic. Furthermore, the matter has been repeatedly addressed in Revenue Office circular letters due to interpretative doubts arising as a result of unclear norms that have been introduced over time, generating widespread uncertainty. Anyway, the conclusions reached by the Revenue Office have not always been shared by tax experts, especially as concerns the indications provided on the application, in certain specific situations, of the normal value of the asset to determine the taxable fringe benefit. There are various parameters to consider for a correct determination of the remuneration in kind, from the date of registration of the vehicle to the date of signing the contract with the employee, from the date of order to the date of actual assignment of the vehicle. A decision that might be considered a well thought-out one, such as reassigning a car from the company fleet to another employee, must necessarily be discussed with professionals, as it may conceal critical issues in terms of taxation depending on the vehicle's fuel type.





Further critical issues may arise, for example - as specifically analysed in the “Expert’s opinion” section of this issue of TopHic - when company cars are equipped with optional extras, as is often the case when employees make specific requests that are accepted by the company. In short, there are many critical aspects that can impact taxation and corporate costs. There have been countless circular letters, resolutions and responses to requests for a ruling by the Revenue Office in recent years, which also address the issue of tax deductibility for corporate income purposes, which varies depending on the type of vehicle assignment within the company.

But the need to keep track of corporate costs remains the same, and the support of professionals plays a key role to resolve doubts, draw up spending budgets, respond to specific needs and, above all, enable companies to make informed decisions with a view to a mutual satisfaction of both the company and its employees, while simultaneously balancing a sustainability model that can no longer be postponed and which consolidates and strengthens the company’s brand on the one hand, but also requires the ability to navigate an increasingly complex regulatory system on the other hand.





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A company car is the ultimate fringe benefit and remains one of the most appreciated assets used by companies within remuneration policies, thanks in part to its popularity among employees and the convenience associated with the relevant taxation regime.

Given the need to manage a company's car fleet, car brands and models to be assigned to employees are usually identified following corporate policies, depending on the categories to which employees belong.

Moreover, it is not unusual that, when choosing a vehicle, employees might decide to customise it by adding optional extras that they are willing to pay for, convinced that the relevant withholding will reduce the value of the taxable benefit in their payslip. But is this really the case?

Actually, no: additional optional features do not impact the value of the taxable benefit.

A clarification on the matter has recently been provided by the Revenue Office, with its response to ruling no. 233 dated 9 September 2025.



In justifying their opinion, the tax authorities refer to art. 51 of the Italian Consolidated Income Tax Law (TUIR), according to which everything that employees receive in relation to their employment relationship contributes to their taxable income. Para. 4 of the abovementioned article stipulates that for vehicles granted to employees for business and personal use, a calculation based on a lump sum should be adopted, identified according to the ACI tables, which estimate the cost per kilometre for a conventional distance travelled of 15,000 km per year. The tables used refer to the basic model of each vehicle and do not include the cost of optional features. It is therefore not correct to subtract the cost of possible extra accessories not included in the tables according to which the benefit is calculated from the value of the benefit thus estimated.





According to the established position of the Revenue Office, the only amounts that can be withheld are those representing a remuneration for the personal use of the vehicle (see Circular 326/E of 1997). The charge at stake must be directly linked to the possibility of using the asset and not to the customisation of the asset itself. By way of example, let's consider the case of an employee choosing a car model not covered by the company policy for their category, offering to contribute to the additional cost incurred by the company through a corresponding withholding. In such a situation, the taxable benefit for the employee is reduced by the amounts charged back by the employer, who will collect the corresponding amount after issuing an invoice to be paid by the employee by the end of the tax period.

Having clarified that the payment for optional car features has no effect on the calculation of taxable income, which is the correct way to manage the charge to the employee? The amount relating to optional features must be treated as a mere withholding, with no impact on tax or social security contributions. The company must therefore charge this cost to the employee through a withholding on their net salary.

For the sake of completeness, it should be noted that the letter assigning the car should specify the cost of installing any optional features and establish the amount that will be charged back to the employee, either in part or in full, as well as the value of any sums withheld from the employee in relation to the assignment of the company car.



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When dealing with the broad topic of company cars assigned to employees for business and personal use, there are a series of ancillary though not secondary aspects relevant to their management which often require an in-depth analysis, as they are not always clearly defined by legislation.

While a proper management of company cars assigned to employees for business and personal use is certainly based on specific principles and criteria related to assignment parameters and the economic value of the benefit, it is equally true and increasingly common to find aspects related to factors complementary to the asset, such as, for example, the management of fuel and electric recharging and the facilitation of the installation of electric charging stations at the homes of employees, for which there are no specific regulations in place.

In such an increasingly complex and everchanging scenario, some interesting replies to application for rulings were published by the Revenue Office over the last few years, tackling issues such as the right to benefit from a series of services strictly related to the granted car, upon specific conditions set by companies.

In 2022, with its response no. 329, the Revenue Office expressed its opinion on the provision of electric car charging services to employees, in relation to the case of a company that had made ecological sustainability a strategic lever for its development, raising awareness among its employees about the use electric mobility, even in their private lives, renewing its company car fleet with electric or hybrid vehicles and also encouraging the use of these types of vehicles in the employees' private life.

In this context, the employer's intention, set out in a collective agreement covering the entire workforce, were to grant a six-month period of free charging, entirely at the company's expense, to employees who purchased electric cars for personal use within a certain period of time, using, where possible, electricity produced by the company's photovoltaic or hydroelectric plants or, alternatively, by entering into agreements with third-party charging providers, establishing precise and specific limitations in advance, such as a maximum number of charges, in order to prevent abuse.





In accepting the solution proposed by the applicant, the Revenue Office considered in their response that such specific benefit (free charging of private cars for a given and limited period of time as set out in a collective company agreement) could benefit from the provision on non-competition in the formation of employment income, as per art. 51, para. 2, letter f) of the TUIR (Consolidated Income Tax Law), as the opportunity to use electric mobility was granted by the employer in order to promote a conscious use of resources and responsible attitudes towards the environment among its employees. In fact, according to the Revenue Office's position, a goal of environmental education pursued by the company can be identified in this initiative.

With its subsequent response no. 421/2023, the Revenue Office instead expressed its opinion on the tax treatment of sums paid by employers to employees as reimbursements for electric vehicle charging carried out at home, as well as on the installation and maintenance of devices for charging electric and plug-in hybrid vehicles at home.

In the case at stake, the Revenue Office reinstated that the sums paid by the employer to an employee as expense refund are considered as employment income for the latter, except for the expenses reimbursed in the exclusive interest of the employer, advanced by the employee for operational efficiency and subject to specific exceptions provided for in art. 51, para. 5 of TUIR for the analytical reimbursement of travel expenses.

In line with the above, the response at stake considered that both the refunds paid by the employer to its employees for the electricity costs incurred by the latter to recharge company vehicles assigned for business and personal use, and the costs of installing and maintaining devices for recharging electric and plug-in hybrid cars at home, if recognised by the company to the employees, constitute employment income subject to taxation (unless the total annual exemption allowance provided for the transfer of goods in kind under art. 51, para. 3 of TUIR is exceeded).

Finally, in response no. 237/2025, the Revenue Office expressed its opinion on the management of recharging at public charging stations for electric or hybrid company cars granted for business and personal use to employees.

The ruling concerned a company willing to integrate its car fleet, consisting exclusively of combustion vehicles, with new electric and plug-in hybrid cars, granting employees who opted for a replacement electric car a certain number of electric recharges within a specific limit and using a dedicated company card.

The applicant also provided that each employee was required to report and periodically communicate the kilometres travelled for business purposes, so as to identify, by difference, the remaining kilometres travelled for private reasons.





In this case, the Revenue Office made an interesting concession excluding recharges paid with company cards from taxable employment income for the total amount included in the conventional ACI value already subject to full taxation - even with regard to kilometres travelled for personal use - within the distance limit established and predefined by company regulations. Therefore, in this specific case, companies could adopt a policy providing for the employer bearing the costs incurred for electric recharges, carried out within the limits of the conventional ACI values and following an objective and demonstrable tracking of work-related travel only, in order to determine and record, by difference, the personal use reimbursable under the tax exemption regime.

In conclusion, the management of company electric car fleets deserves to be examined on a case-by-case basis in order to avoid potential critical issues - also in the light of the lack of consistency in praxis - but it also represents an interesting opportunity for companies to consider when defining their remuneration policies.

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