European vehicle tax white paper

Ayvens Consultancy

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Countries included: Belgium, France, Germany, Italy, Netherlands, Portugal, Spain, UK

Monitoring tax changes is a must!

In today's fast-evolving automotive landscape, taxation plays a **pivotal role in vehicle selection**.

Recent taxation changes have significantly **reshaped our environment** over the past months.

This white paper provides a concise overview of these updates, helping global automotive managers **anticipate** their impacts.

Staying ahead of these tax shifts is now a must for informed decision-making and long-term competitiveness of your fleet.

Ayvens Business Intelligence & Consultancy Team

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2025 tax changes

Key dynamics shaping the landscape

- **Taxation tightening**: Exemptions for BEVs are being gradually reduced, while PHEVs are subject to taxation more similar to ICE.

- **Benefit-in-kind (BIK) recalibration:** BEVs continue to benefit from advantages, but rates are increasing.

- **Purchase incentives evolve**: Broad subsidies are being reduced or discontinued. Now, targeted schemes for specific groups.

- **EU regulation:** Clean Corporate Fleet, EU has consulted on a new regulation to increase ZEV uptake in corporate fleet

EV support across Europe triggers scattered regulatory schemes

Country	Fleet EV quota	Purchase subsidy	Benefit in kind (BIK) tax	Vehicle tax	Urban access / Tolls	Charging support
France	✓ ↑	–	✓ ↑	✓	– ↓	✓
Germany	✗	✗	–	✓	– ↓	–
Italy	✗	–	✓ ↑	–	✓	✓
Netherlands	✗	✗	– ↓	– ↓	✓	✓
Belgium	✗	✗	✓	✓	✓	✓
Spain	✗	✓	–	✓	✓	✓
UK	✓	–	– ↓	– ↓	✓ ↓	–
Portugal	✗	–	✗	✓	✓	✓

✓ Strong support

– Partial/Conditional support

✗ Ended/missing support

Source: European Commission; Press search; BCG analysis; Ayvens analysis

Different policy directions depending on EV market maturity

EV mature countries phasing out EV subsidies

EV mature countries have been reducing purchase subsidies and BEV BIK advantages in recent years.

FR has limited Purchase **subsidies** to **Private** customers, and enforcing **higher BIK for non-EU BEVs**

UK has launched a **new subsidy** for BEVs with priced <£37k.

Less EV mature are trying to increase incentives

BEV BIK

PHEV BIK

ICE BIK

MOVES III purchase subsidy

EV purchase subsidy

Less EV mature EU countries discussing EV subsidies but **often limited by financial resources.**

European Union (cross-country framework)

Clean Corporate Fleet

EU has consulted on a new Regulation to increase ZEV uptake in corporate fleet, considering policy options ranging from

a) Member States ZEV targets;

b) targets on specific corporate entities; or

c) rules on financial incentives for corporate vehicles

You **need to master taxation** as electrification is not stopping

Key fiscal & subsidies changes (1/2)

	2024	2025	2026
Belgium		**Vehicle tax:** zero emission vehicles are exempt from road and registration tax in Flanders (private and professional buyers).	**Vehicle tax**: road tax and registration tax exemption for zero emission vehicles will be slashed for registrations as of 2026.
France		**Weight Malus:** from March starting at 1,600kg, BEVs are exempt **CO2 Malus:** from 118g CO_2/Km to 113g CO_2/km. No more incentives on office chargers' installation for corporates/fleets.	**Weight malus:** lower to 1,500kg; Higher cost per kg; BEV also included. **CO_2 malus:** lower limit to 108g CO_2/km.
Germany		**BIK:** from July BEVs 0.25% cap raised from €70k to €100k of vhl list price. **Accelerated depreciation** from July for BEVs acquired between 2025 and 2027. **Registration tax**: BEVs which are first registered by 31 December 2025 are exempt from the vehicle tax for up to 10 years (but no later than 31 December 2030).	**Registration tax:** the exemption is planned to be extended for BEVs that will be first registered by 31 December 2030 will qualify with the 10-year exemption lasting (but no longer than 31 December 2035). If not confirmed, they will be taxed regularly like ICEs.
Italy		**Limited purchase subsidy for** BEVs from September. **BIK**, new scheme based on powertrain more favourable for BEV.	
Netherlands	End of purchase subsidy scheme (SEPP)* for BEV.	**Road tax**: • BEV have to pay the 25% of the road tax. • PHEV with 50 g CO_2/km lower discount at 25%. **Registration tax**: BEV are no longer exempt but subject to a fixed rate. **BIK**: minimum rate for BEV, 17% of the car catalogue's value up to €30k will be added to the gross salary, above €30k standard rate of 22%.	**Road tax:** • Lowered discount on BEV, 30% discount in 2026-2028. 25% in 2029 and full rate in 2030. • <u>No more discount</u> for PHEV. **BIK**: no more discounts for BEV (all powertrains at 22%).

**BIK: Benefit in Kind; SEPP: Subsidy Scheme for Electric Passenger Cars; VED: Vehicle excise duty equal to Road tax, ECS: Expensive Car Supplement additional annual tax ; ENIC: Employers Class 1 A National Insurance contributions*

Key fiscal & subsidies changes (2/2)

	2024	2025	2026
Portugal	End of incentive for **charging infrastructure** for individuals	More affordable **autonomous corporate income tax** more for ICE and PHEV. Exemption for BEVs with catalogue price up to €62.5k. **BEV Purchase subsidy** for individuals.	
Spain		**MOVES III extended for 2025.** **Sustainable mobility law** approved on 8 October 2025.	
United Kingdom		**VED*& ECS** applicable to BEVs (April). **BIK**: % rate increase from 2% to 3% & ENIC* increase rate (from 13.8% to 15%) – from April. **Purchase subsidy** for BEV up to £37k from July. **London congestion** EV 100% discount ends on the 25 December 2025; TfL proposes new EV discount rates form 2026.	**BIK**: BEV % rate increases from 3% to 4% in 2026-2027; 5% in 2027-2028. From April 2028 rising 2% points rise each year. **100% first year allowances for capital expenditure of zero emission cars and on EV charge points** ends from 31 March 2026.

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France

France : 2025 taxation changes 1/2

Malus on CO_2

Paid once at the delivery of the car.

Lower threshold
118g => 113g.

Malus on weight

- Paid once at the delivery of the car.
- Cost per kg exceeding 1.600kg.
- BEV exempted.
- **PHEV no longer exempted**, but with a 200kg relief if electric range >50km.
- 100kg relief for HEV and PHEV with electric range <50km.

Annual tax on CO_2

"TAVT", with 2 components
Paid annually per car in the running fleet.

Higher cost of 1st component based on CO_2 level.

HEV & PHEV no longer exempted.

Vehicle tax

What we expect

- ICE has less tax advantages for fleets
- Acceleration of PHEV phase-out
- Focus to have on weight of BEV

Loi de finances 2025 (adopted via 49-3) :
- **Weight malus 2026** starting at 1,500 kg
- High cost per kg
- **BEV also included** with 600kg relief, starting 1 July 2026

France : 2025 taxation changes 2/2

Benefit in kind (BIK)

From February 2025

- New % to apply for the benefit in kind increasing the taxation of **66%.**
- From **9%** of purchase price to **15**% or,
- From **30%** of monthly leasing costs to **50%.**

For BEV

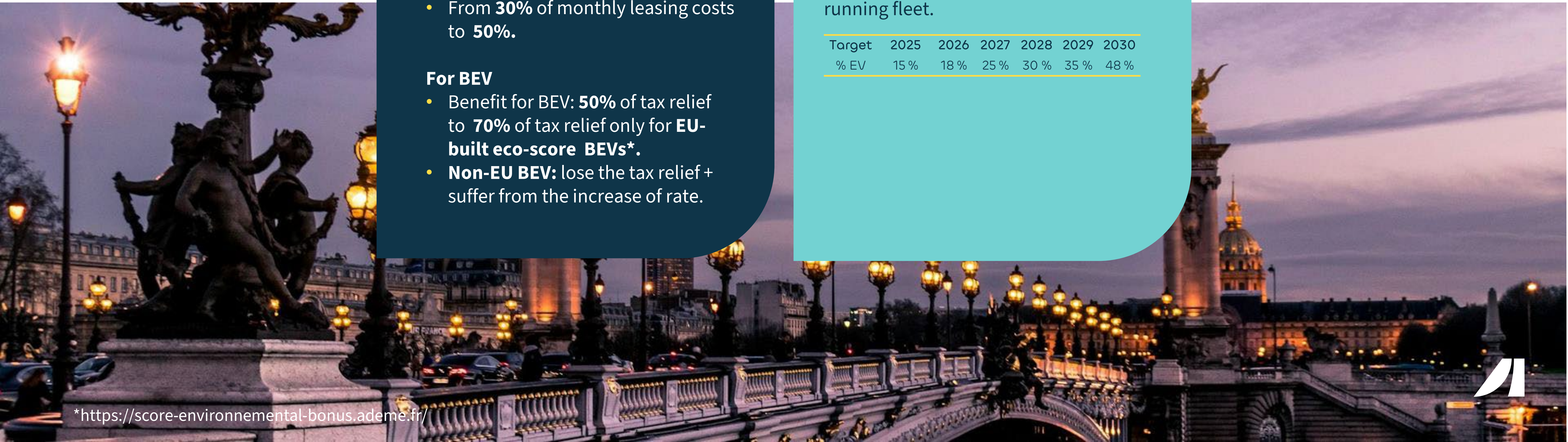
- Benefit for BEV: **50%** of tax relief to **70%** of tax relief only for **EU-built eco-score BEVs*.**
- **Non-EU BEV:** lose the tax relief + suffer from the increase of rate.

EV Fleet

From March 2025
Companies with fleet with more than 100 vehicles will face **annual penalties** if they **do not meet low emission thresholds.**

Objective:
Low emissions vehicles targets in running fleet.

Target	2025	2026	2027	2028	2029	2030
% EV	15 %	18 %	25 %	30 %	35 %	48 %



*https://score-environnemental-bonus.ademe.fr/


Italy
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Italy: 2025 Taxation changes

Benefit in kind (BIK)

Transition from CO_2 based to powertrain-based taxation.

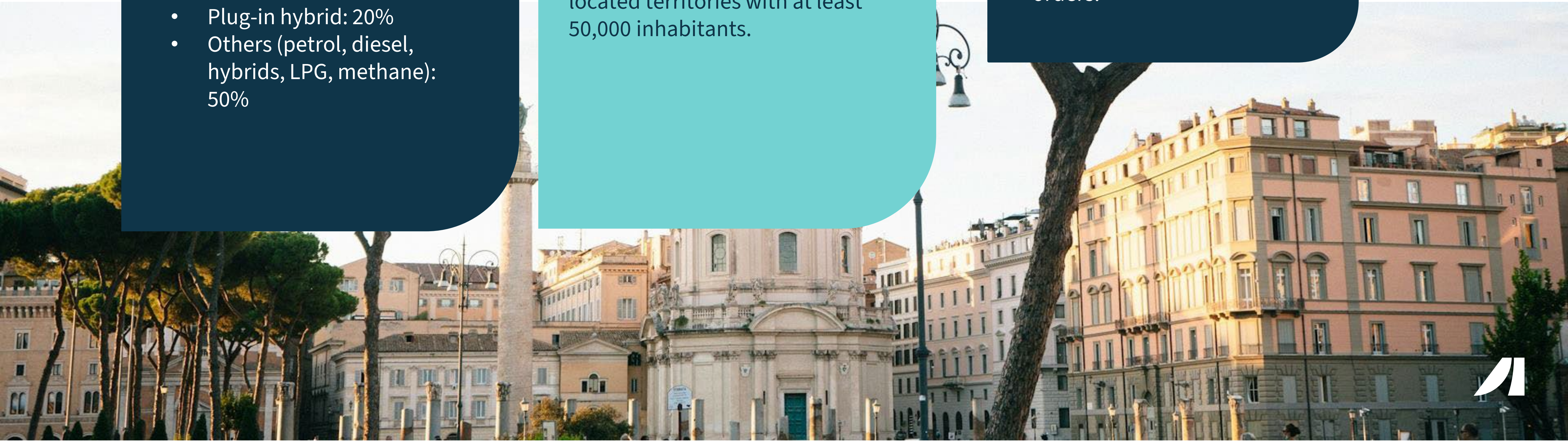
Percentage are:
- BEV: 10%
- Plug-in hybrid: 20%
- Others (petrol, diesel, hybrids, LPG, methane): 50%

Purchase subsidy

Purchase subsidy for BEVs launched in September and it is dedicated only to low-income households (incentive for passenger cars) and small business (incentive for LCVs N1 and N2) located territories with at least 50,000 inhabitants.

What we expect

- More contract extensions of current, medium ICE vehicles.
- Increase of BEVs and PHEVs orders.



Netherlands

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Netherlands: 2025 taxation changes

Vehicle tax

Road tax (mrb)

In 2025, BEV benefit from a 75 % tax discount compared to ICE.

From 2026 this discount will become 30%.

PHEV < 50g/km: 50% discount in 2024 becomes 25% until end of 2025**, no discount from 2026.**

Registration tax (BPM)

BEV exemption has been abolished in 2025.
From 2025, **the "fixed base" is applied to fully electric cars.** This fixed rate is **€667 in 2025**.
It is not yet known what the permanent base will be in 2026.

Benefit in kind (BIK)

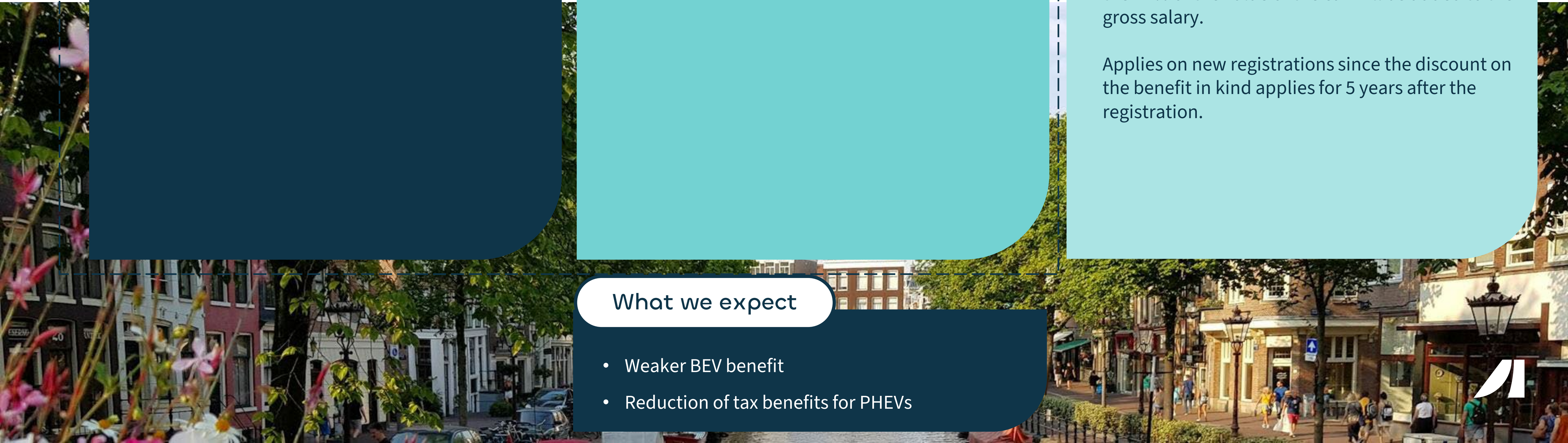
Minimum rate for BEV: the 17% of the value of the car, up to €30k of the car catalogue, will be added to the gross salary. Any amount above it is taxed at the regular rate of 22%.

From 2026: end of financial benefit for employee choosing a BEV => same rate as ICE, the 22% of the value of the car will be added to the gross salary.

Applies on new registrations since the discount on the benefit in kind applies for 5 years after the registration.

What we expect

- Weaker BEV benefit
- Reduction of tax benefits for PHEVs



United Kingdom

UK: Taxation changes

Vehicle tax

Vehicle Excise Duty (VED)

Equivalent to **Road tax, paid annually per car.**

BEV are no longer exempt starting 1 April 2025. BEV registered after 1 April are liable to pay the first-year rate of VED, currently £10/year.

From the 2nd year of registration, BEV will move to the standard rate like PHEV & ICE: **£195 for PC.**

Applicable to running fleet : zero emission cars first registered between 1 April 2017 and 25 March 2025 will also pay the standard rate.

Expensive Car Supplement (ECS)

ECS applies to car with a list price (options incl.) > £40k.

Paid annually per car in the running fleet. It is paid for 5 years, starting from the second time the vehicle is taxed.

BEV are no longer exempt starting 1 April 2025. Applies to new registrations only.

ECS is increasing to **£425** per annum in 2025-2026 tax year.

Strong impact for TCO for BEV: increasing by £600 per annum from year 2, average list price in UK is £46k with over 68% of new BEVs exceeding 40k list price and therefore liable for ECS.

Benefit in kind (BIK)

BIK rate for BEV reaches 3% for 2025-2026.

Will be 4% in 2026-2027 and 5% in 2027-2028. From April 2028 rising 2% points rise each year.

PHEV: Emission between 1 and 50g/km: have BIK **dependent on emissions as well as published pure EV range till 2027-2028**, then the pure EV range will not impact BIK %, **all align to 18% in 2028-2029 and 19% in 2029-2030.** PHEV with range over 70 miles will more than double from 8% to 18%. PHEV with range over 130 miles, will more than triple from 5% to 18%.

ICE: from April 2028 will continue to increase by 1% point each year.

Purchase subsidy

From July 2025, new **Electric Car Grant** for new EV incentives on EVs priced **under £37k**.

Backed by a £650 million budget, will be valid until financial year 2028 - 2029.

Grant amount depends on environmental and battery performance; higher scoring models receive the larger discount. List of eligible vehicles is evolving as OEMs apply.

What we expect

- Weaker BEV benefit
- Significant increase in taxation on PHEVs

UK government implemented **Euro 6e emissions standard** for cars and vans in Great Britain aligning with Northern Ireland. Already effective in January 2025.

Applicable to the running fleet

Countries with no major changes

Portugal & Spain: 2025 taxation changes

Portugal

Registration tax & road tax

Registration tax

- No more reduction for full hybrid vehicles.
- BEVs: complete exemption.
- PHEVs: 75% reduction if range in all-electric mode ≥ 50km and < 50g CO_2/km.

Road tax (IUC – Imposto único de circulação)

- Exemption for BEVs.

Vehicle tax

Portugal

Autonomous corporate income tax

- BEVs: complete exemption.
- PHEV : Reduction if **range in all-electric mode ≥ 50km and CO_2 emissions < 50g/km.**
- PHEV & ICE: Ceilings were raised, and rates were reduced.

Spain

Purchase subsidy

Spain's **MOVES III programme**, extended through 31 December 2025, offers:

- Up to €7k for new BEVs priced under €45k (excl. VAT) with vehicle scrapping.
- €4.5k without scrapping.
- Applies retroactively to purchases made from 1 January 2025.

The successor scheme, MOVES IV, is expected in 2026 and aims to streamline access and raise eligible price thresholds.

Belgium & Germany: 2025 taxation changes

Belgium

Registration & road tax

BEV and hydrogen vehicles are **currently exempt from registration and road tax.**

The road tax and registration tax exemption for zero emission vehicles **will be slashed for registrations as of 2026.**

Belgium

Company tax & benefit in kind

Company tax

- BEVs: 100% deductibility.

Car tax for self-employed

- Phase-out of PHEV incentives with a deductibility reduction plan from 2026 to 2030.
- From 2030 onwards, no tax benefits will apply to PHEVs regardless of emissions.

Benefit in kind

- Percentage varies based on car's CO_2 emission.
- Minimal BIK per year: €1,650

Vehicle tax

Germany

Registration tax

- **BEVs first registered by 31 December 2025** are exempt from the vehicle tax for up to 10 years (but no later than 31 December 2030). The exemption is planned to be extended.
- **PHEVs: From 2025 no more exemption**. For them, the tax is calculated on the basis of **engine capacity and CO_2 emissions**, as is the case with combustion engines.

Vehicle tax

Purchase subsidy

Will come into effect in 2026 for new and used BEVs.

Germany

Benefit in kind (BIK)

- BEV: **Only 0.25% of the vehicle gross list price is added to the employees' monthly taxable income.** The gross list price limit for electric company cars eligible for the favourable rule **increased from €70k to €100k (from July 2025).** This meant that employees only had to pay tax on 0.25% of the gross list price per month as a non-cash benefit, and it is precisely this attractive tax rate that will be continued in 2025.
- **PHEV <50g/km CO_2 or electric range >= 80km**: benefit the reduction of 0.50% of the gross list price.
- **PHEV > 50g/km CO_2 or electric range < 80km**: treated like ICE for tax purposes.

Glossary

Terms & definitions

BEV: Battery electric vehicle.

PHEV: Plug-in hybrid electric vehicle.

HEV: Hybrid electric vehicle.

ICE: Internal combustion engine (conventional petrol or diesel vehicle).

TCO: Total cost of ownership.

Vehicle tax 1. Registration tax: usually one-off payment made when a vehicle is first registered.

Vehicle tax 2. Road tax: a recurring tax for keeping a car registered and legally on the road.

BIK (Benefit-in-kind): Monthly tax on the private use of company cars. A percentage of the vehicle's list price (or lease cost) is added to the employee's taxable income.

Corporate Autonomous Taxation (Portugal): Corporate tax on vehicle expenses, paid annually.

Vehicle Excise Duty (VED, UK): Equal to road tax, paid once a year.

Expensive Car Supplement (ECS): additional annual tax supplement for cars with list price above £40k. it is paid annually for 5 years.

Mature EV countries are countries where electric vehicles are the norm e.g. Norway, Netherlands.

CO_2 Malus (France): One-off penalty based on CO_2 emissions at registration.

Weight Malus (France): Additional tax on heavy vehicles.

Fleet Quotas / ZEV Mandate (UK, France): Regulatory requirement for a minimum share of low-emission or zero-emission vehicles in corporate fleets or manufacturer sales in UK.

Purchase Subsidy: Purchase incentive scheme for electric vehicles.

CEE (France) Certificats d'économies d'énergie: Energy Savings Certificates.

AFIR (EU) Alternative Fuels Infrastructure Regulation.

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