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BELGIUM INTRODUCES MOBILITY BUDGET FOR EMPLOYEES

On 28 February 2019, the Belgian Parliament adopted the Act on the Introduction of the Mobility Budget. Many employers in Belgium grant company cars to their employees and allow them to use such car also for private purposes. As this benefit is tax friendly compared to cash salary, it is an attractive element of the employee's salary package. The government now tries to reduce the number of company cars (in order to improve general mobility and to save climate), and to promote green(er) fleets. The mobility budget is an important element of this policy.

1. What?

The mobility budget allows employees to have a budget in order to opt for alternatives to their company car. The employee will be able to use the budget in three pillars and can choose one of the three pillars or a combination of different pillars, within the limit of the allocated budget.

A. In the **first pillar**, the employee can opt for a more eco-friendly car (electric or with a CO_2 emission < 955 grams per kilometer).
B. In the **second pillar**, the remaining budget (which has not been used in the first pillar) can be allocated to fund sustainable means of transport, such as:
   - soft mobility such as bicycles, electric bicycles, speed-pedelecs or electric mopeds,
   - public transport, both for season tickets and single-journey tickets,
   - collective transport organized by the employer or a third party,
   - shared means of transport such as carpooling, shared cars, taxis and renting of a vehicle with a driver,
   - mobility services that combine the 4 aforementioned means of transport.

Some housing expenses, namely rents and interests on mortgage loans, are also taken into account in the second pillar if the domicile is located within 5 km of the normal place of work.

C. **In the third pillar**, the remaining budget (which has not been used in the first two pillars) is granted in cash.

2. For whom?

For both the employer and the employee, certain conditions must be met in order to be able to implement the mobility budget. With these conditions, the legislator wants to prevent employers from granting a company car for a short period of time and then replacing it with a (para)fiscally advantageous allowance. There are, however, specific rules for new employers.

Employer	Employee
Has provided one or more company cars to one or more employees for an uninterrupted period of at least 36 months before implementation.	Effectively has a company car or has been eligible to one for: 1) 12 months during the 36 months prior to the application with the current employer 2) at least 3 months without interruption at the moment of application
Exception for starting employers (active for < 36 months)	Exception in case of: 1) Hiring 2) Promotion or change of function before the Act enters into force (1 March 2019)

3. How?

The employer has the freedom to decide whether or not to introduce a mobility budget and to decide whether to grant it to all or part of the staff. If the employer decides to implement a mobility budget, the employee who wishes to benefit from the mobility budget must ask the employer in writing.

The formal request of the employee and the positive response of the employer to this request constitute an agreement whose content forms part of the employment agreement between the parties. This agreement specifies, among other things, the base amount of the mobility budget.

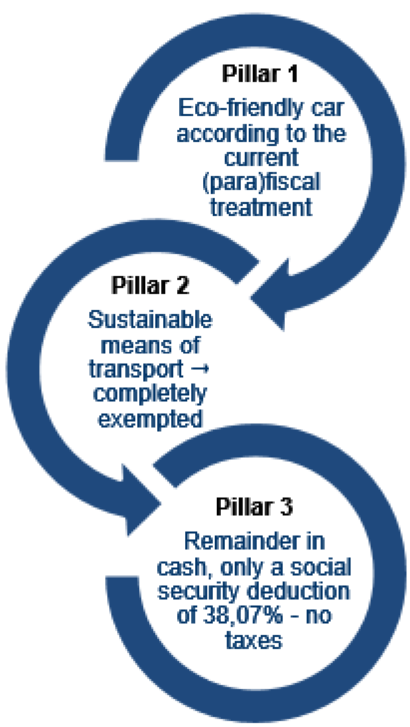
4. What budget and for how long?

The amount of the mobility budget is equal to the **"total cost of ownership"** of the company car. This amount includes, among other things, the monthly leasing or rental price, the fuel expenses, the insurance and all the expenses relating to a company car, such as the non-deductible VAT. The mobility budget therefore represents neither a saving nor an extra cost for the employer.

Employees benefit from the mobility budget until they exercise a function for which they are no longer entitled to a company car. Furthermore, if an employee is promoted, he or she will benefit from the higher mobility budget, which corresponds to the new function.

5. Fiscal treatment

The fiscal regime of the mobility budget can be summarized as follows:



Pillars 2 and 3 are 100% deductible for the employer

6. To do or not to do?

With the favorable fiscal treatment of the first and second pillar, the mobility budget is an interesting new tool for employees and employers who are searching for alternative means of transport, either partially with or without a company car. The mobility budget will therefore become an essential element of the company's mobility and social responsibility policies.