



CAR: BUSINESS OR PRIVATE?

Advisory Handbook 2025



Should I register the car as a business asset, or is it better to keep it private? What is the most tax-efficient option? What are the key advantages and disadvantages of using a car for business purposes, and which of these is the most significant? These are questions many entrepreneurs face. This advisory handbook outlines a set of rules to help you better assess your options.

CALCULATIONS ARE NOT SIMPLE

It is not easy to determine which option is more advantageous – using the car for business or keeping it private. The decision depends on several factors, including:

- The level of depreciation.
- Maintenance costs.
- Insurance costs.
- Motor vehicle tax.
- Potential financing costs.
- The car's CO2 emissions.
- The number of private and business kilometres driven annually.
- VAT implications.

If you have a clear understanding of these factors, you can calculate which option is the most cost-effective. However, in most cases, these details are not fully known, and estimates must be used. Actual results may differ from the calculations. You must also consider tax rates and income-dependent tax credits, which may change regularly.

Important!

If you are a personal income tax entrepreneur, you can generally choose whether to classify the car as part of your business assets or personal assets. However, this choice is not available if you drive the car privately for a maximum of 500 kilometres per year. In that case, the car must be considered a business asset. If you use the car for less than 10% of your annual mileage for business purposes, you must classify it as a personal asset.

COMPANY CAR

A company car offers several advantages:

- If you classify the car as a business asset, the purchase price and all other car expenses are paid by your business.
- You can deduct car expenses from your business profits, including:
 - Maintenance costs.
 - Fuel.
 - Insurance.
 - Motor vehicle tax.
 - Financing costs.
 - Parking costs.
 - Car wash costs.
- You can also depreciate the car annually against business profits.
- For zero-emission cars running on hydrogen or solar cells, you are entitled to the Environmental Investment Allowance (MIA). This does not apply to any charging station.

If you purchase an environmentally friendly car in 2025 and classify it as a business asset, you may qualify for the MIA. In 2025, the MIA is only available for hydrogen passenger cars and solar-powered passenger cars with zero CO2 emissions. Various deduction percentages apply, and there are maximum investment limits.

Type of Car	MIA %	Maximum Eligible Investment Amount
Hydrogen passenger car (including charging station)	45% on 90% of the investment amount	€75,000
Solar-powered passenger car	36% on 90% of the investment amount	€100,000

Disadvantages of a Company Car

- When you sell the car, your business may realise a taxable profit, although a deductible loss is also possible.
- If you use the company car for private purposes, you will generally face a private use surcharge.
- Your business must pay VAT on the value of private use of the car. If you cannot determine this private use, the standard VAT rate is 2.7% of the list price (including VAT and bpm). After the fourth year of purchase or if there was no right to deduct VAT at purchase, this is reduced to 1.5%.

Note!

If your business also provides VAT-exempt services, part of the VAT cannot be deducted. For example, if 40% of your business activities are VAT-exempt, you cannot deduct 40% of the VAT. Additionally, the non-deductible VAT due to private use is reduced proportionately. With 40% VAT-exempt activities, the correction is not 2.7% but 60% (100% - 40%) x 2.7%. This is because you can only deduct 60% of all VAT.

PRIVATE USE SURCHARGE FOR COMPANY CARS

Tax rules for the private use surcharge vary depending on your business structure. If you are a director and major shareholder (DGA) operating from a private limited company (BV), you will be taxed for private car use under wage tax. However, if you are an entrepreneur operating through a sole proprietorship, partnership, limited partnership, or general partnership, you will be taxed under income tax. For this latter category, the surcharge can never exceed the actual car costs in that year (including depreciation).

For most cars registered from 2017 onwards, the standard surcharge is 22% of the list price (including VAT and bpm). Only zero-emission cars still qualify for a lower surcharge. For cars registered since 2019, the lower surcharge is limited to part of the list price (except for hydrogen and solar-powered cars). The regular 22% surcharge applies to the remainder.

In 2025, the following surcharge percentages and CO2 thresholds apply for new cars:

CO2 Emissions	Surcharge
0 (battery-powered)	17% up to €30,000, above 22%
0 (hydrogen or solar)	17% without limit
More than 0	22%

In principle, you will not be faced with a new additional tax rate every year. The established surcharge percentage remains valid for 60 months for all cars. Only after this period is the surcharge recalculated based on the then-applicable percentages.

Note!

EA car with a first registration date of no later than 31 December 2016 is subject to a 25% additional taxable benefit instead of the standard 22%. The only exception is for electric cars with zero CO2 emissions, where the taxable benefit in 2025 is 20% up to a catalogue value of €30,000 and 25% for any portion of the value exceeding €30,000.

You can avoid a taxable benefit if you can prove that you do not drive more than 500 kilometres privately per year. Travel between home and work is considered business travel for income tax purposes, even if you make a brief return home (such as for lunch). However, for VAT purposes, these kilometres are considered private.

Important!

If your car is more than 15 years old, the standard taxable benefit is not 22% of the catalogue value but 35% of the car's market value.

PRIVATE CAR

Owning a car privately offers several advantages:

- The car remains your private property.
- Any profit from the sale of the car is tax-free. However, any loss is non-deductible.
- You are not subject to a taxable benefit for the private use of the car.
- Your business is not required to pay VAT on the value of private use of the car. For VAT purposes, you can classify the car as a business asset, even if it is classified as a private asset for income tax purposes. The reverse is also possible. The VAT classification is independent of the income tax classification.
- You can receive a tax-free expense allowance of €0.23 per business kilometre (or deduct this from your profit if you are self-employed for income tax purposes).
- If you are a director and major shareholder (DGA), you may be eligible to receive a higher tax-free allowance, depending on the available discretionary space and other reimbursements and provisions allocated to this space.
- You can deduct part of the VAT on car usage and maintenance if your business carries out VAT-taxable activities. If your business also engages in VAT-exempt activities, you cannot deduct VAT for the portion of expenses related to VAT-exempt activities.

Disadvantages of owning a car privately:

- You are personally responsible for all purchase and other car-related costs.
- You cannot deduct car expenses from your business profits (except for the €0.23/km expense allowance that your business can deduct for your business kilometres), and you cannot deduct depreciation on the car against your business profits.
- You cannot deduct the VAT paid on the car purchase unless you classify the car as a business asset for VAT purposes. You can choose this even if the car is classified as a private asset for income tax purposes.

Important!

If your business reimburses you for almost all expenses of your private car, the Dutch Tax Authority may still classify your car as a business vehicle.

DECISION: BUSINESS OR PRIVATE CAR?

The decision of whether to classify a car as a business or private asset depends on various factors, which are often not fully clear. This makes it difficult to calculate which option is more beneficial.

However, there are a few general guidelines:

- A private car is generally more beneficial if depreciation costs are low or if you drive many business kilometres.
- We recommend making a fully informed decision. We can calculate the most advantageous option for you based on all relevant data.

TRANSFERRING A CAR TO PRIVATE OWNERSHIP?

Once a car is classified as a business asset for income tax purposes, it cannot generally be transferred to private ownership. Transfer to private ownership is permitted only in specific exceptional circumstances, such as:

- A change in the law or a court ruling that would have led you to make a different choice had you known of it earlier.
- If the car is no longer used for business purposes (for example, because you buy a new car). In this case, the car must be transferred to private ownership at its actual value, which may result in a taxable gain or loss based on the car's tax book value. This transfer may also affect your VAT obligations.

BUSINESS OWNERS WITH A BV (PRIVATE LIMITED COMPANY)

A car registered under your BV is generally classified as a business asset. Unlike sole proprietorships, you can transfer the car to private ownership without exceptional circumstances. You can sell the car from your BV to yourself as a DGA. You can then drive it for business purposes and receive a reimbursement of €0.23 per kilometre.

Note!

There is uncertainty about the VAT payable when a DGA purchases a car from their BV and partially pays through a disguised dividend. The Amsterdam Court of Appeal has ruled that VAT is due on the car's full value, while the Den Bosch Court of Appeal ruled that VAT is not due on the disguised dividend. In a similar situation, you may choose to pay VAT on the car's full value and submit an objection with your VAT return. This ensures your rights are protected pending a final decision. It also avoids a penalty.

Important!

Due to the relatively low tax-free reimbursement of €0.23 per kilometre and the high fuel costs, the choice between a business or private car in 2025 may differ from other years.

CONTACT

Email: info@esj.nl

Phone: +31 (0)88 0 320 600

Disclaimer

While the utmost care has been taken in the preparation of this advisory handbook, no liability is accepted for any inaccuracies or omissions. Due to the general nature of the advisory handbook, it is not intended to provide all the information necessary for making financial decisions.