

Employers may pay allowances to employees to compensate them for the use of their own vehicles for professional reasons. These allowances may be taxable or not according to French tax rules.

The mileage allowance limits table is issued each year by the French tax administration.

It sets the maximum reimbursement to avoid taxation for the payment of mileage allowances to employees. This limit depends on the following criteria: the horsepower of the car and the mileage driven for professional reasons. The employer can choose to reimburse a smaller amount than the amount resulting from this schedule.

Mileage reimbursement for car for the year 2010 (*)(**) in Euros			
Horsepower	Annual mileage driven for professional reasons		
	<= 5 000 km	5 001 à 20 000 kilometers	> 20 000 km
<= 3 HP	$d \times 0,405$	$(d \times 0,242) + 818$	$d \times 0,283$
4 HP	$d \times 0,487$	$(d \times 0,274) + 1\ 063$	$d \times 0,327$
5 HP	$d \times 0,536$	$(d \times 0,3) + 1\ 180$	$d \times 0,359$
6 HP	$d \times 0,561$	$(d \times 0,316) + 1\ 223$	$d \times 0,377$
7 HP	$d \times 0,587$	$(d \times 0,332) + 1\ 278$	$d \times 0,396$
8 HP	$d \times 0,619$	$(d \times 0,352) + 1\ 338$	$d \times 0,419$
9 HP	$d \times 0,635$	$(d \times 0,368) + 1\ 338$	$d \times 0,435$
10 HP	$d \times 0,668$	$(d \times 0,391) + 1\ 383$	$d \times 0,46$
11 HP	$d \times 0,681$	$(d \times 0,41) + 1\ 358$	$d \times 0,478$
12 HP	$d \times 0,717$	$(d \times 0,426) + 1\ 458$	$d \times 0,499$
13 HP and more	$d \times 0,729$	$(d \times 0,444) + 1\ 423$	$d \times 0,515$

HP : car horsepower

d : mileage for the year (in kilometers)

\*: regarding the year 2011, the information will be available in Spring 2012

\*\* : maximum reimbursement for mileage in order to avoid social contributions



## What is covered by the mileage allowances?

The mileage allowance is supposed to include the following expenses: depreciation of the vehicle, maintenance and repair, petrol, insurance, tyres and accessories.

Therefore, if a non taxable mileage allowance is paid to the employee, these expenses (petrol, etc.) should not be reimbursed a second time on expense reports.

If the employee doesn't own the car, he is not entitled to any non taxable mileage allowance.

## Mileage schedules are required

Moreover the French tax administration considers that, if they are not justified by mileage schedules, all car-related reimbursements made by the company to employees are to be taxed as a fringe benefit.

If mileage schedules are provided, then the amount of fringe benefits is calculated by comparing for a given calendar year:

- the payments to employees related to the use of their own cars (e.g.: car allowance at the bottom of the payslip, reimbursement of fuel expenses...) (except for tolls and parking tickets)
- and the amount which is tax exempted according to the mileage allowance limits table published annually by the French authorities.

Only the excess payment is considered as fringe benefit.

If the payments to employees related to the use of their own cars consist only of the reimbursement of accurate mileage schedules based on the mileage allowance limits table, then there should be no fringe benefit.

The mileage schedules have to indicate, for each trip, the date, the name of the customer visited, the town visited, the mileage driven.

If all these details are not provided, the French administration may challenge the accuracy of the schedules.

Every year, employees should provide their employer with:

- a copy of their car registration cards
- mileage schedules for the whole calendar year

That information may be asked by the French tax administration in case of a tax / social audit.

For more information on this issue, please consult our memorandum on fringe benefits and employees' expenses.

MONTH : February 2011			
Day	Journey	Client visited	Kilometers
1			
2			
3			
4			
5			
6	AR Palaiseau - Limoges	XXX	730
7			
8			
9	AR Paris - Cergy Pontoise	YYY	120
10	AR Paris - Cesson Sévigné	XXXXY	630
11			
12			
13			
14	AR Paris - Lille	ZZZ	504
15	AR Paris - Pithiviers	ZZZYY	140
16	AR Paris - Bruxelles	XXXZZ	670
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
<b>Total</b>			<b>2794</b>

## Mileage allowance paid in addition to the benefit of a company car

If the car driven by the employee belongs to the company and if a "mileage allowance" or "car allowance" is paid in addition to the employee, then this allowance is considered as a kind of bonus and taxed with social contributions.



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