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 2014 (**)(**) in Euros

<table>
<thead>
<tr>
<th>Horsepower</th>
<th>&lt;= 5 000 km</th>
<th>5 001 to 20 000 kilometers</th>
<th>&gt; 20 000 km</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;= 3 HP</td>
<td>d x 0,410</td>
<td>(d x 0,245) + 824</td>
<td>d x 0,286</td>
</tr>
<tr>
<td>4 HP</td>
<td>d x 0,493</td>
<td>(d x 0,277) + 1 082</td>
<td>d x 0,332</td>
</tr>
<tr>
<td>5 HP</td>
<td>d x 0,543</td>
<td>(d x 0,305) + 1 188</td>
<td>d x 0,364</td>
</tr>
<tr>
<td>6 HP</td>
<td>d x 0,568</td>
<td>(d x 0,320) + 1 244</td>
<td>d x 0,382</td>
</tr>
<tr>
<td>7 HP and more</td>
<td>d x 0,595</td>
<td>(d x 0,337) + 1 288</td>
<td>d x 0,401</td>
</tr>
</tbody>
</table>

*HP : car horsepower  
*d : mileage for the year (in kilometers)

** : regarding the year 2015, the information will be available in Spring 2016
*** : 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.

**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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**Your Chartered Accountant is your best consultant. Don’t hesitate to contact us!**