APRIL 2025

Are European countries steering drivers to go electric or sticking to polluting SUVs?

The T&E Good Tax Guide for cars

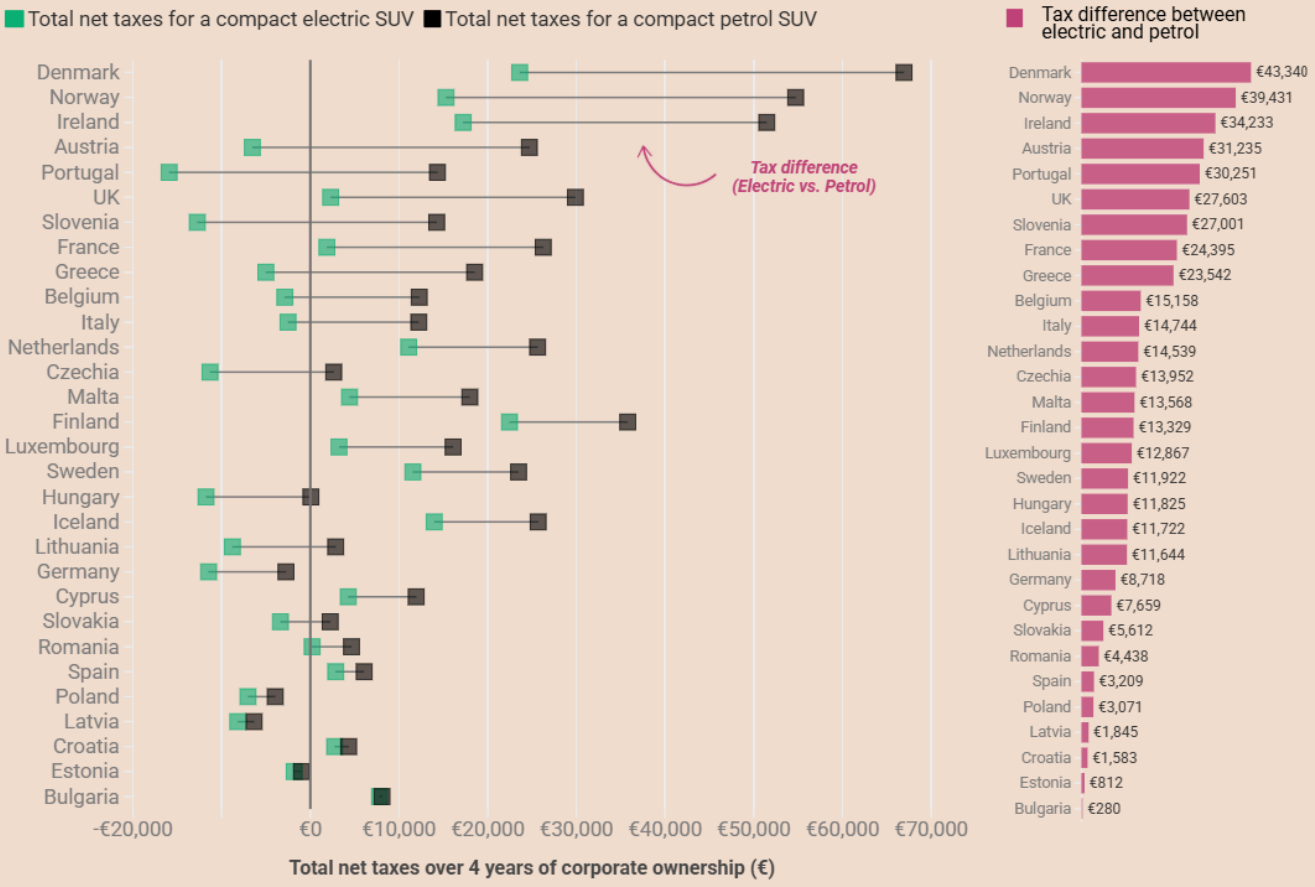
Summary

The T&E Good Tax Guide is a yearly publication (3rd edition) that analyses and compares the car taxation systems across 31 countries in Europe. Our analysis shows that **governments of the EU's largest car markets - apart from France - have low fiscal incentives for electric cars and instead steer buyers towards heavy petrol SUVs**.

Low incentives to go electric

Corporate cars are 60% of new sales in the EU and an important channel to boost EV demand. In Europe's largest car market Germany, the fiscal incentives to opt for an electric company car are among the lowest in Europe: the difference in tax that companies pay between an EV or petrol car is only €8,718 over four years compared to €24,395 in France (EU's second largest market). Germany (21st) is ranked below countries such as Greece, Malta or Hungary.

Which countries are incentivising companies to go electric for a compact SUV?



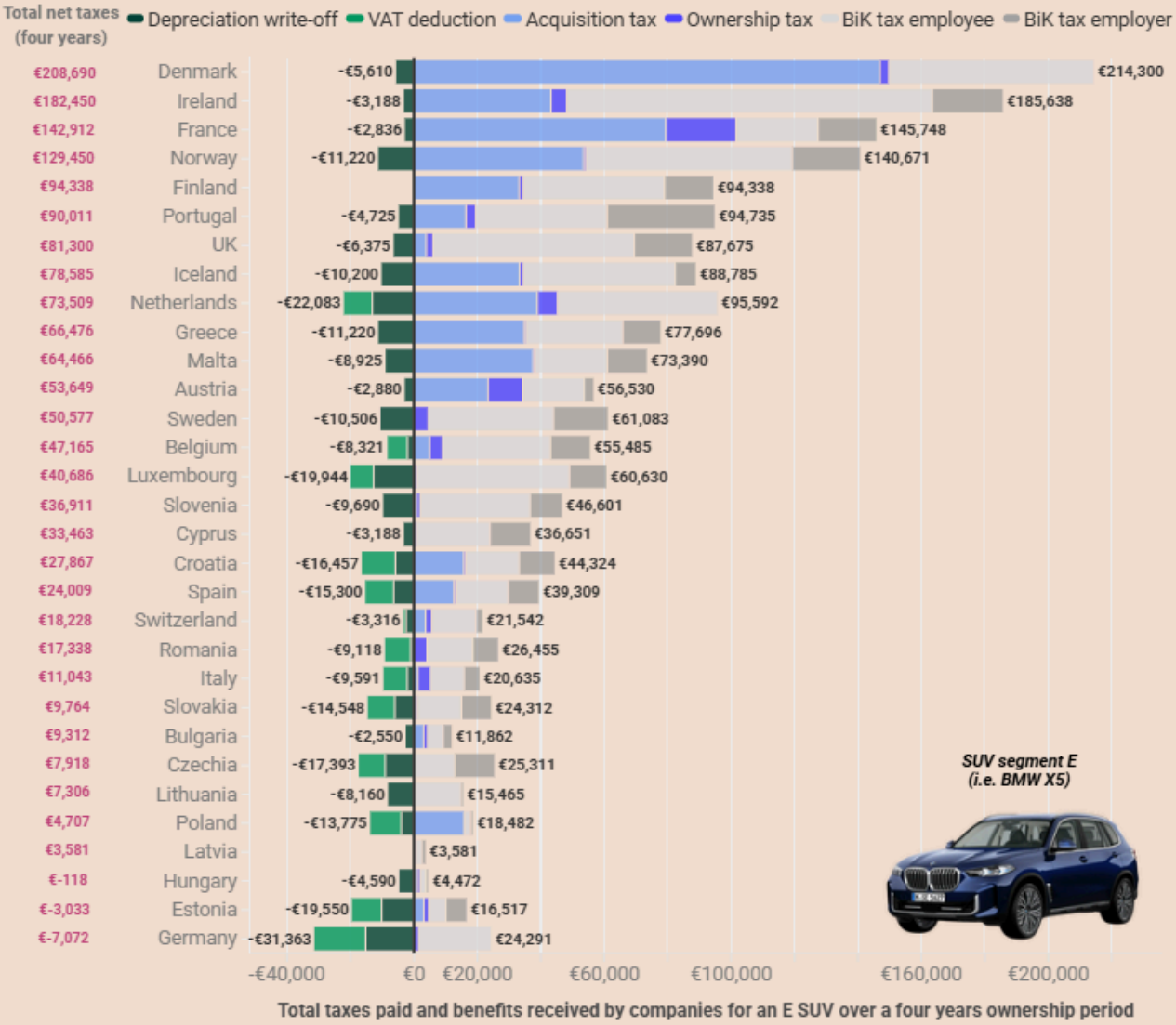
Source: T&E analysis based on national fiscal sources as of April 2025.
Note: The tax burden includes the taxes Acquisition tax, Ownership tax, BiK employee and employer and the benefits VAT deductions, Depreciation write-offs and Purchase subsidies. Benefit-in-kind is calculated over an employee single with no children 167 (% AW)

We observe the same trend in other European regions: the tax gap in Spain (25th) is only €3,209 compared to €30,251 in Portugal (5th). Italy is performing better (11th) but the tax differential in Portugal is still double as high. In Central and Eastern Europe, Poland ranks only 26th, far behind countries such as Slovenia (7th) or Czechia (13th). Within European geographical regions, progressive tax systems exist, leading to higher electrification rates.

Germany: Europe's tax haven for polluting SUVs

Instead of promoting electric vehicles through smart fiscality and increasing taxes on polluting SUVs, governments of the largest markets are doing the opposite: **the benefits that companies in Germany receive for a large SUV even outweigh the taxes they need to pay.** In France companies pay taxes up to €142,912 over four years compared to €-7,072 in Germany (ranked in 31st and last). Also Italy, Spain or Poland are in the bottom half of the ranking giving no strong disincentives for large petrol SUVs.

Germany is Europe's heavy SUV tax haven



Source: T&E analysis based on national fiscal sources as of April 2025. Good Tax Guide.
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Policy recommendations

Germany, France, Italy, Spain and Poland account for 42% of all new cars in the EU. Reforming car fiscality would boost demand for EVs, generate additional revenue and make the green transition more socially just. Actions should be taken at a national level **(promote more affordable and sustainable made-in-EU EVs through taxation**) as well as at EU level (as part of the corporate fleets initiative, the **EC should set binding EV targets for large companies**).

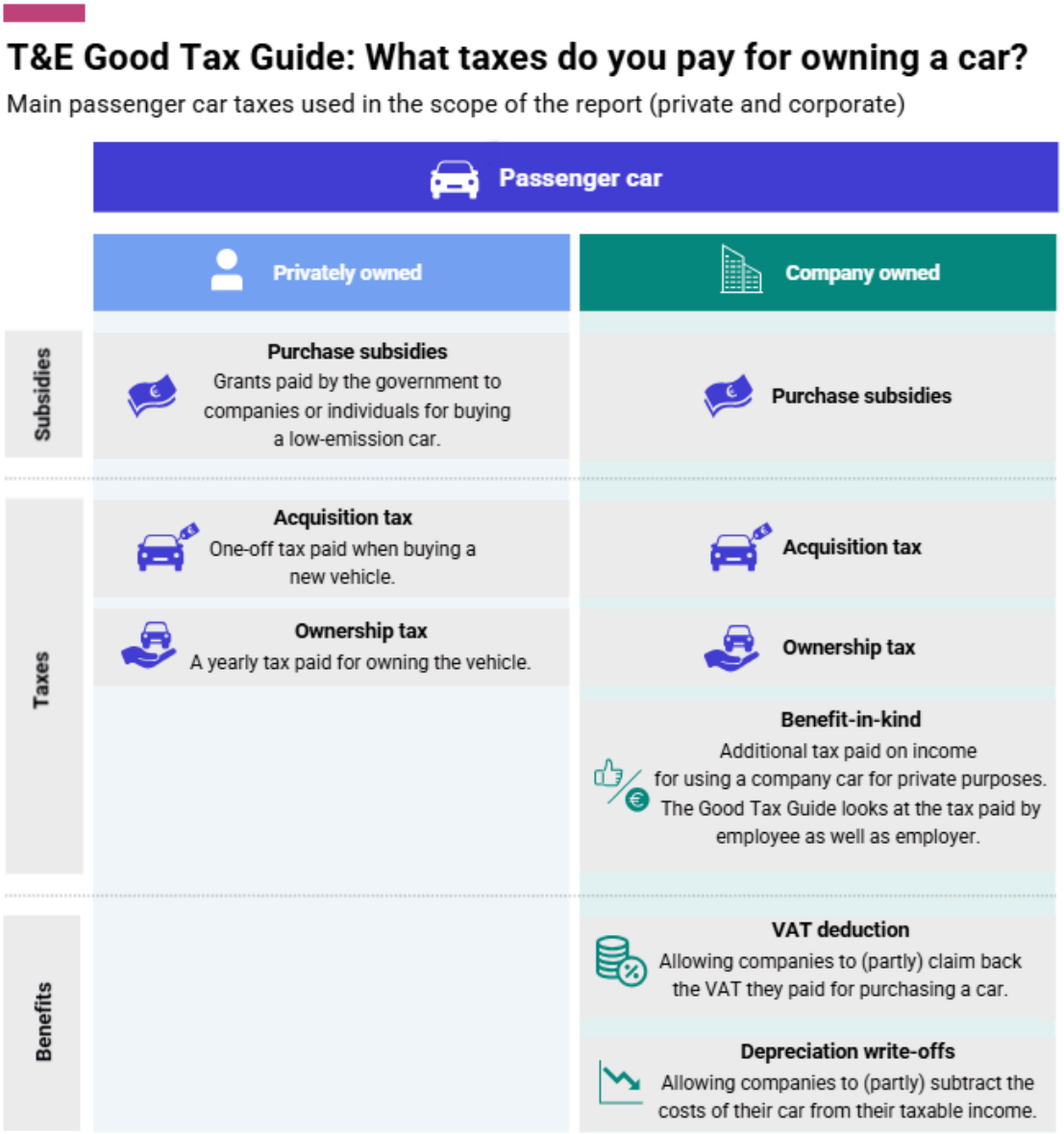
1. Introduction

1.1. What is the T&E Good Tax Guide about?

The T&E Good Tax Guide is a yearly publication (3rd edition) where we analyse and compare the car taxation systems across Europe. This analysis has been reviewed by an extensive team of collaborators from each country who reviewed T&E's data inputs on national car taxation.

The Guide looks at all taxes paid by new passenger cars in 31 countries (*EU-27, UK, Switzerland, Norway and Iceland*) as of April 2025. We make a distinction between cars registered by private individuals (40% of new registrations in the EU) or by companies (60% of new registrations). Based on the relevant specifications of the vehicle (*price, CO_2 emissions, weight, air pollutants etc.*) we calculate the tax paid in each country. This allows us to calculate which countries have the greenest tax systems.

The next figure gives a more detailed overview of the specific subsidies, car taxes and benefits that are included in the analysis.



The Good Tax Guide generates a large variety of different results. **Therefore T&E has created an online dashboard where visitors can create their own scenarios and comparisons.**

1.2. What is this briefing looking into?

In this briefing we use the data and results of our Good Tax Guide to do a more in-depth analysis of the following two research questions:

- **Go electric:** which countries have a tax system that incentivises drivers to opt for an electric instead of a petrol car?
- **Large SUVs in Europe:** what is the role of national car taxation in driving this trend?

In our calculations we look at the total taxes paid over the typical ownership period of a corporate car (four years) and a private vehicle (ten years). Our analysis shows that both across Europe but also within the different geographical regions strong differences exist.

2. Which countries are (not) incentivising drivers to go electric?

Based on our Good Tax Guide data we calculate the following:

- What are the **total taxes that you pay (as a company or private individual) for owning a petrol car**.
- What is the **difference in tax that you pay for owning an electric vehicle (EV) compared to a petrol car**. The higher this gap, the bigger the incentive to go electric.

2.1. Total taxes that you pay for owning a petrol car (SUV segment C)

2.1.1. Company cars

Europe's largest car market Germany ranks 29th out of 31 countries. Companies are not penalised when opting for a diesel or petrol SUV. On the contrary, the benefits that companies receive in Germany (through VAT deduction and write-offs) outweigh the taxes that they need to pay. **The contrast with the EU's second largest market France is remarkable.** In France a company pays €26,261 in total taxes (over four years) for a compact petrol SUV compared to €-2,753 in Germany.

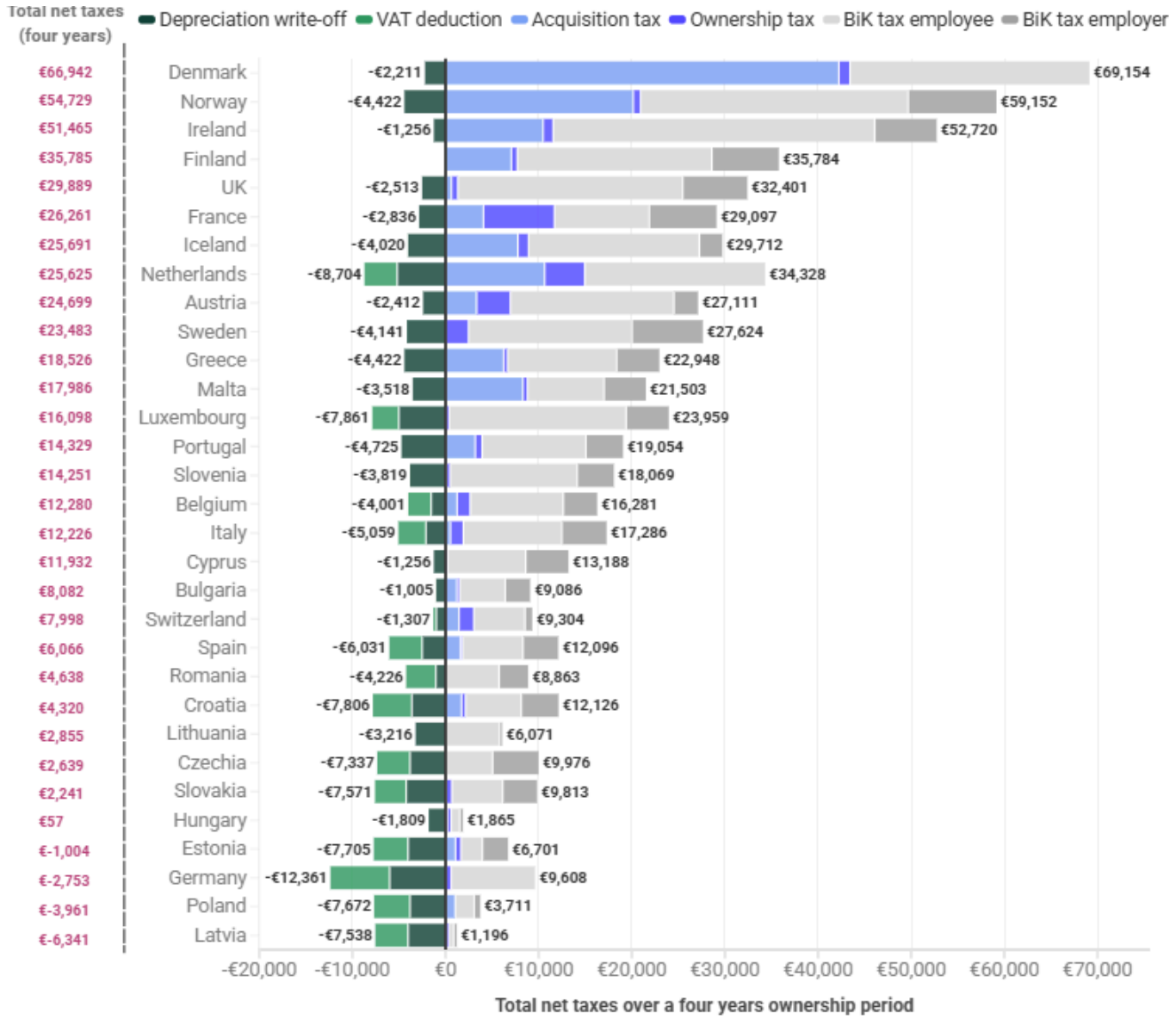
This mainly has to do with the fact that unlike Germany, France has an acquisition tax which penalises vehicles based on CO_2 emissions and weight — effectively discouraging the purchase of polluting, heavy cars. When it comes to company car taxation specifically, France offers no VAT deduction and applies lower depreciation allowances for combustion engine vehicles. In Germany, companies benefit from full VAT deductions and can write off the entire depreciation of petrol-powered SUV company cars.

Nordic countries are performing consistently well, ranking all in the top 10, applying the polluter pays principle. With regards to the **Southern European countries**, the largest car markets Italy

and Spain have low taxation rates (ranking 17th and 21st). But some good regional examples exist: Portugal, Greece or Malta are all in the top 15, with taxation systems that penalise emissions.

Also in **Central and Eastern European (CEE) countries** the largest market (Poland) is performing badly, ranking 30th. Same as in Germany, the benefits in Poland for owning a petrol SUV as a company car outweigh the taxes one needs to pay. Overall, CEE countries are in the bottom half of the ranking but we can observe important differences: Slovenia and Bulgaria already have a rather progressive tax system with total net taxes amounting to 14,251 € and 8,082 € compared to -3,961 € in Poland.

Total net taxes companies pay for a compact petrol SUV

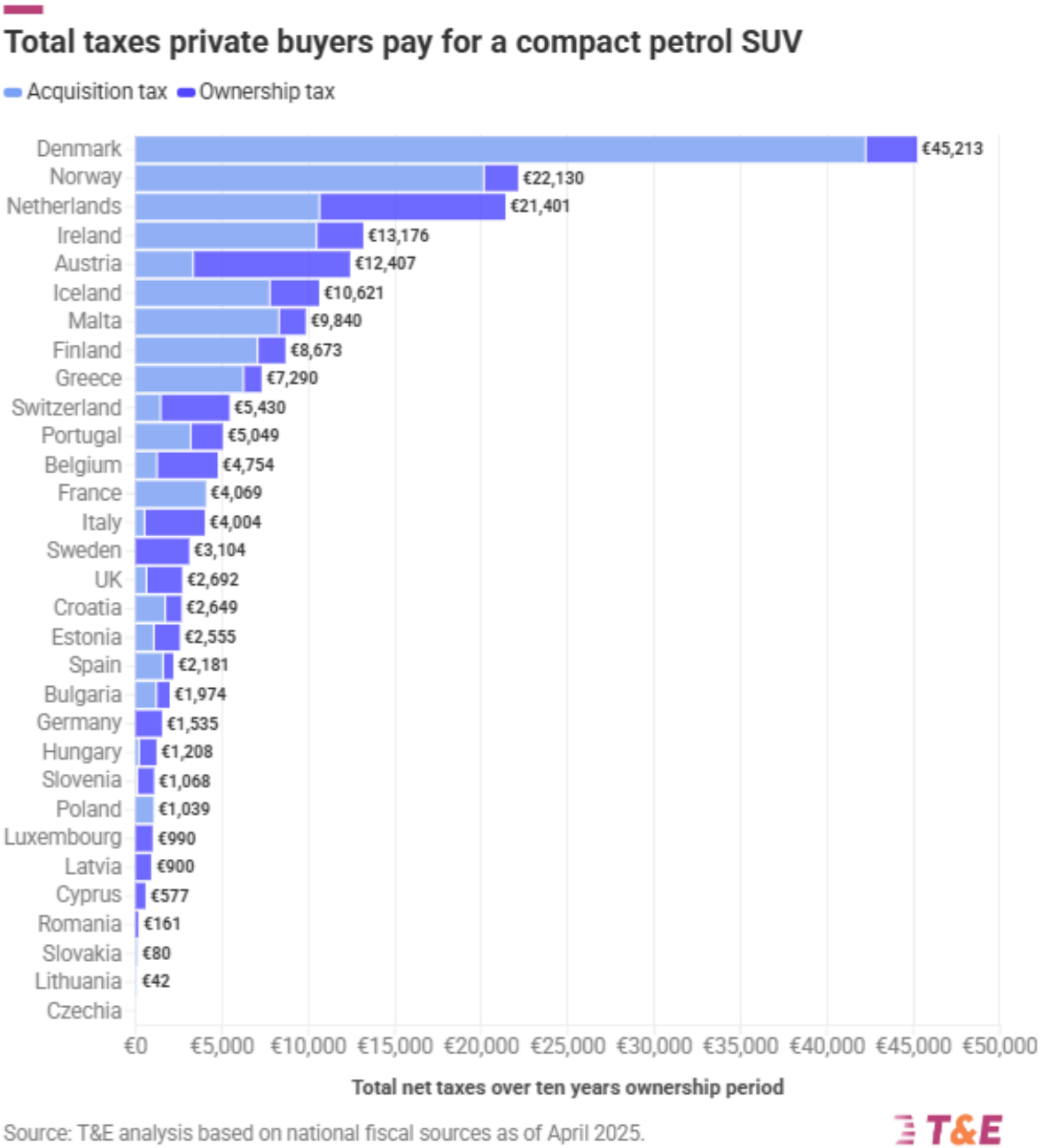


Source: T&E analysis based on national fiscal sources as of April 2025. Good Tax Guide.
Note: Benefit-in-kind is calculated over an employee single with no children 167 (% AW)

2.1.2. Private cars

We see the same trend when comparing the taxes for private ownership: **Germany ranks low (21st) compared to France (13th).** The main reason for this is the absence of an acquisition tax in Germany.

Looking at the **Nordic countries**, Sweden is an outlier ranking only 15th due to the absence of an acquisition tax. While Sweden does apply an ownership tax that penalises petrol cars based on their emissions, the rates are not high enough to offset the lack of an upfront tax. **Italy and Spain** (14th and 19th) perform slightly better compared to taxes for SUV company cars but are still behind countries such as Portugal, Malta or Greece. The same accounts for **Poland**, doing slightly better (24th) in taxing private cars but still lagging behind countries such as Estonia (18th), who recently introduced an acquisition and ownership tax based on CO2 and weight, or Croatia (17th) who has a progressive acquisition tax based on CO_2 emissions and car price.



Source: T&E analysis based on national fiscal sources as of April 2025.

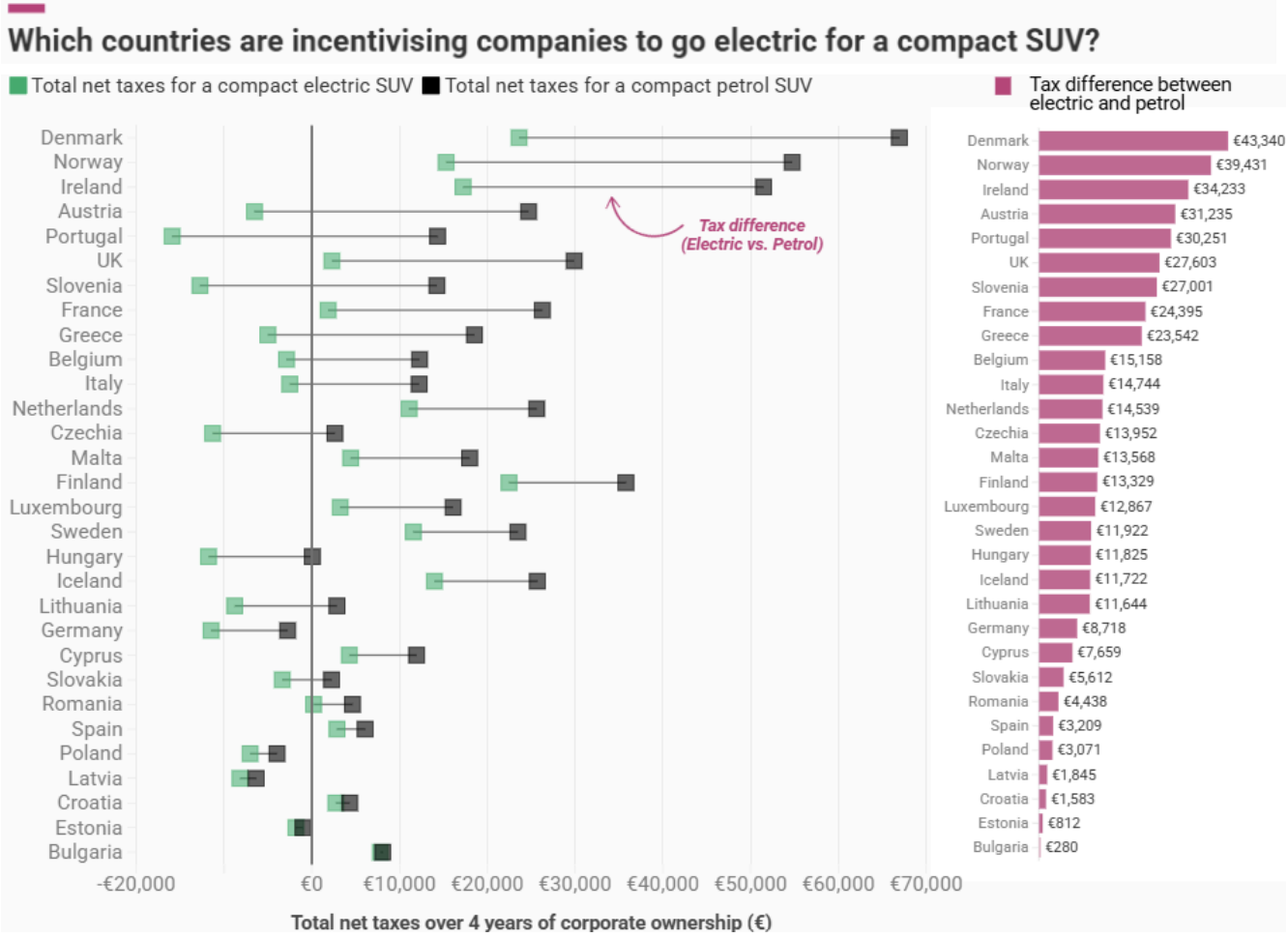
2.2. Go electric: The tax gap between owning a petrol or electric car

2.2.1. Company cars: Petrol vs electric compact SUV

In line with our observations in the previous sections (2.1.1. and 2.1.2.) **Germany has a tax system that is providing very low incentives for companies to opt for an electric car** (ranking 21st behind countries such as Czechia, Greece or Hungary). This is an important finding, especially in the current debate where carmakers express concerns about the low EV demand. In 2024, 68% of all new cars in **Germany were corporate cars, totalling 30% of all new corporate cars registered in the EU.**

In contrast, **France is performing much better (8th place)**. The tax difference between an electric or petrol SUV company car is €24,395 over four years compared to only €8,718 in Germany. But what is more striking is that **in Germany the benefits outweigh the taxes** for a petrol SUV company car, making the overall incentive to purchase an electric car very low.

This difference has not yet translated into higher EV uptake—France still lags behind Germany in the corporate market (12.1% vs 13.3%). However, some key fiscal reforms in France have been introduced in 2025, and their impact on EV corporate uptake is expected to become visible from 2026 onward. When looking at the average CO_2 emissions of combustion cars, France already has a much lower average (122 gCO_2/km compared to 144gCO_2/km in Germany).



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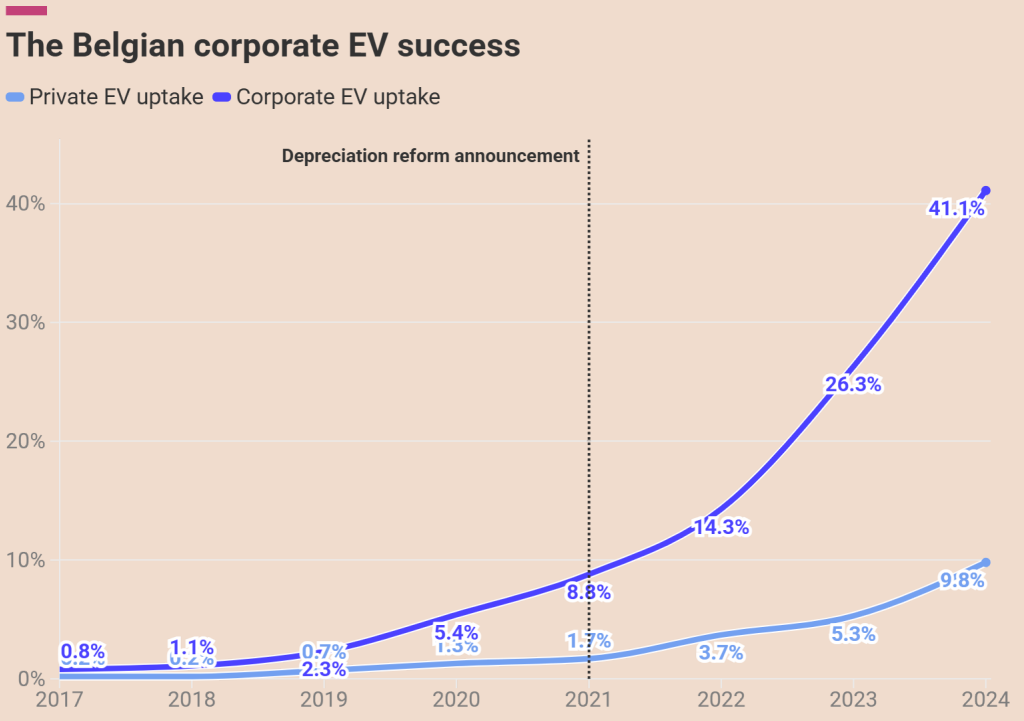
Zooming in on the **Northern European countries**, Finland (15th) and Sweden (17th) are performing rather weak since they have started to increase taxes for EVs through their BiK systems. But unlike Denmark (1st), they have not created a strong tax differential between electric and combustion models. The uptake of electric company cars last year was lower in Finland (34.2%) and Sweden (36.3%) compared to Denmark (41.6%).

With regards to the **Southern European countries,** Italy (11th) now has a stronger tax incentive for companies to opt for an EV due to the recent BiK reform. Still, compared to countries such as Portugal (5th), a lot of room for improvement remains. Spain on the other hand has a badly designed tax system (ranking 25th) that fails to penalise combustion cars. In 2024, 21.7% of new corporate cars in Portugal were EVs compared to only 4.5% in Spain and 4.7% in Italy.

Looking at the **CEE countries**, Poland is again performing badly ranking 26th due to the absence of an acquisition tax and a flat BiK. Better examples are Slovenia (7th) and Czechia (13th) where company EVs are subsidised. The total tax gap in Poland is only €3,071 over four years compared to €27,001 in Slovenia or €13,952 in Czechia. Last year, 3.9% of new company cars in Poland were electric compared to 10.2% in Slovenia and 6% in Czechia.

The Belgian success story

Belgium is a notable success story in electrifying the corporate car market. The previous government announced a reform of the company car system in 2021, phasing out depreciation write-offs for diesel, petrol and plug-in hybrid cars from 2026 onwards with an intermediate reduction in 2025. This announcement has led to an EV boost with 41.1% of new corporate cars being electric in 2024, compared to a mere 8.8% in 2021. Belgium is now one of the fastest growing EV markets on the continent.



Source: T&E analysis based on new car registrations from Dataforce
Note: EV uptake refers to battery electric vehicles. Plug-in hybrids are excluded.

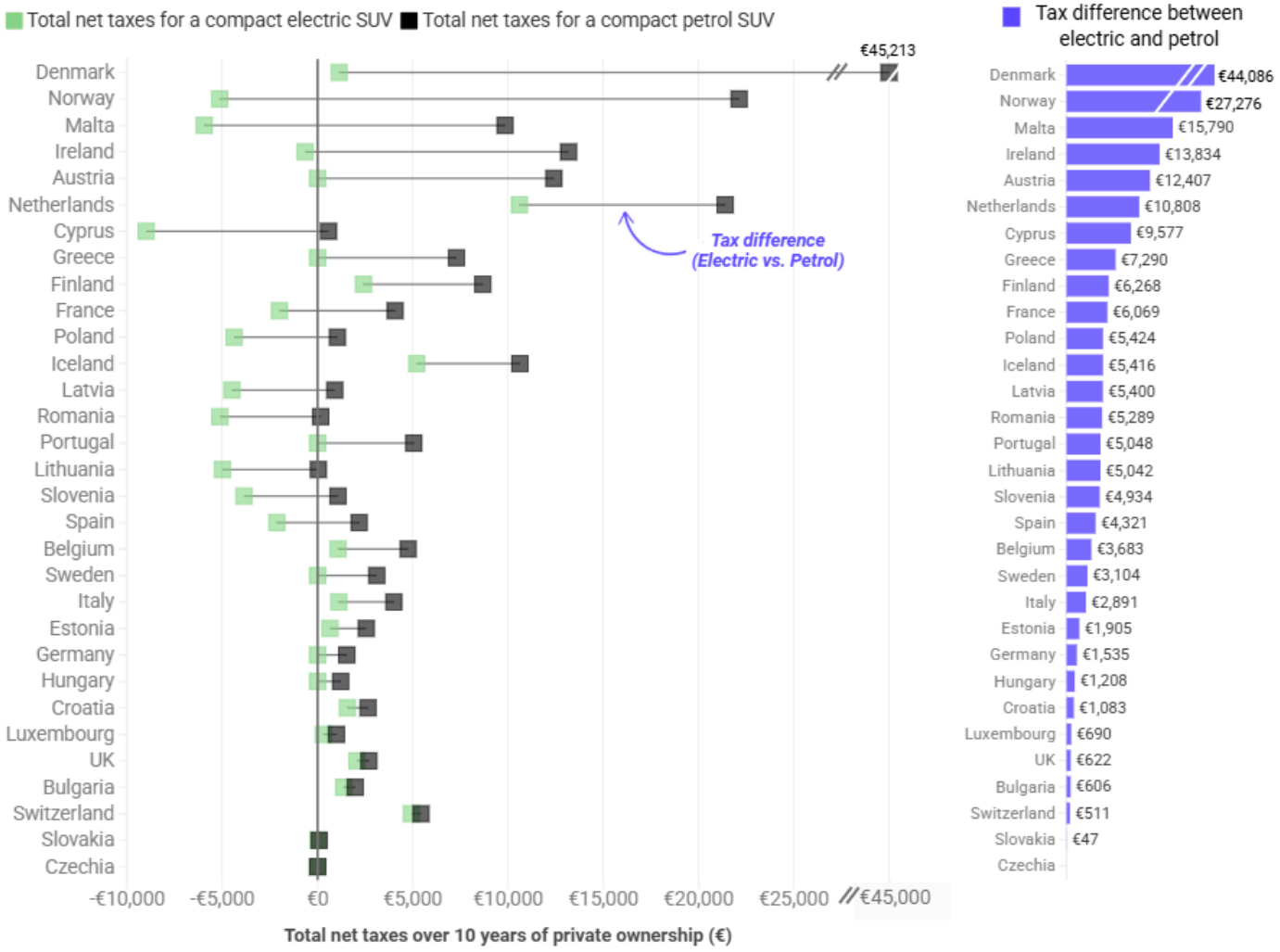
2.2.2. Private cars: Petrol vs electric compact SUV

We see the same trend when comparing the tax differential for private cars between Germany and France. Compared to Germany (23rd place), the tax differential in France (10th) between a petrol and electric private car is four times higher (6,069 € versus 1,535€). Last year, 22.3% of new private cars in France were electric compared to 16.3% in Germany.

With regards to the **Northern European countries**, Sweden (20th) is performing badly due to the lack of an acquisition tax (section 2.1.2.). Looking at the **Southern European countries**, the largest markets Spain (18th) and Italy (21st) have a weak fiscal system to incentivise private buyers to go electric. The total tax differential for both countries is at 4,321€ (Spain) and 2,891 € (Italy) compared to higher numbers for Greece (7,290 €) and Portugal (5,048 €).

In **CEE countries**, Poland performs relatively well - ranking 11th due to EV purchase subsidies. However, with only 32% of new cars registered by private individuals, the effectiveness of fiscal incentives in this segment remains limited.

Which countries are incentivising private buyers to go electric for a compact SUV?



Source: T&E analysis based on national fiscal sources as of April 2025.
Note: Total net taxes include Acquisition tax, Ownership tax and purchase subsidies.

3. Large SUVs and the role of taxation

In recent years, the number of large and heavy SUVs (segments D to G) on European roads has increased and nowadays represent 8.2% of the new combustion registrations in the EU. This is a worrying development: i) SUVs tend to have heavier engines and weight, therefore emitting more CO_2 than average cars; ii) Due to their size, they are also more involved in fatal road accidents.

3.1. Corporate cars are driving the heavy SUV trend in Europe

The corporate car market is the main driver of this trend: in 2024, large petrol and diesel SUVs (segments D to G) accounted for 10.3% of new combustion corporate car registrations - almost double the share in the private market (5.5%). **This means that out of the nearly three-quarters of a million large SUVs registered in the EU, 71% landed in corporate fleets.** This trend has substantial implications for emissions: the average CO_2 emissions for large petrol and diesel SUVs within corporate fleets stood at 165gCO_2/km (WLTP), notably higher than the 127gCO_2/km recorded by the rest of the combustion cars.

When zooming in on heavier SUVs specifically (segments E to G), this trend becomes even more prominent: **their share in the corporate channel is three times higher than in the private segment**. These corporate cars emit on average 204gCO_2/km, meaning they have a disproportionate impact on emissions of new cars in the EU.

Corporate cars are driving the heavy SUV trend in Europe

Large SUVs
(segment D to G)

	Registrations	Share (%) of registrations
Private	188,000	5.5%
Corporate	461,000 (x2.5)	10.3% (x1.9)

Difference between private and corporate registrations

The extra registrations of large SUVs compared to private is more than the total of all registrations in Austria (2024)

Heavy SUVs
(segment E to G)

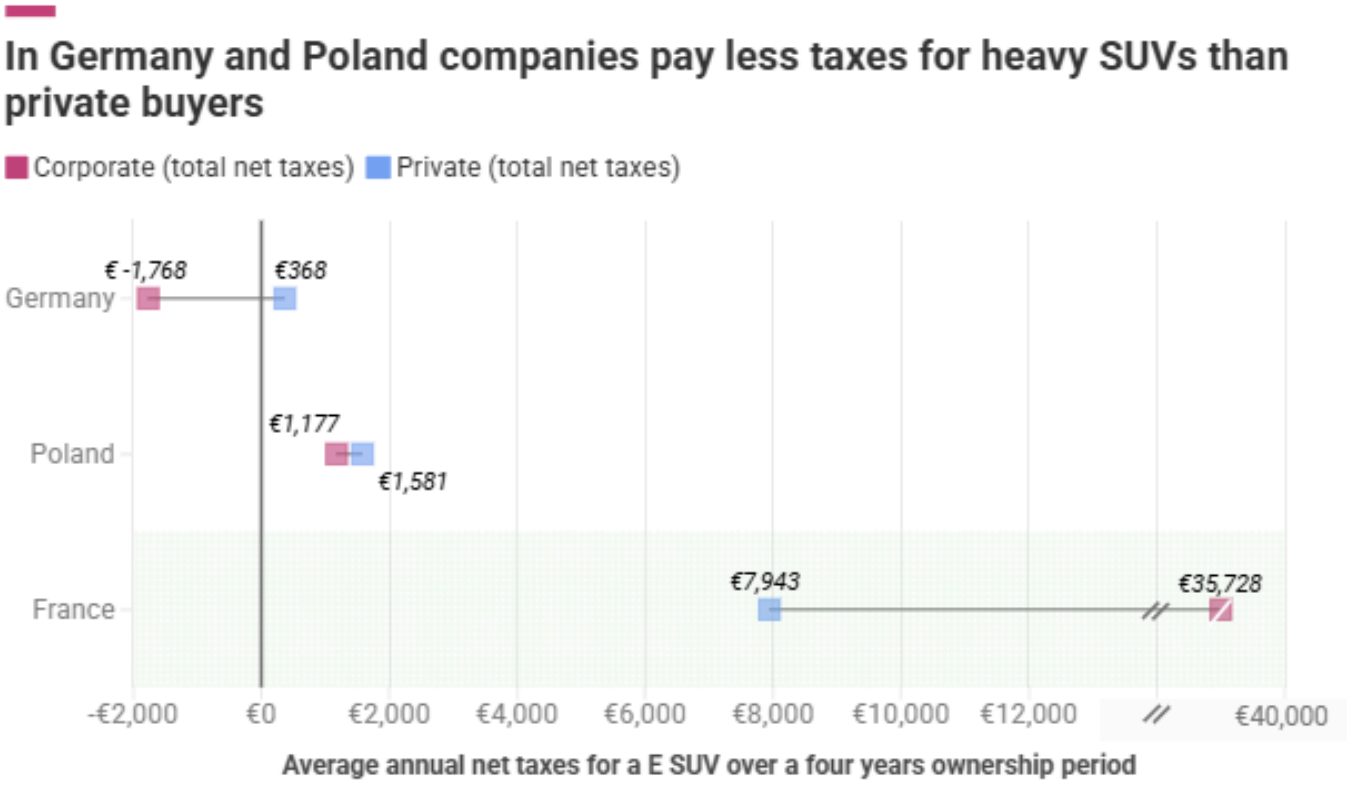
	Registrations	Share (%) of registrations
Private	27,000	0.8%
Corporate	110,000 (x4.1)	2.5% (x3.1)

The extra registrations of heavy SUVs compared to private is equivalent to the situation where in Slovakia only heavy SUVs were registered in 2024

Source: T&E analysis based on new car registrations in 2024 from Dataforce (2025)

3.2. The role of low corporate car taxation: Germany is Europe's tax haven for heavy polluting SUVs

Badly designed fiscal policies is a major reason why the corporate market is driving this heavy SUV trend. **When comparing the tax rates for private and company car owners, we see that in large automotive markets such as Germany and Poland companies pay much lower taxes for a heavy SUV (segment E).** The reverse is the case in France where the total taxes for companies are notably higher than for private buyers.

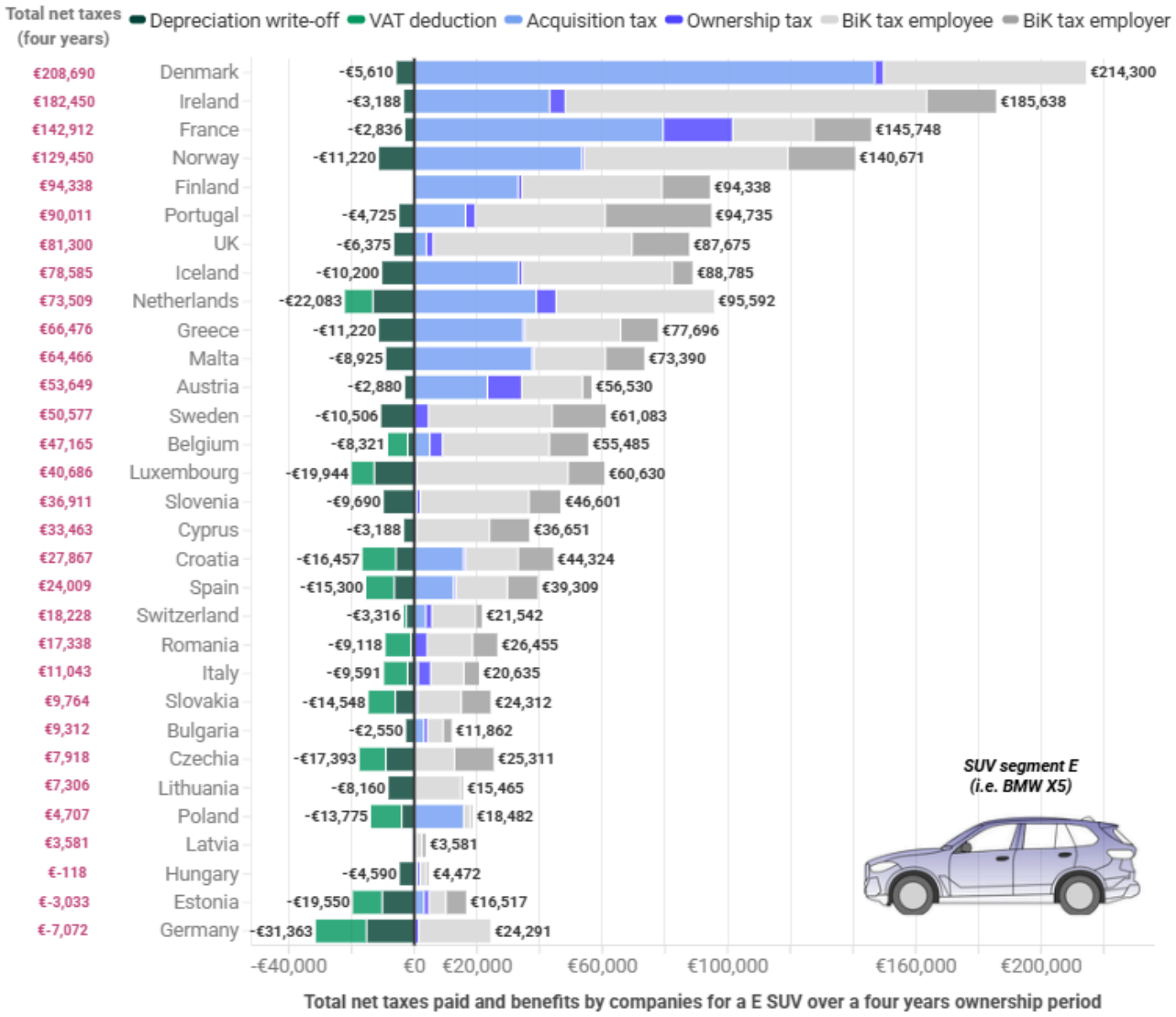


Source: T&E analysis based on national fiscal sources as of April 2025.

When analysing the **total taxes for a heavy SUV company car (segment E) between countries, we also see large disparities: Germany is ranked last having the lowest tax rates**. The benefits that companies receive for owning a heavy petrol SUV even outweigh the taxes they need to pay. Main reasons for this are the absence of an acquisition tax and the large benefits that companies receive through VAT deductions and depreciation write-offs.

The difference with the EU's second largest automotive market France is remarkable: **the total taxes paid over a four year ownership period for a heavy SUV company car amount to €142,912 compared to -7,072 in Germany**.

Germany is Europe's heavy SUV tax haven



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The effects of these fiscal policies are reflected in the sales data across Europe: while Germany and Poland account for 30% and 6% of all new corporate car registrations in the EU, 40% and 16% of all new heavy combustion corporate SUVs (segments E to G) land in these two markets. **Almost 60% of all the petrol and diesel powered heavy SUVs sold in the EU are registered in Germany and Poland.**

The situation in France is the opposite: 15% of all new corporate cars in the EU are registered in France while only 0.3% of all combustion corporate heavy SUVs are sold on the French corporate car market.

Further information

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