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COMPANY BICYCLES – LEASING AND PRIVATE USE OF BICYCLES

The concept of the „company bicycle“ is gaining widespread attention ... Typically, this refers to the leasing of a bicycle by an employer for an employee, along with the permission to use the „company bicycle“ for private purposes.

The process follows a similar model to car leasing. The employer leases the bicycle and covers the ongoing costs, usually insurance expenses. This serves as an indication of the employer's ownership and enables the employer to provide the company bicycle for private use as well.

Distinction: Bicycle or Motor Vehicle The income tax treatment of electric bicycles depends on whether the vehicle in question is classified as an e-bike or a pedelec, and whether it is considered a bicycle or a motor vehicle requiring registration.

	Pedelec (Pedal Electric Cycles)	S-Pedelec	E-Bike
Definition	A Pedelec is essentially an electric bicycle that only provides motor assistance when the rider pedals. The auxiliary motor must have a continuous rated power of no more than 0.25 kW, and motor assistance must be limited to 25 km/h.	The functionality of an S-Pedelec is identical to that of a regular Pedelec, except that motor assistance is limited to 45 km/h, and the maximum continuous rated power of the auxiliary motor is 0.5 kW.	Unlike a Pedelec, an E-Bike does not require any pedal input to receive motor assistance. This means it can be operated solely by pressing a switch or using a throttle grip with the help of an electric motor. It is classified as a motor vehicle requiring registration from a speed of 6 km/h.
Classification	Bicycle	Motor vehicle (with registration)	Motor vehicle from 6 km/h (with registration)

CLASSIFICATION AS A BICYCLE

When companies provide employees with bicycles for private use, this may result in a taxable benefit. The following applies for valuation:

- The 1% rule is used to determine the monthly average value of private use. This also covers commutes between home and the primary workplace, as well as trips under double household taxation rules.

Similar to company cars, the basis for calculation is the manufacturer's non-binding recommended retail price, rounded down to the nearest 100 EUR, plus VAT.

- This regulation also applies to electric bicycles if they are legally classified as bicycles (i.e., if they do not require registration or insurance).

Note: The usual monthly exemption limit of EUR 50 for benefits in kind does not apply to the provision of bicycles.

Depending on the time of provision, the taxable basis for determining the 1% monthly **private-use** value is reduced. The basis is always the manufacturer's non-binding recommended retail price at the time of the initial purchase (hereinafter referred to as „RRP“):

Date of provision	Assessment basis
01.01.2020-31.12.2030	Taxation of 1% of the quartered RRP rounded down to a full EUR 100
After 31.12.2030	Taxation of 1 % of the RRP rounded down to a full EUR 100

Note: The different taxation approaches apply only to income tax. VAT is always calculated on the basis of 1% of the gross list price.

Bicycles for Family Members From an income tax perspective, employees can also lease bicycles for family members. The scope of this arrangement should be contractually defined by the employer under labour law and must also be agreed with the lessor.

Discount Allowance If the provision of bicycles is part of the employer's range of services, the discount allowance of EUR 1,080 per year is applicable.

Tax Exemption From 2019 to 2030, bicycles provided in addition to the salary already owed to the employee remain tax-free. Important: The tax exemption does not apply to bicycles classified as motor vehicles.

Value-Added Tax (VAT) If a company buys bicycles for internal business use rather than resale, they are considered fixed assets. The acquisition costs are deductible as business expenses over their useful life. For „regular“ bicycles, the official depreciation tables specify a standard useful life of seven years. This means that acquisition costs are spread over this period for tax deduction purposes. The German Ministry of Finance (BMF) has not issued a specific determination regarding the useful life of e-bikes, so the same seven-year period is assumed.

If the acquisition costs, excluding VAT, do not exceed EUR 800.00, the entire cost may be deducted in full in the year of acquisition. Alternatively, the bicycle can be included in a pooled depreciation account if the acquisition costs are at least EUR 250.00 but do not exceed EUR 1,000.00 (excluding VAT). In this case, 20% of the acquisition costs are deducted annually for five years. The other (usually ongoing) costs are to be treated as normal operating expenses – just as with vehicles held as business assets. These can be, for example, repair costs, insurance premiums or charging electricity.

CLASSIFICATION AS A MOTOR VEHICLE

If a bicycle (such as an e-bike or S-pedelec) is classified as a motor vehicle, the tax regulations for company vehicle transfers apply. This means that for private use, the employer must account for 1% of the manufacturer's non-binding recommended retail price and an additional 0.03% per kilometer of commuting distance between the employee's home and primary workplace.

For the specified years too, reductions apply to the 1% valuation for **private use**.

Date of provision	Assessment basis
01.01.2020-31.12.2030	Taxation of 1% of the quartered RRP rounded down to a full EUR 100
After 31.12.2030	Taxation of 1 % of the RRP rounded down to a full EUR 100

Even if an e-bike is classified as a motor vehicle, the assessment bases apply exclusively to income tax. VAT is always calculated at 1% of the RRP.

TRANSFER OF OWNERSHIP OF ALL TYPES OF BICYCLES

At the end of the standard leasing term (typically 36 months), the company bicycle is returned to the leasing partner. However, in some cases, the employee may choose to purchase the bicycle.

If the employee acquires the bicycle, it must be valued at its market price. If the employee pays this price as the purchase price, no taxable benefit arises. If the employee pays less, the difference is considered a taxable benefit.

To determine the market value, a standard amount of 40% of the RRP (rounded to the nearest 100 EUR) may be used, which corresponds to the previous assessment basis for the taxable benefit. Alternatively, the actual market value (e.g., verified through an appraisal) may be used.

The tax authorities allow the lessor or leasing model provider to apply flat-rate taxation under Section 37b (1) of the German Income Tax Act (EStG), thereby settling the tax liability.

The employer should obtain confirmation that this flat-rate taxation has been applied.

Aside from online market values, a valuation of 96% of the usual retail price may be considered, subject to a standard 4% reduction for benefits in kind. The final price can then be taxed individually or, under certain conditions, using a flat-rate method. If the employee takes over the company bicycle after the leasing period, tax authorities generally assume a residual value of 40% for taxation purposes.

The bicycle suppliers usually calculate with a lower percentage, the difference is then considered a taxable benefit. However, employees typically do not have to pay tax on this amount, as leasing providers usually cover the 30% tax burden under the flat-rate taxation option in Section 37b EStG.

Since 2020, employers may apply tax benefits from the free or discounted transfer of company bicycles to employees at a flat rate of 25% income tax, plus solidarity surcharge and, if applicable, church tax. This flat-rate taxation results in exemption from social security contributions. The flat-rate taxation applies to both electric bicycles and regular bicycles but does not include electric bicycles classified as motor vehicles. To qualify for flat-rate wage taxation, the transfer of company bicycles must be in addition to the salary already owed to the employee.

Important: In the case of e-bike leasing, however, according to the wording of the provision, the bicycle must first become the property of the employer.

CHARGING ELECTRICITY AND CHARGING FACILITIES

Charging an Electric Bicycle at the Workplace If an employer allows an employee to charge an electric bicycle (e-bike or pedelec) free of charge at the workplace, this additional benefit remains tax-free. The tax benefit applies to both private and company-owned electric bicycles.

Condition: The electricity must be supplied by a fixed workplace charging station.

Reimbursement of Private Charging Costs at External Charging Stations by the Employer

Private electric bikes	Company electric bikes
Reimbursement of electricity costs constitutes taxable salary (subject to the 50 EUR exemption for non-cash benefits if not already used).	Reimbursements of electricity costs borne by the employees themselves qualify as tax-free expense reimbursement.

Transfer of Ownership of Charging Equipment The transfer of ownership of a charging device to an employee constitutes taxable wages and can be taxed by the employer at a flat rate of 25%. The flat-rate option is limited from 01.01.2017 to 31.12.2030.

Condition: The transfer must be in addition to the employee's regular salary. The option for flat-rate taxation is excluded in the context of salary conversion.

Subsidies for Charging Equipment If an employee buys a charging station at their own expense, the employer can provide a subsidy. Such subsidies can be taxed at a flat rate of 25% by the employer and are therefore exempt from social security contributions. The same conditions apply as for the transfer of ownership.

BICYCLE ALLOWANCES AND SUBSIDIES

Work-related expenses Despite the available tax benefits, employees may deduct EUR 0.30 per kilometer of commuting distance per workday on their income tax return. The commuting allowance can only be claimed once per day, regardless of the number of trips made. The mode of transport used is irrelevant.

Additionally, the tax office generally recognizes only the shortest route. Longer commuting distances must be justified to the tax authorities. The maximum deductible amount is EUR 4,500 per calendar year.

Travel Expense Allowances Employers may grant travel expense allowances for commuting between an employee's home and their primary workplace. If the allowances do not exceed the deductible work-related expenses, they may be taxed at a flat rate of 15% and remain exempt from social security contributions. If the allowances exceed the deductible amount, they must be taxed individually.

Business Travel Using a Bicycle For business trips made by bicycle, the tax treatment depends on whether the vehicle is classified as a bicycle or a motor vehicle:

Classification as a „Bicycle“	Classification „Motor vehicle“
Since 2014, no standard mileage allowance can be deducted if the vehicle is classified as a bicycle.	If the bicycle is classified as a motor vehicle, a business travel mileage allowance of EUR 0.30 per kilometer may be claimed.

SPECIAL CASES IN THE PROVISION OF COMPANY BICYCLES DURING ILLNESS

Interruptions in Employment Relationships A sick employee is not required to take over the leasing instalment for their company bicycle after the expiration of continued salary payment. The Osnabrück Labour Court ruled that a contractual clause in the general terms and conditions requiring such payments was invalid.

Other contracts stipulate that as soon as the employment relationship is suspended – such as during parental leave or unpaid periods – the employer has the right to reclaim the company bicycle. In such cases, a written notice period of 14 days applies.

In general, the leasing instalment for company bicycles is deducted from the employee's salary. If no salary is paid, the employer cannot demand any payments. Consequently, the employer would have to reclaim the bicycle from the employee. If the employer fails to reclaim the bicycle, they might expect the employee, based on the contract, to voluntarily cover the leasing instalments by transferring the monthly leasing instalment to the employer. However, some employees have contested this interpretation, arguing that they never explicitly agreed to such a condition. Labour courts have ruled in favour of employees, finding that such contractual clauses are “non-transparent” and therefore unenforceable.

Contractual terms deemed legally non-transparent cannot be enforced in court. This creates the risk that the bicycle remains with the employee while the employer temporarily receives no payments. In such cases, the employer would have to take legal action to reclaim the bicycle.

From a legal perspective, such clauses unreasonably disadvantage employees under Section 307 of the German Civil Code (BGB). While it is legally permissible for the employer to reclaim the bicycle after the six-week period of continued salary payment expires (since the company bicycle constitutes a non-cash benefit) judges have ruled that a reasonable employee would not expect to bear the leasing costs beyond this point. Therefore, shifting the employer's business risk onto an ill employee is deemed unfair.

From a tax perspective, the Ministry of Finance has addressed the issue of a "disruptive event" in the use of a company bicycle and now distinguishes between THREE options.

A disruptive event occurs when an employee no longer receives a salary, such as during unpaid sick leave or parental leave.

- 1.) The employee returns the bicycle: In this case, the employee's taxable benefit is eliminated. The employer must determine how to return the bicycle or find an alternative use for it.
- 2.) The employee keeps the bicycle, and the employer continues to pay the leasing instalments: In this scenario, the taxable benefit remains in place. The German Ministry of Finance (BMF) assumes that covering the leasing instalments does not create an additional taxable benefit for the employee. However, the taxable benefit itself does not disappear, as the employee continues to have use of the bicycle.
- 3.) The employee keeps the bicycle, and the leasing instalments are deducted from them, e.g., through invoicing or other means: The taxable benefit remains in place but is reduced to zero due to the employee's contributions.

ELECTRIC VEHICLES AND HYBRIDES

An electric vehicle is a motor vehicle powered exclusively by an electric motor, drawing energy primarily from mechanical or electrochemical storage devices or emission-free energy converters (e.g., hydrogen fuel cells). A hybrid electric vehicle is powered by conventional fuel but also includes an energy storage unit for electricity. Additionally, a hybrid vehicle must be externally rechargeable. For these vehicles, only half of the taxable benefit is typically assessed for company car taxation, and for fully electric vehicles, often only a quarter of the benefit is considered.

The conditions for this preferential tax treatment are as follows:

Overview	Percentage of List Price	Purchase	List Price	Emission	Range
(Hybrid) electric vehicle	1/4	from 2019 to 2023	<= EUR 60,000	None	
		from 01.01.2024	<= EUR 70,000	None	
	1/2	from 2022	no matter	max. 50g CO ₂ /km	> = 60km
		from 2025	no matter	max. 50g CO ₂ /km	> = 80km
	Battery discount	until 2018 and others	no matter		
Combustion engine	1,00		regardless of other requirements		

Charging with Electricity

Tax benefits apply when the vehicle is charged at a fixed workplace charging facility provided by the employer or an affiliated company. However, charging at third-party stations or privately owned employee charging facilities does not qualify for tax benefits.

Only temporary, free, or subsidized access to charging equipment is tax-free. The transfer of ownership of charging devices to employees is not tax-exempt. However, a flat tax rate of 25% may be applied, which also grants exemption from social security contributions.

The term „charging equipment“ encompasses the entire charging infrastructure, including accessories, as well as services related to installation and maintenance. This includes setup, installation, commissioning, maintenance, operation, and preparatory work such as laying high-voltage cables.

For privately owned electric or hybrid electric vehicles, the reimbursement of electricity costs incurred by the employee is considered taxable salary.

In contrast, for company-owned electric or hybrid vehicles used as company cars, reimbursement of electricity costs qualifies as tax-free expense reimbursement. To simplify the tax-free reimbursement of electricity costs for charging company cars at an employee's home, tax authorities allow fixed monthly allowances.

As of 2021 (valid until the end of 2030), the following increased allowances apply:

Monthly flat-rate allowance with an additional charging option at the employer's premises:

- EUR 30 per month for electric vehicles (previously EUR 20)
- EUR 15 per month for hybrid electric vehicles (previously EUR 10).

Monthly flat-rate allowance without an additional charging option at the employer's premises:

- EUR 70 per month for electric vehicles (previously EUR 50)
- EUR 35 per month for hybrid electric vehicles (previously EUR 25).

The tax exemption for charging electricity now also extends to small electric vehicles, particularly e-scooters.

Provision of Company Bicycles

The same tax regulations that apply to company cars also apply to company bicycles. If a company bicycle is provided at any point during a month, the taxable benefit is assessed for the entire month.