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Especially now: No to the planned rollbacks in company car taxation!

It's hard to believe. Especially now – after a summer of unbearable temperatures that have brought the climate crisis even closer to home – the government intends to offer far greater tax breaks for so-called 'plug-in hybrid' cars as company cars than in the past.

It's an absurd situation when you look at the facts.

What's this all about?

Well over half of Luxembourg's car fleet consists of company cars that benefit from tax relief. Until now, this relief has been structured in such a way as to provide a strong incentive for purely electric cars, thereby helping to achieve climate targets through this 'lever'. This is also absolutely essential, as the switch to electric vehicles is a central pillar of the government's National Climate and Energy Plan (PNEC), and we are currently a long way from achieving the targets set for 2030. Logically, plug-in hybrids were, quite rightly, given such minimal tax benefits as company cars that purchasing them was unattractive.

So what are the current government's plans?

Well, the government intends to make the purchase of plug-in hybrids as company cars more attractive again than has been the case in recent years. It bases this on two arguments:

- According to the government, they would represent a good transitional solution ('bridge technology') for people who are hesitant to buy electric cars;
- it is true that it was known that these company cars actually produce far higher emissions than those stated by manufacturers using the so-called WLTP figure. However, EU Regulation ('règlement') 2023/433 would largely rectify this situation by 2027 and provide more realistic emissions figures. The government intends to give special preferential treatment as company cars only to those models that emit less than 50 grams per kilometre.

No to these planned setbacks for the climate and for users!

The government's stance is untenable in several respects, as the following analysis shows:

- **Plug-in hybrid vehicles have long been an outdated technology and are certainly no longer a bridging technology!**

For over five years, plug-in hybrid vehicles have, quite rightly, not been granted any special tax relief as company cars. This is because it was clear that fully electric cars are now very much the technical standard. During these five years, electric cars have become even more attractive, meaning there is even less need for a transitional solution: Electric cars are now cheaper, the range on offer is wider, the range is much greater, and so on. Anyone who now tries to argue that plug-in hybrid vehicles are still needed as a bridging technology between internal combustion engines and electric cars is simply looking for a spurious argument to give in to pressure from certain car manufacturers who want to cling to outdated solutions.

- **Plug-in hybrid vehicles: far worse than their reputation**

To the layman, the plug-in model may still sound attractive. The thinking goes: I'll use electric mobility whenever possible, and the internal combustion engine when it seems supposedly easier.

But the reality is quite different: as even Finance Minister Gilles Roth has stated in response to parliamentary questions, plug-in hybrids (PHEVs) actually emit three to six times more CO_2than the manufacturers' 'official' figures (WLTP[1]) suggest. This is down to people's driving behaviour. What's more, the discrepancy has actually widened in recent years – as demonstrated, for example, by the organisation 'Transport & Environment' in a recent article[2] . For 2024, the EU is projecting an average of no less than 145 grams of CO_2 per kilometre, in contrast to the manufacturers' figures of 24 grams of CO_2 per kilometre.

From a climate protection perspective, plug-in hybrids are therefore completely out of step with the times and are simply CO_2guzzlers. They are a world away from the benefits of an electric car and do not even offer any real added value compared to internal combustion engines. Furthermore, in addition to the significant CO_2emissions, two different engines are required: in other words, double the resource consumption, double the weight and also double the running costs.

And last but not least: consumers are, in fact, being misled. After all, plug-in hybrids ultimately prove to be far more expensive – both to run and in everyday use – than they probably realise.

- **The EU regulation which, according to the Ministry of Finance, is supposed to provide the 'solution': unfortunately, the outcome remains highly uncertain**

To date, however, manufacturers' specifications do not reflect this situation.

It is true that an EU regulation has been in force since 2025 which stipulates that, by means of a 'usage factor', manufacturers must state actual driving behaviour and the corresponding CO_2 emissions somewhat more accurately than before. The assumption here was that plug-in hybrids spend half their time on the road as 'combustion engine cars' rather than as electric cars.

As it was already known when the regulation was drafted that even this figure is still far too 'optimistic' – meaning that plug-in hybrids actually run on petrol and diesel far more frequently – the regulation stipulates that, from 2027, this usage factor is to be adjusted even further to reflect reality: Instead of 50 per cent, it will now be 70 per cent combustion engine vehicles, and instead of 50 per cent, it will now be 30 per cent electric vehicles.

The government is now citing this planned amendment to the regulation to state that those plug-in hybrids which, as a result of this new calculation method, emit less than 50 grams of CO_2per kilometre

[1] Globally harmonised test procedure for light commercial vehicles
[2] https://www.transportenvironment.org/te-france/articles/les-hybrides-rechargeables-emettent-desormais-jusqua-six-fois-plus-de-co2-que-les-tests-officiels

will be eligible for the tax relief from 2027. It is therefore assuming, , that the EU regulation will continue to adhere to this tightening of the usage factor.

However important and sensible this adjustment may be, it cannot in any way – especially not at this stage – be used to give plug-in hybrids greater preference as company cars:

- There is absolutely no certainty that this tightening, as currently planned, will actually take place. Germany and Italy, in particular, are even pushing for a relaxation of the usage factor (50%–50%) due to come into force in 2025, or even its complete abolition! They therefore categorically reject the adjustment referred to by Luxembourg. It is encouraging that Luxembourg, together with several other countries, including France and Denmark, is campaigning against this deterioration and in favour of an improvement. However, the outcome is entirely uncertain!
- Furthermore, an optimised utilisation factor would do nothing to change the fact that an outdated technology, which has substantial disadvantages compared to electric cars, would be absurdly subsidised by the government using taxpayers' money – this after such subsidies had not been provided on this scale for years and were no longer necessary.

By the end of this summer at the latest, every effort must be made to phase out fossil fuels, so as to make people less dependent on these price rises. Any favourable tax treatment of company cars would be in flagrant contradiction to this. Furthermore, achieving climate targets in the transport sector would be called into question more and more.

Today, without there being any real need for action, to increase subsidies for plug-in hybrids – which are climate killers – using taxpayers' money, without there being any certainty whatsoever that the EU regulations will actually be tightened – and indeed with the concern that they may even be watered down – would be utterly unacceptable and downright negligent! If the government does intend to provide greater subsidies for plug-in hybrids, then this must be strictly conditional on the subsidies only coming into effect if the usage factor it is aiming for is actually implemented from 2027 onwards.

Only in this way would it be consistent with its own positions: if Luxembourg opposes, at European level, any watering down of Regulation 2023/443 – and thus opposes PHEVs with excessively high emissions – why should it then grant these vehicles a tax advantage should that regulation be weakened?

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