CO₂

WLTP
November 2018
On 1 September, 2018 a new system to test the Co2 emission for cars became effective.

The system steps away from the NEDC testing cycle applied till now. The more static NEDC testing cycle was replaced by the new WLTP testing cycle, which is a more dynamic and realistic method to determine effective Co2 emissions. The shift includes adding real life environment testing to the current Labo-environment only testing.

The new WLTP test cycle will take more factors into account and will therefore result in a more differentiated Co2 value within same car, model and motorization, which was not the case today.

Generally, the WLTP values will be a significant increase from the previous NEDC test values.

A transitional period until 2020 has been created, during which WLTP values can be recomputed downwards (NEDC 2.0) to be closer to the original NEDC values.

In any case, even during the transition period, the Co2 value will increase in general for all cars, also when using the downwards reduced NEDC 2.0 value. Given the Co2 value drives so many aspects of managing company cars, the new Co2 values will certainly impact each organization.
**Action 1 Your system(s) Impact of CO2 value**

The CO2 value of the cars in your fleet, typically steers 1 or more of your systems and drives many different [tax] processes. You receive input from the dealer, from the leasing company, bank, fleet management software, HR software. Those systems typically all have in common that they only use 1 box to refer to for CO2 emission.

- Do you know which number you receive or input in your systems: NEDC, WLTP or NEDC2.0?
- The payroll team will define the BIK of the company car, taxes to be paid and net earning by the employee. The new Co2 value has a real impact on the net earnings of your employees.
- The corporate tax team will define the tax deductibility of the car for corporate tax purposes based on the Co2 value.
- CO2 Tax is defined by the Co2 value as well
Action 2 Your policy

Your company car policy might refer to a maximum level of CO2 emission for employees to select a car.

Will you keep your policy at NEDC values or refer to NEDC 2.0 values for time being or will you create specific reference values for WLTP cars and include both?

Not only might the policy refer to the cars, but also options that can be selected, ie specific list or budget. With the new WLTP, specific options might increase the actual CO2 of that specific car, increasing overall cost, increasing the taxable benefit for employee or maybe bringing the car above your maximum target level you set as a company.

The impact of eg a specific interior or specific colour will be very different form eg a full glass sky roof, due to weight impact which drives the Co2 value.

The policy might also be driven by reducing CO2 emissions, which will be difficult to achieve when using a mix or shift from NEDC to WLTP.
Action 3 Tax Authorities - The Minister of Finance

The EU had a clear view to improve transparency and information on actual emission when the new WLTP test cycle was approved. They did not intend to increase income taxes, which is the indirect effect created through the link of the Belgian tax system with “the Co2 emission”.

At this moment, no formal position exists from the Minister of Finance on how the change from NEDC to WLTP values will be enacted in Belgian tax legislation.

The Minister made a general statement and confirmed this in a letter to FEBIAC. This is not sufficient and a formal confirmation needs to be issued on how the tax administration will apply the effect to these changes going forward.

The law refers to “... CO2 emission of the car...” and as from now the CO2 emission is the WLTP value, NEDC 2.0 is in principle only determined as reference and to be able to compare to past NEDC values.

As a minimum, a formal confirmation that NEDC 2.0 values can be used going forward when applying legislation, or an update of the values in the law to reflect the (much) higher WLTP values for cars, which will determine the BiK company car, corporate tax deductibility etc.
What is WLTP.

**WLTP** = Worldwide Harmonized Light Test Procedure
**NEDC** = New European Driving Cycle test.

The WLTP test cycle replaces the current NEDC test cycle to determine the CO2 emission of a car. The new WLT cycle is much more realistic and includes actual on-road test to laboratory testing.

The WLTP emission is much higher compared to the NEDC values, on average between 15% and 25%.

WLTP takes multi dimension into account and goes from NEDC with only tire size to options and weight and drag coefficient.

---

**NEDC TEST**

- 16 inches
- Most favourable value

**WLTP TEST**

- 21 inches
- Most favourable value

---

**NEDC test**

- CO2
- Wheel

**WLTP test**

- Weight
- Air resistance

\[
X > \bigcirc \quad X + \text{ca. 3g}
\]

\[
X > \blacklozenge \quad \blacktriangledown \quad > \bigcirc \quad X + \text{ca. 7g}
\]
Timeline

WLTP for each new car as from 1.9.2017 (new car = new engine type or engine configuration, not actual model or specific car).
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, tax and legal, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 225,000 professionals, all committed to becoming the standard of excellence.

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

© November 2018 Deloitte Belgium