

THE LEGAL, REGULATORY AND TAX FRAMEWORK OF MOBILITY MANAGEMENT IN FRANCE:  
residual difficulties and advances to be made

This paper presents the legal, regulatory and tax framework of mobility management actions in France. In this framework, emphasis will be placed on the difficulties that face the managers of companies and other places of activity that implement mobility plans, known as “Company Mobility Plan” in France.

### **1. Context:**

Mobility management is a topical issue in France, with among other things, the publication at the end of 2003 and beginning of 2004 of the Ademe guide “Implement a travel plan in a company”, the Certu guide “Mobility advice: a new mission, a new job”, and the report on “Financing Urban Travel” by the Member of Parliament C. Philip for the Prime Minister.

These publications will probably start having an impact this year on car travel management, in particular on the regulatory and tax framework, which requires modification to bring it line with legal stipulations, especially those included in the domestic transport framework law (LOTI) since modified by the law related to solidarity and urban renewal. With regard to all conurbations with populations exceeding 100,000 and in which an urban mobility plan (UMP) must be implemented, its aims are to:

- reduce car traffic;
- encourage private employers and managers of other places of activity to implement a mobility plan.

### **2. Method:**

Chapter 22 of the Certu Mobility Advice guide, published in November 2003, is called “How can taxation be used to encourage mobility management?” This document describes current measures as well as “active measures for mobility management” regarding:

- the deduction of commuting costs from personal income tax;
- reimbursements of transport costs, contributions by employees and advantages in kind, and the disparity between the Île-de-France Region and the rest of France;

- the transport tax and the possibility of calculating it according to the traffic flows generated by the employer.

The following text concerns the first two points.

Since the guide's publication, the report by the Member of Parliament Christian Philip to the Prime Minister on "Financing urban travel" makes use of and completes certain proposals for "active measures" related to mobility management.

At the beginning of 2004, a small survey of about fifty persons involved in mobility management made it possible to highlight certain difficulties encountered and refine proposals for active measures to remedy them.

### **3. Description:**

#### ***Deduction of costs***

##### *Current measures:*

In their income tax declarations and subsequent calculation of the latter, individual employees can decide to deduct the costs generated by their occupation, including their commuting costs, provided that the distance between their home and workplace does not exceed 40 km.

The scale of mileage costs is drawn up as a function of the taxable horsepower of the car and the distance travelled. This scale therefore favours cases in which the person's home is situated far from their workplace and the production of vehicle\*kilometres, which moreover leads to considerable greenhouse gas emissions generated by high powered cars.

Combining this incentive to live far from the workplace with a deduction proportional to the horsepower of the vehicle is totally contrary to a policy of sustainable development. This measure obscures the real cost of the vehicle from its owner, by giving the latter a tax benefit. Thus the owners of high-powered vehicles are entitled to tax benefits, a measure that is unfair for taxpayers taken as a whole.

*Active measures for mobility management:*

It appears necessary to modify this mileage cost scale so as to ensure the coherence of the regulatory framework designed to influence behaviour related to daily mobility.

A proposal will be made to modify the rules for commuting and eliminate this method of differentiation based on taxable horsepower.

The lowest reimbursement of the scale could be chosen, i.e.

- A distance ceiling of 5,000 km that corresponds to a daily return trip to work of 25 km for 200 days work per year, which is very close to the current average commuting distance of 13.3 km for an employee living in an urban area<sup>1</sup>.
- Mileage costs set at the lowest taxable horsepower of the scale, whatever the vehicle's power and thus its pollutant greenhouse gas emissions.

The table of the scale applicable to cars would no longer include a line written as follows:

Car mileage cost scale for income tax for 2003 (in €):

<b>Taxable horsepower</b>	<b>Up to 5,000 km</b> for home-work commuting	<b>from 5,001 to 20,000 km</b> only for professional trips	<b>Above 20,000 km</b> only for professional trips
<b>All</b>	<b>d x 0.351</b>	<b>(d x 0.207) + 720</b>	<b>d x 0.243</b>

d = distance travelled per year

NB: in Belgium, the deduction of mileage costs for commuting trips is the same whatever the mode of transport used.

<sup>1</sup> Professional trips of the "round" type would not be subject to this ceiling of 5,000 km.

### ***Reimbursements of transport costs, employee contributions and advantages in kind***

#### *Current measures:*

The regulatory framework changes according to whether the employees work in the Île-de-France Region or in the provinces.

#### *In the Île-de-France Region:*

Employees whose place of work is in the Île-de-France Region are entitled to payment by their employers of at least 50% of their public transport season tickets for commuting.

This payment, of up to 50% of the price of season tickets, is excluded from the calculation of social security contributions.

In addition, it is not subject to income tax on physical persons.

#### *In the provinces:*

For employees in the provinces, article 109 of the law on solidarity and urban renewal offer the possibility to all public and private employers to pay for all or part of the price of public transport season tickets subscribed by their employers for their commuter travel. In this case, it is a proposal open to employers in the provinces and not an obligation.

Circular DSS/SDFSS/5B/no.2003/07 of January 2003 stipulates that this payment by employers in the provinces is exonerated from social security contributions within the limit of the costs actually paid.

This payment by the employer is only exempted from income tax within the ceiling of 4 € per month, i.e. for example, the equivalent of 9.4% of the public transport City Pass season ticket for the conurbation of Lyon.

#### *Costs for using modes of transport other than private car: bicycle, car pooling, etc.:*

The social security code stipulates that any indemnity or bonus paid to employees is considered as a remuneration and thus subject to the employee's and employer's social security contributions.

This is the case, for example, of an annual bonus for purchasing and maintaining a bicycle and compensation for paying for the servicing of a car whose driver belongs to a car-pooling group. However, certain organisations such as the URSSAF of the Paris Region

accept that car-pooling costs can be exonerated from charges within the cost of the cheapest public transport price for commuting to and from the car-pooler's home.

*Active measures for managing mobility:*

Modifications of these measures would permit lifting these barriers hindering the development of modes of transport constituting an alternative to the private car for commuting purposes, without geographic distinction between users, whether they are in the provinces or in the Île-de-France Region.

The proposals will permit:

- guaranteeing that no social security contribution or tax can be levied from an employer or their employee for incentives to use modes of transport constituting alternatives to private cars, i.e. public transport, bicycles, walking, car-pooling, car sharing, etc.;
- that the employer's participation in modes of transport alternative to private cars is not considered as an advantage in kind.

*Regarding public transport season tickets:*

A demand will be made in a proposal for a law or ruling to align the social charges and taxation of employees living in the provinces with those in the Île-de-France Region:

- and exclude from social security contributions the payment by any employer of up to 50% of the cost of conurbation's public transport season tickets for their employees' commuting costs;
- and exonerate the entirety of this cost from income tax.

*Encouragement of other modes:*

In the same proposal of a law or ruling, the exoneration of all social charges and taxes on the payment by any employer of costs related to the use of bicycles, walking, car-pooling, car-sharing and taxi for its employees' commuting purposes, of at least 50 % of the annual cost of the conurbation's public transport network. For example in Lyon, this cost amounts to 467.50 €

-For bicycles, the cost exonerated can concern the purchase of a company bicycle for employees, its maintenance and repairs as well as the accessories and clothes needed for

its use and a bonus for the kilometres travelled by bicycle from home to the work place. This type of mileage allowance exists in Belgium;

-For walking, the costs exonerated can concern the purchase of clothes, shoes and accessories against the rain, the payment of residential car-parking costs<sup>2</sup> and a bonus for the number of kilometres walked from the home to the workplace;

-For car-pooling, the costs exonerated can concern the maintenance, repairs and technical control of the vehicle used for car-pooling;

-For car-sharing, the costs exonerated can concern the subscription to the service and the costs related to its use.

*For non-mobility:*

The same measures as those for encouraging the other modes mentioned above, for costs related to telecommuting and moving to a home closer to the workplace so that employees can avoid using a motor vehicle for commuting, within the limit of at least the annual cost of a season ticket for the conurbation's urban public transport network.

-For telecommuting, the costs exonerated can concern access to telephone and computer networks.

-For moving to a residence closer to the workplace, the costs considered can include participation in the purchase or rental of a property.

*For discouraging private car use:*

This same proposal of a law or ruling can also stipulate that a car-parking space provided free of charge by the employer should be considered as an advantage in kind. For example, in Lyon, the annual cost of a public parking space varies from about 850 € in the Part-Dieu business district to 1,400 € in the city centre, VAT included. Companies recover the VAT. The amount of the advantage in kind to be declared could be equal to 50% of the annual cost of the parking space paid by the employer.

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<sup>2</sup> Employees living near their place of work nonetheless use their vehicle daily to avoid leaving them in their district and having to pay car-parking costs. Part of this cost can be paid for encourage them to use an other mean of transport to join their place of work.

## ***Environmental management***

### *Current measures:*

For companies, the ISO 14001 standard is a good sign of external recognition of its desire to control its environmental impacts. It considerably enhances the image of the company and is increasingly taken into account by financial markets.

However, this standard does not impose any constraint regarding the mobility of persons generated by sites of employment.

### *Active measures for managing mobility:*

Standard ISO 14001 should be completed by the need to incorporate personal mobility, including that of employees, in actions to control environmental impacts.

## ***Occupational accident contributions***

### *Current measures:*

All private employers must pay a fixed “traffic accident” surcharge to the “occupational accident” contribution. This surcharge is fixed every year as a function of the global cost of all the traffic accidents of employees working in the private sector.

This surcharge does not take into account the specific situation of the company or its actions in favour of mobility management. Nevertheless, a rebate of this surcharge could be granted on the basis of three measures implemented to reduce the frequency and seriousness of accidents: organisation of collective catering on site, the transport of employees by bus and the attribution of housing near the workplace.

### *Active measures for managing mobility:*

In each company, the surcharge should be differentiated as a function of the real number and seriousness of the traffic accidents of its employees for the previous year, given that the management of car travel creates good synergy with actions carried out to prevent traffic accident risks<sup>3</sup>.

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<sup>3</sup> In France, work related traffic accidents represented 61% of fatal occupational accidents in 2001.

#### 4. Tools to be developed:

Regarding the reimbursement of transport costs and employee contributions, the proposals mentioned above require a number of coordinated actions to modify the regulations in force.

It is likely that the provision of a tool adaptable to every sustainable mode of transport would save time and be more easily understood by both employers and employees, as well as being more efficient for the public authorities.

It would be encouraging for the employer and employee if all the financial contributions made by the company in favour of modes of transport other than private cars were considered as a social service: participation by the employer in different modes would therefore not be subjected to social charges or tax, as is the case at present for restaurant vouchers.

##### Restaurant vouchers:

When the employer contributes to the purchase of restaurant vouchers for these employees, of up to 60%, the resulting additional remuneration for the employee is exonerated of social charges and income tax within the limit of 4.60 € per day and per employee.

The share contributed by the employer is exonerated from social security contributions, under certain conditions. On the basis of 220 days worked per year, the annual exoneration reaches  $4.60 \text{ €} \times 220 \text{ days} \times 60\% = 607.20 \text{ €}$  per year per employee, entirely exempt from taxation. Beside this, there is no longer any limit to the nominal value of restaurant vouchers.

Source: Ruling no. 67-830 of 27 September 1967 and ruling no. 67-1165 of 22 December 1967.

Even though it can only be exchanged in return for public transport vouchers at present, a “transport ticket” is already available in Italy. In France, issuing “mobility vouchers” by the way of the works committee based on the current restaurant voucher system would certainly have an impact on mobility management.



The “Ticket Trasporto” in Italy:

On the occasion of the European Mobility Management Awareness Day “EMMA” on 22 September 2003, Accor-Services launched the transport ticket, based on the Italian and French restaurant voucher system. Unlike a transport indemnity given to the employer, the tickets are wholly exonerated from social charges paid by the employer and from income tax paid by the employee. Transport tickets, whose value is defined by the employer, can be exchanged at public transport operators for single tickets and weekly, monthly and annual season tickets.

Source: [www.emma-day.info](http://www.emma-day.info), March 2004

### **Perspectives:**

In his report on financing urban mobility, Mr Philip proposed amendments to the law related to local responsibilities that were discussed in Parliament since the end of 2003. Some of these amendments which have not been passed at the first reading, would be discussed again during the Spring 2004.

For the moment, it is necessary to make known at political level the legal, regulatory and tax barriers to the development of mobility management and propose the most pedagogical tools possible; The “travel vouchers” seems to be one of the best.

Parliamentary debate could then begin and it is advisable to closely monitor and support advances to be made in this area.

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