



Cross-border vehicle usage

**Information for companies
and individuals**

(customs, VAT, etc.)

Cross-border mobility and relevant statutory provisions governing vehicle use

A growing number of companies and individuals are internationally networked, travelling to and working in several countries. Cross-border mobility has its advantages; however, it also brings numerous risks with it. Indeed, every cross-border situation automatically subjects the company or individual to the statutory provisions of different countries. These provisions are not necessarily congruent.

If vehicles are used to cross borders, this can raise the risks related to customs, VAT, direct tax or even vehicle registration. Such risks can arise for business as well as purely for private use (e.g. commuting). In Europe, the rulings of the European Court of Justice and the amended provisions of the Customs Code have led to a tightening of regulations in recent years. In addition to customs regulations, VAT rules and implications must also be considered, as these are not necessarily applied uniformly in all EU countries. For example, if a company domiciled in Switzerland provides a company vehicle to an employee who resides in Germany or Austria, the Swiss company is obliged to pay VAT in Germany or Austria.

Regardless of whether a company provides a company vehicle to its employee or a cross-border commuter uses their own car, it is not easy to navigate the legislative maze. What's more, a supposed solution to a problem can result in additional risks in other areas (e.g. employment law). It is therefore advisable to examine each case individually, as each situation must be taken into account separately based on the range of possible scenarios.

Failure to comply with applicable regulations may result in legal consequences and subsequent costs, up to a confiscation of the vehicle. In order to avoid such problems, the regulations of the foreign country must be observed in every cross-border situation.

In the case studies below, we explain how to identify risks, and which rules you must comply with in potential scenarios.

In addition to the seven cases presented below, there are many other possible case studies for cross-border vehicle use, e.g. relocation using a vehicle and importing a vehicle.

We have limited our analysis to the most common situations and would be pleased to advise you in your individual case.

Case studies

1 An employer domiciled in Switzerland gives an employee who resides in the EU (e.g. Germany) a company vehicle, which is registered and for which customs duty has been paid in Switzerland. The vehicle may be used for work or private purposes (e.g. commuting).

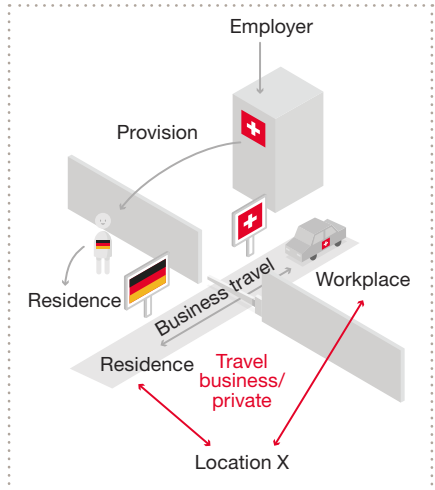
Customs risks and implications

CH: No measures are necessary.

EU: The vehicle, for which no customs duty has been paid in the EU, may be used as follows:

- Business use: permitted
- Private use: only for the specific employee to commute directly to work if the use of the vehicle is agreed in the employment contract
- In case of other private use, customs duty and tax must be paid (in addition) on the vehicle in the EU (duty: 10%, if without preferential origin document; import VAT x% depending on the EU country). Violation of these regulations may result in fines, legal consequences and confiscation of the vehicle.

Swiss company vehicle



Additional aspects to consider (depending on the individual case)

- VAT liability in the EU for the Swiss employer (in particular the registration obligation in Germany and Austria with declaration of private use; we would be pleased to help you in calculating and processing your tax liability)
- For leased vehicles, customs clearance must be arranged with the lessor
- Risks in connection with employment law and social insurance law
- Depending on the case, implications of direct taxation for the employee
- Revision of vehicle regulations, etc.

2 An employer domiciled in the EU gives an employee who is domiciled in Switzerland a company vehicle which is registered and for which customs duty has been paid in the EU. The vehicle may be used for work or private purposes (e.g. commuting).

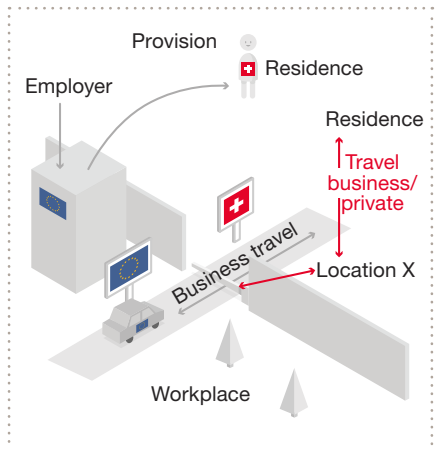
Customs risks and implications:

EU: No measures are necessary.

CH: The vehicle, for which no customs duty has been paid in Switzerland, may be used as follows:

- Business use: not permitted
- Private use: only for cross-border commuting by the specific employee directly to work; however, customs authorisation must be obtained for this purpose (form 15.30)
- Otherwise, the vehicle must be import customs cleared in Switzerland (import VAT 8.1%, automobile tax 4%)
- Violation of these regulations may result in fines, legal consequences and potential penalty tariffs.

EU company vehicle (e.g. Germany)



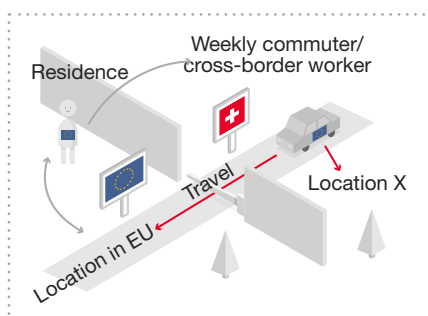
Additional aspects to consider (depending on the individual case):

- The vehicle may need to be registered in Switzerland (verify individual case with cantonal registration office)
- For leased vehicles, possible double customs clearance must be arranged with the lessor
- Risks in connection with employment law and social insurance law
- Depending on the case, implications of direct taxation for the employee.

Weekly residents or cross-border commuters from the EU

3

An individual domiciled in an EU country is a cross-border commuter or weekly resident in Switzerland and works for a Swiss employer. The car, which is registered and for which customs duty has been paid in an EU country, is used in both, the EU and in Switzerland.



Customs risks and implications:

EU: No measures are necessary

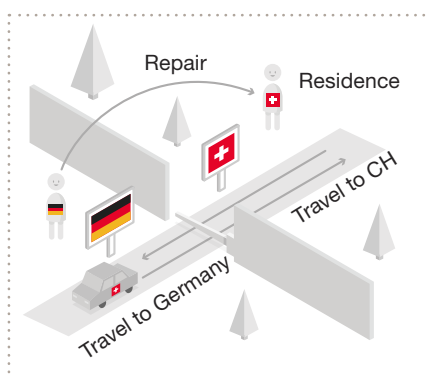
CH: Use without customs clearance is permitted as follows:

- Business use on behalf of the Swiss employer is not permitted
- Private use is permitted; for weekly residents, the individual must obtain customs authorisation (form 15.30)
- Otherwise, customs duty and tax must be paid (in addition) on the vehicle in Switzerland (see the costs in case 2). Violation of these regulations may result in fines and legal consequences.

Vehicle repair in the EU (e.g. Germany)

4

An individual domiciled in Switzerland has their vehicle, which is registered and for which customs duty has been paid in Switzerland, repaired in the EU (e.g. Germany) and brings the vehicle back to Switzerland, afterwards.



Customs risks and implications:

EU: No measures are necessary.

DE: In case of upgrading (increase in value): customs procedure for inward processing; in case of repairs: no formalities

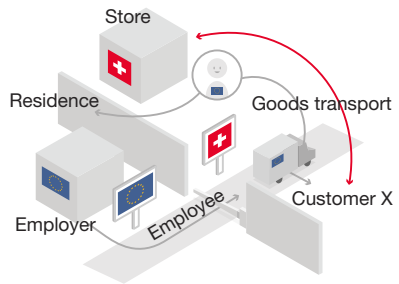
CH:

- New material is subject to customs duty (specific duty based on weight)
- If the tax exemption limit of CHF 300 is exceeded, the service is subject to import tax of 8.1%
- Please note: The tax exemption limit only applies to the respective individual's own private use. For example, if four vehicle occupants each take a tyre, only the vehicle owner – and not each of the vehicle occupants – is qualified for a private use, as it is difficult to split up a set of tyres. If the set of tyres exceeds the tax exemption limit, it must therefore be taxed as a single unit.

Domestic cabotage in Switzerland

5

An employee of a foreign company uses a delivery van, that is authorised/registered and for which customs duty has been paid in the EU, to deliver goods in Switzerland (e.g. between a hardware store and a Swiss customer).



Customs risks and implications:

EU: No measures are necessary.

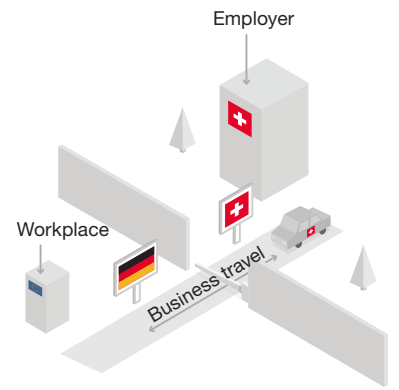
CH: The vehicle, for which no customs duty has been paid in Switzerland, may be used as follows:

- Business use: not permitted (cabotage)
- Private use: theoretically possible for short-term stays (e.g. commuting)
- Otherwise, customs duty and tax have to be paid (in addition) on the vehicle in Switzerland (see the costs in case 2). Violation of these regulations may result in fines and legal consequences.

Swiss service vehicles

6

An employee of a domestic company uses a service vehicle (including professional equipment and consumption materials) that is authorised/registered and for which customs duty has been paid in Switzerland to perform service repairs, installations, etc. in the EU (Germany).



Customs risks and implications:

CH: No measures are necessary.

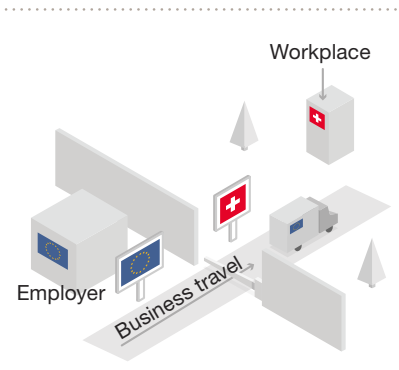
EU (e.g. Germany): The vehicle, for which no customs duty has been paid in Germany, may be used as follows:

- Business use: permitted
- Furthermore, it should be considered that if the vehicle crosses the border into the EU (e.g. DE), both, the professional equipment and consumption materials, must be registered
- Risks in connection with employment and social insurance law

EU service vehicles

7

An employee of a foreign company uses a service vehicle (including professional equipment and consumption materials) that is authorised/registered and for which customs duty has been paid in the EU to perform service repairs, installations, etc. in Switzerland.



Customs risks and implications:

EU: No measures are necessary.

CH: The vehicle, for which no customs duty has been paid in Switzerland, may be used as follows:

- Business use: permitted, however no domestic transports (e.g. movement of goods from a Swiss hardware store to a Swiss customer)
- Furthermore, it should be noted that if the vehicle crosses the border into Switzerland, both, the professional equipment and consumption materials must be registered
- Risks in connection with employment and social insurance law
- VAT risks in connection with VAT liability must be assessed

We would be pleased to help if you have any questions...

- in connection with customs clearance (and/or vehicle registration)
- about VAT in Switzerland and the EU (e.g. including retroactive registration in Germany or Austria)
- surrounding direct taxation relating to vehicle use
- in the area of social insurance, employment law, salary statements and drafting contracts in connection with vehicles
- about various other customs and VAT-related topics

You can find further information at:

www.pwc.ch/customs

Or contact us in person.



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