Global: Employee Benefits - Mobility Budgets

What are Mobility Budgets?

Mobility budgets are an employee benefit that aims to reduce an employer's overall carbon footprint whilst also helping to recruit and retain talent. They are an increasingly popular as a way of improving sustainable transport in urban areas and reducing traffic congestion.

Their aim is to encourage lower carbon transport in a work related context (e.g. commuting), by the use of buses, trains, taxis, car sharing/pooling, cycling, e-scooting etc.

The operational systems used include a single app that integrates multiple transport options, a payment card or voucher that can be used for different transport options or simple re-imbursements by the employer on submission of receipts by the employee each month.

What are the Benefits?

The levels of benefit and the payment models vary across employers and countries but it is usually a monthly or annual allowance available to employees as a contribution to their sustainable, work related travel costs.

European countries have started to introduce tax exemptions to promote the use of mobility budgets. Austria, Belgium and France have tax exemptions. Germany is considering introducing a 25% flat rate tax on the benefit up to EUR2,400 per annum for use on multiple forms of mobility.

How are they agreed and what do employers need to be aware of?

Since there is no legal right to a mobility budget, it’s up to the employer to decide whether to offer one and which employees are eligible. However, these decisions must not be discriminatory or violate the principle of equal treatment, which prohibits unjustified differences in treatment among comparable employees.

These agreements are typically included in the employment contract or in addendums to it. It is important to document clearly the terms, including how the mobility budget can be used and what rights it provides. Employers who fail to document these arrangements run the risk of unintentionally creating ongoing obligations by offering the mobility budget repeatedly.

Employers should also carefully consider the length of their commitment and whether to include a clause allowing for flexibility, especially given potential changes in tax laws. The employer's right to amend or even cancel the benefit should be protected. If existing agreements are being altered or cancelled when introducing a mobility budget, these should also be handled with care.

If the company has a Works Council, it will usually have the right to be involved in decisions about offering a mobility budget, although it cannot force the employer to provide one. If the employer does offer a budget, the council has a say in how it is implemented, often through a works agreement.

Finally, there are tax complexities that remain to be resolved on a country by country basis, such as season tickets that are used for both business and personal trips.

This is a high level general update only. Legal advice should be obtained on specific circumstances.

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