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BACHELOR'S THESIS

ACQUIRING A COMPANY CAR FOR A COMPANY CEO - A COMPARATIVE FINANCIAL AND TAX ANALYSIS

Ljubljana, June 7, 2026 JON LAN ŠUNTAR

AUTHORSHIP STATEMENT

The undersigned Jon Lan Šuntar, a student at the University of Ljubljana, School of Economics and Business, (hereafter: UL SEB), author of this written final work of studies with the title Acquiring a company car for a company CEO – A comparative financial and tax analysis, prepared in collaboration with mentor Jan Porenta PhD

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ABSTRACT

This thesis examines the tax, financial, legal, and environmental aspects of company vehicle acquisition for directors through four alternative structures: private purchase, company purchase in Slovenia, leasing through a Slovenian company, and leasing through a Serbian non-EU sister company. The main objective is to determine the most tax- and financially efficient acquisition method through comparative analysis of relevant Slovenian, Serbian, and EU legislation, accounting standards, and financing structures. In addition, the thesis develops an Excel-based simulation tool that enables companies to compare acquisition scenarios under different assumptions. The research also considers sustainability aspects by comparing internal combustion engine, hybrid, and electric vehicles within the context of the European Green Deal.

KEY WORDS: Tax efficiency, corporate income tax optimization, Fringe benefits (benefits in kind), Financial leasing, Cross-border tax structuring

SUSTAINABLE DEVELOPMENT GOALS



POVZETEK

Ta diplomska naloga obravnava davčne, finančne, pravne in okolijske vidike pridobitve službenega vozila za direktorje preko štirih alternativnih struktur: zasebni nakup, nakup preko podjetja v Sloveniji, leasing preko slovenskega podjetja ter leasing preko srbske sestrske družbe izven EU. Glavni cilj naloge je določiti davčno in finančno najučinkovitejši način pridobitve vozila s pomočjo primerjalne analize relevantne slovenske, srbske in evropske zakonodaje, računovodskih standardov ter načinov financiranja. Poleg tega naloga vključuje razvoj simulacijskega orodja v Excelu, ki podjetjem omogoča primerjavo različnih scenarijev pridobitve vozila ob različnih predpostavkah. Raziskava vključuje tudi vidik trajnosti s primerjavo vozil z motorjem z notranjim izgorevanjem, hibridnih in električnih vozil v kontekstu Evropskega zelenega dogovora.

KLJUČNE BESEDE: Davčna učinkovitost, optimizacija davka od dohodkov pravnih oseb, bonitete, finančni lizing, čezmejno davčno strukturiranje

CILJI TRAJNOSTNEGA RAZVOJA



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LIST OF ABBREVIATIONS

sl- Slovene

sr. - Serbian

ATAD – (sl. direktiva o odločitvi pravil proti praksam izogibanja davkom, ki neposredno vplivajo na delovanje notranjega trga); Anti-Tax-Avoidance Directive

c/d – (sl. podjetje/direktor); company/director

CEO – (sl. glavni izvršni direktor); Chief Executive Officer

EU – (sl. Evropska unija); European Union

IAS 16 – (sl. Mednarodni računovodski standard 16: opredmetena osnovna sredstva); International Accounting Standard 16: Property, Plant and Equipment

IASB – (sl. Odbor za mednarodne računovodske standarde); International Accounting Standards Board

IFRS – (sl. Mednarodni standardi računovodskega poročanja); International Financial Reporting Standards

IFRS 16 – (sl. Mednarodni standard računovodskega poročanja 16: najemi); International Financial Reporting Standard 16: Leases

NPV – (sl. neto sedanja vrednost); Net Present Value

OECD – (sl. Organizacija za gospodarsko sodelovanje in razvoj); Organization for Economic Co-operation and Development

PPE – (sl. opredmetena osnovna sredstva); Property, Plant and Equipment

RS – (sl. Republika Srbija); Republic of Serbia

SI – (sl. Slovenija); Slovenia

TCO- (sl. skupni strošek lastništva); Total Cost of Ownership

VAT – (sl. davek na dodano vrednost); Value Added Tax

ZDoh-2 – (sl. Zakon o dohodnini); Personal Income Tax Act

ZDDPO-2 – (sl. Zakon o davku od dohodkov pravnih oseb); Corporate Income Tax Act

ZDDV-1 – (sl. Zakon o davku na dodano vrednost); Value Added Tax Act

ZPDG – (sl. Zakon o davku na dohodek državljanov); (sr. Zakon o porezu na dohodak građana); Serbian Personal Income Tax Act

ZPDP – (sl. Zakon o davku od dohodkov pravnih oseb); (sr. Zakon o porezu na dobit pravnih lica); Serbian Corporate Income Tax Act

ZPDV – (sl. Zakon o davku na dodano vrednost); (sr. Zakon o porezu na dodatu vrednost); Serbian Value Added Tax Act

1 INTRODUCTION

This thesis addresses a challenge of a company which is interested in buying a new company car for its director. This acquisition possesses many challenges for all the stakeholders included in the purchase. From the company's perspective, such a purchase is problematic because the cost is not a tax-deductible expense in the firm's accounting records and must be financed from post-tax profits. From the individual's perspective, the use of a company car often entails the payment of fees or taxable benefits, reducing personal income (Hribovšek & Jankovič, 2024). Moreover, the acquisition process can be associated with risks of value-added tax (VAT) evasion, necessitating strict compliance with legal and regulatory requirements to avoid liability. Environmental concerns also arise, particularly regarding the emissions generated by the vehicle. Academic literature has already shown that company vehicles represent not only an operational resource, but also a financial and tax issue connected with fleet management, cost optimization, fringe-benefit taxation, and sustainability transition (Redmer, 2022; Harding, 2014; Kelly et al., 2014). In this sense, the question addressed in this thesis follows both from practical business needs and from broader academic discussions concerning company car taxation, financing structures, and corporate mobility decisions.

The purpose of this thesis is to explicitly ensure that the company is using the overall most balanced path that takes into the account multiple stakeholder perspectives in acquisition of a new car. Thesis addresses the following hypotheses: H1: The most tax- and financially efficient method of acquiring a vehicle is through leasing by a Slovenian company. H2: Due to the environmental and taxation benefits of electric or partly electric vehicles, the optimal choice is the purchase of a hybrid vehicle. H3: Given that Serbia is not a member of the European Union (EU), the most expensive option will be acquiring a vehicle through leasing by a Serbian sister company.

To address these hypotheses, the thesis utilizes a twofold strategy. First, a comprehensive analysis of the relevant legal framework is conducted through direct legislation research. Second, a new simulation tool is designed and implemented in Microsoft Excel which allows the user to streamline the decision process based on a relatively small set of input parameters. This simulation tool enables a comprehensive and quick comparison between different strategies of the vehicle acquisition. This twofold strategy also enables a twofold contribution of the thesis. First, the academic contribution spurs from gathering and sorting the necessary legal frameworks that one has to utilize and consider with company vehicle acquisitions. Second, the simulation tool offers a practical contribution as the company can employ the tool to analyze multiple scenarios quickly and efficiently which thus alleviates the administrative burden on the company.

The main results of the thesis show that the most efficient vehicle acquisition structure depends on the interaction between corporate taxation, personal taxation, financing

conditions, and the weighting between company and director perspectives. Under the baseline assumptions outlined in chapter 4.1., private purchase represents the most cost-efficient option in the model, while corporate purchase in Slovenia ranks second. However, sensitivity analysis shows that under different assumptions, particularly changes in tax rates, residual value, lease pricing, and stakeholder weighting, corporate ownership or leasing may become more favorable. The analysis also shows that leasing through a Serbian subsidiary is generally less attractive once VAT limitations, transfer pricing compliance, and cross-border administrative burdens are considered.

The remainder of this thesis is structured as follows. Chapter 2 offers a theoretical background and literature review covering the role of company vehicles in business, methods of financing vehicle acquisitions, fringe benefits, and the accounting treatment of company vehicles. Chapter 3 presents the legal and tax framework of Slovenia and Serbia, focusing on the laws that have an impact on the thesis. Chapter 4 provides the comparative analysis of vehicle acquisition options based on the developed Excel calculator. Finally, Chapter 5 concludes with a summary of findings, recommendations, and suggestions for further research in this field.

2 THEORETICAL BACKGROUND AND LITERATURE OVERVIEW

2.1 The Role of Company Vehicles in Business

A company vehicle can be understood as a business resource that enables the movement of employees, goods, and services in the course of performing work-related tasks. Beyond basic transportation, it functions as an operational tool that supports productivity, mobility, and service delivery, particularly in sectors relying on fieldwork and logistics (Redmer, 2022). In such contexts, mobility plays an important role in ensuring efficient execution of business processes (Chiparo et al., 2021). Typically, company vehicles are owned or leased by the firm and made available to employees for professional purposes such as meetings, site visits, or logistics operations (Redmer, 2022). In certain cases, limited private use may be permitted, provided that such use is formally regulated through internal policies, as it may have tax implications (Harding, 2014).

From a financial perspective, company vehicles are treated as either tangible fixed assets or leased assets, depending on the acquisition method. Their management is therefore linked to broader financial decision-making processes, including cost allocation and lifecycle evaluation (Kelly et al., 2014). In addition, investment decisions related to such assets can be analyzed using standard financial techniques, such as discounted cash-flow methods (Damodaran, 2012).

The management of company vehicles involves financial control, legal responsibility, and operational planning. Organizations typically assign responsibility to a fleet manager or administrative unit responsible for vehicle allocation and monitoring (Chiparo et al., 2021). This includes maintenance planning and usage tracking, which contribute to more efficient use of resources (Redmer, 2022). Formalized handover procedures further support accountability and traceability within the organization (Chiparo et al., 2021). Operating a vehicle fleet generates financial obligations throughout its lifecycle, including acquisition costs, depreciation or leasing payments, fuel, insurance, maintenance, and administrative expenses (Kelly et al., 2014). Effective fleet management therefore requires balancing operational needs with cost considerations, often supported by structured analysis of total cost over time (Chiparo et al., 2021).

The concept of a company vehicle is not limited to passenger cars but also includes buses, delivery vans, trucks, and specialized industrial vehicles. These assets are commonly used in sectors such as logistics, construction, and public services, where mobility is closely connected to operational performance (Redmer, 2022). In some cases, company buses are used to transport employees to work sites, contributing to improved efficiency in workforce mobility (Chiparo et al., 2021). However, a distinction is commonly made between vehicles used exclusively for business purposes and those available for private use. Official vehicles are restricted to professional activities, while non-official vehicles may also be used privately. Allowing private use introduces a benefit in kind, which represents a form of non-monetary compensation and may be subject to taxation depending on national tax rules (Harding, 2014).

In recent years, environmental considerations have increasingly influenced corporate vehicle strategies. The transition toward electric and hybrid vehicles is supported by regulatory frameworks and technological development (International Energy Agency, 2022). Although such vehicles may involve higher upfront costs, they can contribute to lower emissions and, in some cases, reduced operating costs over time (International Energy Agency, 2022). Government incentives, such as national subsidy schemes including Slovenia's Eko Sklad, are part of broader policy measures aimed at encouraging the adoption of low-emission vehicles (International Energy Agency, 2022).

2.2 Methods of Financing Vehicle Acquisitions

The acquisition of company vehicles represents an important strategic and financial decision that affects a firm's liquidity position, tax planning, and operational efficiency. The method of financing must therefore balance cost management, flexibility, and compliance with accounting and tax regulations. The principal methods used by private companies are private purchase, direct company ownership, financial leasing, and operational or international leasing. Each approach influences not only the firm's balance sheet and cash-flow profile but also the degree of managerial control and sustainability alignment.

2.2.1 Private Vehicle Purchase

Private purchase occurs when a director or employee acquires a vehicle in their own name and uses it for both personal and business purposes. In such cases, the company typically reimburses business-related travel, while other costs, including maintenance, insurance, and depreciation, remain the responsibility of the individual (Chiparo et al., 2021).

This approach reduces administrative burden for the company, as it avoids capital investment and asset management responsibilities. However, private ownership may limit the firm's ability to standardize vehicle use and maintain consistent fleet policies (Redmer, 2022). In addition, reimbursement schemes may not fully reflect the total economic cost of ownership, particularly when depreciation and capital costs are considered (Kelly et al., 2014). For these reasons, this model is generally more suitable in cases of limited business use and is less commonly applied in organizations with significant mobility requirements (Chiparo et al., 2021).

2.2.2 Company Vehicle Purchase

Under direct company ownership, the vehicle becomes part of the organization's fixed assets and is used by a manager or director for business purposes, sometimes also privately. The main advantage of this model lies in the high degree of control over vehicle use, maintenance, and life-cycle management. Furthermore, company ownership enables the firm to select vehicles that reflect its corporate image and sustainability goals (Redmer, 2022). From a financial standpoint, company purchase involves a significant initial outlay but provides predictable long-term costs. The company can spread the expense over time through systematic depreciation. In Slovenia, for example, vehicles are typically depreciated at up to 20 percent per year, which reflects a five-year useful life for tax purposes (PwC, 2025b). Once fully paid and depreciated, the company incurs only operating expenses, such as fuel, insurance, and repairs, which improves cost efficiency over an extended period.

The downside of direct ownership is reduced liquidity and increased exposure to residual-value risk at resale. The company must also handle all administrative tasks connected to registration, insurance, and eventual disposal. In Serbia, when a company-owned car is used for both professional and personal purposes, the personal portion is treated as a taxable employment benefit valued at 1 percent of the car's market price per month, integrating the fringe benefit into the payroll system (PwC, 2025a). These mechanisms ensure transparency and discourage excessive non-business use. Overall, company purchase is most appropriate for stable firms with adequate cash reserves and long-term mobility needs (KPMG, 2024).

2.2.3 Financial Leasing

As articulated by Solis (1989), financial leasing is a form of financing in which the leasing company acquires the vehicle and grants the firm the right to use it in exchange for periodic payments. At the end of the lease term, the firm may have the option to acquire ownership. This model allows firms to spread costs over time, reducing the need for a large upfront investment. At the same time, lease payments typically include financing components, which influence the total cost of the arrangement. As a result, leasing may offer advantages in terms of liquidity and cash-flow predictability, while potentially affecting total expenditure depending on contract terms.

2.2.4 International Financing Aspects

Operational leasing and cross-border financing introduce additional considerations into vehicle acquisition decisions. In operational leasing, the leasing provider retains ownership and is responsible for maintenance and residual value risk (Solis, 1989). This model may facilitate fleet renewal and the adoption of newer vehicle technologies, including low-emission vehicles (International Energy Agency, 2022). However, cross-border leasing is influenced by tax rules, transfer pricing requirements, and administrative obligations. Transactions between related entities must comply with the arm's length principle, meaning that prices should reflect market conditions (OECD, 2017). These factors may increase complexity and affect the overall efficiency of such arrangements.

2.3 Fringe Benefits to Relation to Company Vehicles

Fringe benefits represent non-cash forms of remuneration provided by employers to employees or directors that increase the recipient's economic well-being in a way comparable to monetary income. From a public finance perspective, such benefits constitute implicit compensation because they reduce personal consumption expenses without a direct cash transfer and therefore form part of total labor income (Boadway et al., 2010). Among various fringe benefits, company vehicles are one of the most common and economically significant forms of non-cash compensation, especially when available for private use. In many OECD countries, company cars account for a substantial share of the overall car fleet, and tax systems explicitly value the associated benefit-in-kind because of its impact on personal income and corporate tax bases (Harding, 2014).

Private use of a company vehicle represents personal consumption financed by the employer and consequently increases the individual's real income. If such use were left untaxed, individuals could convert taxable cash wages into untaxed private consumption, undermining the equity and neutrality of the tax system. For this reason, tax theory supports the classification of private company-car use as taxable employment income rather than as a purely business-related expense (Mirrlees et al., 2011). This horizontal equity principle

ensures that individuals with comparable economic capacity are taxed similarly, regardless of whether compensation is received in cash or in kind (Kaplow, 1989).

The taxation of company-car fringe benefits also has important implications for corporate income taxation. Corporate tax systems generally allow deduction only of expenses incurred for business purposes. If the private use of a company vehicle were not taxed at the individual level, the deductibility of vehicle-related costs would effectively reduce the corporate tax base for what constitutes private consumption. This would create distortions between cash and in-kind remuneration and undermine tax neutrality. Empirical policy analysis confirms that preferential tax treatment of company cars can result in fiscal losses and behavioral distortions (Harding, 2014). Proper alignment between corporate deductibility and personal taxation is therefore essential for maintaining neutrality and preventing implicit subsidies for private use.

An important challenge in the taxation of company-car fringe benefits is valuation. While measuring the actual extent of private vehicle use would theoretically provide the most accurate tax base, empirical research demonstrates that mileage-based valuation systems are administratively burdensome, costly to enforce, and prone to manipulation (Harding, 2014, pp. 9-11). As a result, many countries rely on standardized valuation methods that approximate the value of private use based on vehicle characteristics such as purchase price or age. Such simplified approaches are widely regarded as a pragmatic compromise between accuracy and administrative efficiency, providing legal certainty while limiting compliance costs (Harding, 2014).

Fringe-benefit taxation of company vehicles also has broader economic and environmental consequences. Favorable tax treatment of company cars has been shown to encourage increased vehicle use, longer commuting distances, and higher emissions. In response, governments increasingly integrate environmental considerations into fringe-benefit valuation by reducing taxable benefits for low-emission or electric vehicles. This policy approach uses taxation as a behavioral instrument to influence corporate vehicle choices and align private incentives with environmental objectives (Cuenot et al., 2020).

From a corporate governance perspective, company-car fringe benefits require careful regulation and transparent reporting. Poorly defined or insufficiently disclosed fringe benefits can obscure the true level of executive compensation and weaken internal accountability mechanisms. Academic governance research highlights that transparent valuation and taxation of fringe benefits improves oversight, reduces tax-compliance risk, and enhances the credibility of remuneration structures, particularly at the director level where scrutiny by tax authorities and stakeholders is more pronounced (Armstrong et al., 2015).

2.4 Accounting Treatment of Company Vehicles

The accounting treatment of company vehicles depends on whether the vehicle is acquired through direct purchase or through a lease arrangement. Under International Financial Reporting Standards (IFRS), owned vehicles are accounted for in accordance with IAS 16 – Property, Plant and Equipment, whereas leased vehicles fall under IFRS 16 – Leases (International Accounting Standards Board [IASB], 2023a, 2023b). The distinction between ownership and leasing has significant implications for asset recognition, expense allocation, and financial reporting.

When a company acquires a vehicle through direct purchase, it is recognized as property, plant and equipment (PPE) if it is probable that future economic benefits associated with the asset will flow to the entity and the cost can be measured reliably (IASB, 2023a). Upon initial recognition, the vehicle is measured at cost. The cost includes the purchase price and any directly attributable costs necessary to bring the vehicle to the condition required for its intended use. These may include delivery charges, registration fees, and non-refundable taxes. Such costs are capitalized as part of the carrying amount of the asset (IASB, 2023a).

After initial recognition, the vehicle is subsequently measured at cost less accumulated depreciation and any impairment losses. Depreciation represents the systematic allocation of the depreciable amount of the vehicle over its useful life. The depreciable amount is calculated as the cost of the asset less its estimated residual value. Depreciation expense is recognized in profit or loss and reflects the pattern in which the economic benefits of the vehicle are consumed (IASB, 2023a). Both the useful life and residual value must be reviewed at least annually and adjusted if expectations change.

Subsequent expenditures related to the vehicle are treated according to their economic substance. Ordinary operating costs, such as fuel, insurance, routine servicing, and minor repairs, are recognized as expenses in the period in which they are incurred, as they do not increase the future economic benefits of the asset beyond its originally assessed performance (IASB, 2023a). Only expenditures that enhance the vehicle's performance, extend its useful life, or increase its capacity are capitalized.

In contrast, when a company acquires a vehicle through a lease, IFRS 16 requires the lessee to recognize a right-of-use asset and a corresponding lease liability for most lease arrangements exceeding 12 months (IASB, 2023b). At the commencement date, the lease liability is measured at the present value of future lease payments, discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate (IASB, 2023b). The right-of-use asset is initially measured at cost, which generally includes the amount of the initial lease liability and any initial direct costs.

Subsequently, the right-of-use asset is depreciated over the lease term, while interest expense on the lease liability is recognized separately in profit or loss (IASB, 2023b). Lease payments are therefore divided into a principal component, which reduces the lease liability, and an

interest component, which is recognized as a finance cost. Operating expenses related to the leased vehicle, such as fuel and insurance, are recognized as period expenses unless they are contractually included within lease payments.

The accounting classification of company vehicles, either as owned Property, Plant and Equipment (PPE) under International Accounting Standard 16: Property, Plant, Equipment (IAS 16) or as right-of-use assets under IFRS 16, directly affects balance sheet structure, expense timing, leverage ratios, and reported profitability (IASB, 2023a, 2023b). These accounting differences are particularly relevant in the context of tax optimization and financial decision-making, as they influence both financial statement presentation and the timing of expense recognition.

3 LEGAL AND TAX FRAMEWORK

The legal and tax framework is essential for understanding the financial consequences of different company vehicle acquisition structures. The treatment of company vehicles depends not only on the method of acquisition, but also on rules regarding personal income taxation, corporate income tax deductibility, VAT treatment, accounting recognition, and cross-border transactions. Since this thesis compares domestic Slovenian options with a structure involving a Serbian subsidiary, the chapter first presents the relevant Slovenian legislation and then examines Serbian legal and tax rules. This provides the basis for the assumptions and calculations used in the comparative model in Chapter 4.

3.1 Relevant Slovenian Legislation

Slovenian legislation is particularly important for this thesis because three of the analyzed acquisition structures are directly connected to Slovenia. The key Slovenian laws affecting these options are the Personal Income Tax Act, the Corporate Income Tax Act, and the Value Added Tax Act. Together, these laws determine how private use of a company vehicle is taxed, which vehicle-related costs are deductible for corporate income tax purposes, and whether input VAT on vehicle acquisition or leasing can be recovered. Therefore, the following sections analyze each of these legal areas separately.

3.1.1 Personal Income Tax Act (ZDoh-2)

The Slovenian Personal Income Tax Act (ZDoh-2) establishes the legal framework for the taxation of employment income and benefits in kind, which is directly relevant for the treatment of company vehicles provided to directors in Slovenia. Taken together, Articles 35–44 of ZDoh-2 form a coherent legal framework governing the taxation of company vehicles and director-related benefits in Slovenia. They establish the classification of directors as employment-income recipients, define benefits in kind, prescribe a standardized valuation method for private vehicle use, and distinguish between taxable benefits and non-

taxable business reimbursements. This legislative framework forms the foundation for the tax modelling applied in the comparative analysis presented in Chapter 4.

Article 35 of ZDoh-2 defines income from employment as income derived from past or current work performed within a dependent relationship. Such a relationship is not limited to standard employment contracts but also includes other arrangements where an individual performs work under supervision or direction. Importantly, this explicitly covers managerial and executive functions, including directors and procurators, regardless of whether a formal employment contract exists. The provision therefore ensures that directors fall within the scope of employment income taxation when they receive benefits connected to their managerial role.

Article 36 further specifies that employment income includes not only salaries and bonuses but also other monetary and non-monetary benefits connected with the performance of work. Article 37 reinforces this principle by clarifying that employment income arises from any relationship in which work is performed under supervision and according to instructions, irrespective of the legal basis of that relationship. Even where services are provided under management contracts rather than classical employment contracts, the substance of the working relationship determines tax treatment.

Article 38 regulates income derived from other contractual relationships that do not constitute classical employment. Where an individual performs services under civil or service agreements, income received under such arrangements remains subject to taxation. In the context of director-level vehicle use, this provision prevents the avoidance of employment-related taxation merely through contractual structuring.

The core provision for company vehicle taxation is Article 39, which defines benefits in kind as non-cash advantages provided by an employer, including goods, services, or other personal benefits. The law explicitly includes the private use of a company vehicle within this category. Consequently, where a director is permitted to use a company vehicle for private purposes, the economic value of such use constitutes taxable employment income unless the director fully reimburses the employer for the private portion.

Article 43 regulates the valuation of benefits in kind. Where a comparable market price is not available, the value of the benefit is determined based on the employer's cost. For company vehicles, the law introduces a standardized valuation method that applies irrespective of actual private mileage or the method of acquisition. Private use of a company car is generally attributed to taxable income at 1.5% of the vehicle's purchase value per month from which personal income tax is calculated via a stepwise progression with marginal tax rates from 16 % to 50 % in 2026. For electric vehicles, the taxable base is reduced in accordance with statutory incentives, and additional reductions apply after several years of use. This provision provides the legal formula incorporated into the Excel-based financial model developed in this thesis.

Finally, Article 44 establishes that certain employment-related reimbursements are excluded from the tax base if they strictly relate to business purposes. These include mileage reimbursements paid per kilometer for the use of a private vehicle, as well as other business travel compensations. When a director uses a privately-owned vehicle for business travel and receives statutory mileage reimbursement, such compensation is not treated as taxable income. The tax treatment therefore differs fundamentally from that of company-provided vehicles, where private use is taxed as a benefit in kind.

3.1.2 Corporate Income Tax Act (ZDDPO-2)

The Slovenian Corporate Income Tax Act (ZDDPO-2) establishes the framework for determining the tax treatment of company vehicle acquisition, financing, and operating expenses at the corporate level. Taken together, Articles 12, 16-18, 29-33, 35, 55a and 60-61 form a comprehensive corporate income tax framework governing the acquisition, financing, and use of company vehicles in Slovenia. They determine the deductibility of vehicle-related costs, regulate cross-border and intra-group transactions, limit excessive interest deductions, and define the applicable tax rate. This legal framework provides the basis for the comparative financial analysis conducted in Chapter 4.

The starting point is Article 12, which provides that the corporate tax base is derived from the company's accounting profit or loss, as determined under applicable accounting standards, and subsequently adjusted in accordance with statutory additions and deductions. All vehicle-related tax effects examined in this thesis therefore depend on whether specific expenses are recognized as deductible adjustments to the tax base.

Articles 29 to 31 regulate the deductibility of expenses. Article 29 establishes the general principle that expenses are deductible only if they are incurred for the purpose of generating taxable income and are properly documented. In the case of company vehicles, this includes fuel, insurance, maintenance, repairs, registration fees, and similar operational costs, provided that business use can be substantiated. Insufficient documentation, including incomplete or missing logbooks, may result in disallowance of deductions.

Article 30 further specifies that expenses related to the private life of employees, owners, or related persons are not tax-deductible unless such benefits are properly included in the recipient's taxable income. This provision is particularly important for company vehicles used privately by directors. The private portion of vehicle-related expenses is non-deductible unless the corresponding benefit is taxed under the Personal Income Tax Act (ZDoh-2). Article 35 complements this rule by confirming that employment-related expenses, including benefits provided to employees or directors, are deductible if they are taxed at the individual level. Together, these provisions create symmetry between corporate deductibility and personal taxation of benefits in kind.

Article 31 introduces partial deductibility for certain categories of expenses, such as representation costs. While not specifically directed at vehicles, it may apply where vehicles are used in representation activities, for example when transporting business partners in hospitality-related contexts. In such cases, deductibility may be limited.

Article 33 regulates tax depreciation of fixed assets and prescribes maximum allowable depreciation rates. For passenger vehicles, the maximum tax depreciation rate is generally 20% per year. This provision plays a central role in the Total Cost of Ownership (TCO) analysis conducted in this thesis, as depreciation reduces the taxable base and generates a tax shield over the asset's useful life. The tax benefit derived from depreciation depends on the company's taxable income and the applicable corporate tax rate.

Articles 16 to 18 incorporate transfer pricing principles into Slovenian tax law, requiring that transactions between related parties be conducted at arm's length. If conditions deviate from market standards, the tax authority may adjust the tax base accordingly. Article 19 extends this principle to intra-group interest arrangements, requiring that interest rates between related parties reflect market conditions. These provisions are particularly relevant for scenarios involving leasing or financing through a related Serbian subsidiary. Non-arm's-length leasing fees or intra-group loan interest may result in upward tax adjustments and reduced deductibility.

Article 32 implements the EU Anti-Tax-Avoidance Directive (ATAD) by limiting the deductibility of excessive borrowing costs. Net interest expenses exceeding statutory thresholds may be restricted, affecting the tax efficiency of debt-financed vehicle acquisitions or leasing arrangements with a strong financing component.

Article 55a provides for investment-related tax incentives for certain categories of equipment and intangible assets. Passenger vehicles are generally excluded unless they meet specific environmental criteria under applicable tax guidance. This provision may influence the comparative attractiveness of electric or environmentally efficient vehicles within the financial modelling framework.

Finally, Articles 60 and 61 establish the corporate income tax rate, which is set at 19%. This rate is applied in the Excel-based model developed in this thesis to determine the net tax effect of deductible depreciation, leasing payments, interest expenses, and non-deductible costs associated with company vehicles. The statutory tax rate therefore directly impacts the overall financial comparison of acquisition structures.

3.1.3 Value Added Tax Act (ZDDV-1)

The Slovenian Value Added Tax Act (ZDDV-1) regulates the VAT implications of acquiring, leasing, and using company vehicles. Taken together, Articles 3, 17, 40-44, 63, 67, 76 and from 82 to 84a form the comprehensive VAT framework governing the

acquisition and leasing of company vehicles in Slovenia. They define taxable supplies, regulate input VAT deduction, impose specific limitations for passenger vehicles, determine cross-border VAT treatment, and establish accounting and documentation obligations. This framework directly influences the financial modelling and comparative evaluation of acquisition structures presented in Chapter 4

The starting point is Article 3, which defines the scope of VAT by determining what constitutes a taxable supply. VAT applies to the supply of goods and services carried out by a taxable person in the course of economic activity. The acquisition of a company vehicle, whether by purchase or leasing, therefore represents a taxable transaction unless specifically exempted.

The distinction between financial leasing and operational leasing is particularly relevant for VAT purposes. Depending on contractual characteristics, financial leasing may be treated as a supply of goods, while operational leasing is generally treated as a supply of services. This classification affects the timing of VAT liability and the manner in which VAT is charged.

Article 17 establishes the general right of taxable persons to deduct input VAT on goods and services acquired for the purposes of their taxable business activities. The right to deduct input VAT depends on the intended use of the asset. Where a vehicle is used exclusively for business purposes, full input VAT deduction may be permitted under the general rule. However, where private use is involved, deductibility may be proportionally restricted or denied under specific statutory limitations.

The most significant limitation for company vehicles is contained in Article 63, which restricts the right to deduct input VAT on passenger vehicles. As a general rule, input VAT on the acquisition, leasing, and related expenses of passenger cars is not deductible unless the vehicle is used for specifically defined qualifying activities, such as resale, leasing as part of a taxable business activity, taxi services, driving instruction, or other designated professional uses. In practice, this means that for most companies, input VAT on passenger vehicles constitutes a final cost component, even when the vehicle is used for business purposes. This provision significantly affects the effective Total Cost of Ownership in the financial comparison conducted in this thesis.

Articles 40 to 44 regulate VAT-exempt transactions without the right to deduct input VAT. While vehicle purchases are generally taxable, exemptions may become relevant in certain cross-border contexts or under specific regulatory conditions. The classification of a transaction as taxable or exempt directly influences input VAT recoverability and therefore the effective cost of acquisition.

Article 67 determines the place of supply for VAT purposes. This provision is particularly important in cross-border leasing arrangements, such as leasing a vehicle through a Serbian sister company. The place-of-supply rules establish which country’s VAT system applies, whether the reverse-charge mechanism is triggered, and whether the Slovenian company

must self-account for VAT on imported services. These rules have direct implications for VAT compliance, cash-flow timing, and cross-border structuring decisions.

Article 76 regulates VAT accounting obligations, including the moment VAT becomes due and the procedural requirements for charging VAT. Leasing transactions may differ in VAT timing depending on whether they are treated as supplies of goods or services. In cross-border cases, reverse-charge accounting may shift the VAT reporting obligation to the recipient of the service.

Finally, Articles 82 to 84a prescribe mandatory invoice content and documentation requirements. Proper invoicing is a prerequisite for the exercise of input VAT deduction rights. Transactions involving vehicle purchase, leasing arrangements, or intra-group transfers must comply with these formal requirements. Incomplete or incorrectly issued invoices may lead to denial of VAT deductions or additional tax liabilities.

3.2 Serbian Legislation (in the context of leasing through a subsidiary)

The acquisition of a company vehicle through a Serbian subsidiary introduces additional tax, accounting, and international considerations compared to a purely domestic acquisition. Because Serbia is not a member of the European Union, transactions between a Serbian subsidiary and a Slovenian parent company are governed by Serbian domestic law, international accounting standards adopted in Serbia, and applicable tax treaty and transfer pricing rules. In this context, the legal and economic substance of the leasing structure must be analyzed under Serbian corporate income tax law, VAT law, personal income tax law, and IFRS-based accounting standards.

3.2.1 Tax Aspects in Serbia

From the perspective of corporate income taxation, Serbia applies the Corporate Income Tax Law (Zakon o porezu na dobit pravnih lica (hereinafter ZPDP)). Under this law, expenses are generally deductible if they are incurred for the purpose of generating taxable income and are properly documented. Therefore, lease payments related to a vehicle are deductible to the extent that they are connected to business activity and meet general deductibility criteria (Corporate Income Tax Law, Art. 7–9).

Where a vehicle is used for both business and private purposes, the portion attributable to private use may not qualify as a deductible business expense unless properly treated as taxable compensation at the individual level. The Personal Income Tax Law of the Republic of Serbia (Zakon o porezu na dohodak građana (hereinafter ZPDG)) provides that income from employment includes benefits in kind. Accordingly, if a company vehicle is made available for private use by a director or employee, such use may constitute taxable income

in kind (Personal Income Tax Law, Art. 14–16). Failure to recognize such benefit may result in reclassification of expenses and additional tax exposure.

VAT treatment is governed by the Value Added Tax Law of the Republic of Serbia (Zakon o porezu na dodatu vrednost (hereinafter ZPDV)). Article 29 of the VAT Law restricts the right to deduct input VAT on passenger vehicles and related expenses, including leasing, maintenance, and fuel, unless specific statutory exceptions apply. As a result, leasing a passenger vehicle through a Serbian subsidiary may lead to partial or full disallowance of input VAT deduction, increasing the effective cost of the transaction.

In summary, Serbian tax law requires that leasing expenses be directly connected to business activity, properly documented, and aligned with personal income taxation rules in cases of private use. VAT restrictions on passenger vehicles further affect the economic efficiency of leasing structures.

3.2.2 Accounting Treatment

Serbia has adopted IFRS as the applicable financial reporting framework for large and medium-sized entities under the Accounting Law of the Republic of Serbia (Zakon o računovodstvu). Accordingly, vehicle leasing transactions are accounted for in accordance with IFRS 16 – Leases.

Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability at the commencement date of a lease (IASB, 2019). The lease liability is measured at the present value of future lease payments, discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate. The right-of-use asset is initially measured at cost, which includes the amount of the lease liability and any directly attributable costs.

Subsequently, the right-of-use asset is depreciated over the lease term, and interest expense on the lease liability is recognized separately in profit or loss (IASB, 2019). Lease payments are therefore divided into a principal component, which reduces the lease liability, and an interest component recognized as finance cost.

If the vehicle is acquired through direct purchase rather than leasing, accounting treatment follows IAS 16 – Property, Plant and Equipment (IASB, 2018). Under IAS 16, the vehicle is recognized as an asset when future economic benefits are probable and cost can be measured reliably. It is initially measured at cost and subsequently depreciated over its useful life, with routine operating costs expensed as incurred.

Thus, in the context of a Serbian subsidiary, vehicle acquisition through leasing increases both assets and liabilities on the balance sheet, whereas direct purchase increases assets without creating lease liabilities. These accounting differences affect leverage ratios, profitability indicators, and financial presentation.

3.2.3 International Tax Implications

Leasing through a Serbian subsidiary also creates international tax implications, particularly in the area of transfer pricing. Transactions between a Serbian subsidiary and a Slovenian parent company constitute controlled transactions and must comply with the arm's length principle. Serbian Corporate Income Tax Law incorporates transfer pricing requirements consistent with OECD standards. The OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (OECD, 2022) establish that associated enterprises must price intercompany transactions as if they were conducted between independent entities. Therefore, if the Serbian subsidiary leases a vehicle and recharges costs or provides the vehicle for use within the group, the pricing of such arrangements must reflect market conditions and be supported by transfer pricing documentation.

Furthermore, because Serbia is not part of the EU VAT system, cross-border transactions between Serbia and Slovenia are not treated as intra-Community supplies but as international transactions subject to domestic VAT rules and potential import/export VAT consequences. This increases compliance complexity and may result in additional VAT costs.

Finally, bilateral tax treaty provisions between Serbia and Slovenia may be relevant in determining whether cross-border payments trigger withholding tax or permanent establishment considerations. The structure must therefore be evaluated not only from a cost perspective but also from a transfer pricing and international tax risk standpoint.

4 COMPARATIVE ANLYSIS OF VEHICLE ACQUISITION OPTIONS – SIMULATION TOOL

4.1 Assumptions and Analytical Framework

The comparative analysis of vehicle acquisition options in this thesis is based on a structured financial modelling framework designed to evaluate the economic consequences of alternative acquisition structures from both the company's and the director's perspective. The framework ensures consistent comparison by applying identical financial, tax, and operational assumptions across all scenarios. Four acquisition structures are analyzed: private purchase by the director (Appendix 8), purchase through a Slovenian company (Appendix 9), financial leasing via a Slovenian leasing company (Appendix 10), and financial leasing via a Serbian subsidiary (Appendix 11). The analysis is conducted over a five-year horizon, reflecting a typical executive vehicle ownership or leasing cycle. Where ownership remains with the director or the company, an estimated residual value is included as a positive cash inflow in the final year in order to capture asset recovery and avoid overestimation of total ownership cost.

Key financial parameters include vehicle purchase price, lease duration, interest rate, initial down payment, lease buyout value, expected residual value, and annual operating costs such

as fuel, maintenance, and insurance. These inputs are based on current market conditions and publicly available dealership and leasing offers. Operating costs are assumed to remain constant throughout the analysis period, as the objective is to compare acquisition structures rather than forecast macroeconomic variables. The model incorporates relevant tax parameters from Slovenian and Serbian legislation, including corporate income tax rates, personal income taxation of the director, social security contributions, and fringe benefit taxation in cases of private use of a company vehicle. Where mixed use occurs, a predefined business-use percentage is applied. In scenarios where the director privately owns the vehicle, reimbursement for business travel is calculated using the statutory mileage allowance.

The evaluation is based on after-tax cash flows in order to capture the true economic burden of each structure. Separate cash flow streams are calculated for the company and for the director, including acquisition outflows, leasing payments, operating costs, tax shields from depreciation or deductible expenses, fringe benefit taxation, VAT effects, and residual value recovery. Future cash flows are discounted using a constant discount rate and evaluated through NPV. Because the vehicle is intended for use by a company director, both corporate and personal financial outcomes are relevant. Separate NPVs for the company and the director are therefore combined using equal weighting in the baseline scenario.

Although the model provides a consistent comparative framework, it assumes stable tax legislation during the five-year period and does not incorporate potential regulatory changes or unexpected fluctuations in vehicle resale values. Despite these limitations, the framework enables systematic evaluation of acquisition structures and forms the analytical basis for the results presented in the following sections.

To assess the robustness of the baseline model, a sensitivity analysis was performed by varying the assumptions expected to have the greatest influence on the NPV of the analyzed acquisition structures. Table 1 presents six alternative test cases in addition to the baseline scenario.

Table 1: Analysis assumptions

	Vehicle price (€)	Residual value (€)	Director tax rate (%)	Monthly lease payment SI (€)	Monthly lease payment RS (€)	Annual operating costs (€)	Annual business km	Weight (c/d)
Base	144,000	70,000	39	2,009	2,009	8,450	12,500	50/50
S1	144,000	70,000	50	2,009	2,009	8,450	12,500	50/50
S2	144,000	70,000	33	2,009	2,009	8,450	12,500	50/50
S3	144,000	70,000	39	2,009	2,009	8,450	12,500	40/60
S4	144,000	55,000	39	2,009	2,009	8,450	12,500	50/50
S5	144,000	70,000	39	1,300	1,300	8,450	12,500	50/50
S6	144,000	70,000	39	2,009	2,009	12,000	12,500	50/50

Source: Own work

4.2 Baseline Model

Table 2 presents the results of the baseline scenario, which are shown in detail in Appendix 1. Under equal weighting between the company and the director (50%–50%), private purchase represents the most cost-efficient acquisition structure. The absence of fringe-benefit taxation significantly improves its financial position compared to company-owned and leasing structures. Corporate purchase ranks second due to depreciation tax shields and deductible operating expenses, while leasing structures are negatively affected by financing costs and fringe-benefit taxation. This baseline result provides the reference point for all following sensitivity scenarios.

Table 2: baseline model results

Acquisition structure	Weighted NPV (€)	Ranking
Private purchase	80,482	1
Corporate purchase – Slo.	86,837	2
Leasing via Serbian sub.	92,498	3
Slovenian financial leasing	95,481	4

Source: Own work

4.3 Change in CEOs Tax Bracket – Increase

Table 3 presents the results of the sensitivity scenario shown in Appendix 2. Increasing the director's marginal tax rate from 39% to 50% significantly worsens the performance of company-owned and leasing structures. The increase in fringe-benefit taxation raises the director's personal tax burden, while private purchase remains unaffected because no taxable benefit in kind arises under private ownership. The scenario therefore confirms that the director's marginal tax rate is one of the most important variables in the model. A higher personal tax rate directly increases the cost of private use of company-owned or leased vehicles, while private purchase remains neutral to this change.

Table 3: Presentation of change after CEOs tax bracket increase

Acquisition structure	Baseline NPV (€)	Increase in tax bracket NPV (€)	Change (€)
Private Purchase	80,482	80,482	0
Corporate Purchase – Slo	86,837	92,241	+5,404
Slovenian financial leasing	95,481	100,885	+5,404
Leasing via Serbian subsidiary	92,498	97,902	+5,404

Source: Own work

4.4 Change in CEOs Tax Bracket – Decrease

Table 4 presents the results shown in Appendix 3. Lowering the director's marginal tax rate improves the attractiveness of company-based structures because the tax burden associated

with fringe-benefit taxation decreases. Despite this improvement, private purchase remains the most efficient option under equal weighting assumptions. This result confirms the opposite effect of the previous scenario. Lower personal taxation improves the position of company-based acquisition structures, but under the assumptions used in the model it is not strong enough to change the overall ranking.

Table 4: Presentation of change after CEOs tax bracket decrease

Acquisition structure	Baseline NPV (€)	Decrease in tax bracket NPV (€)	Change (€)
Private Purchase	80,482	80,482	0
Corporate Purchase – Slo	86,837	83,889	-2,948
Slovenian financial leasing	95,481	92,533	-2,948
Leasing via Serbian subsidiary	92,498	89,550	-2,948

Source: Own work

4.5 Change in Weight Company/Director

Table 5 presents the results of the weighting sensitivity scenario shown in Appendix 4. When the director's perspective is weighted more heavily (60%), corporate purchase becomes the most efficient acquisition structure. This demonstrates that the final decision depends strongly on stakeholder priorities and not exclusively on total company cost. This scenario is important because it demonstrates that the "best" option depends on the perspective from which the decision is evaluated. If the director's financial burden is considered more important than the company's, the ranking of acquisition structures changes significantly.

Table 5: Presentation of ranks after weighting change

Acquisition structure	Weighted NPV (€)	Ranking
Private purchase	93,230	4
Corporate purchase – Slo.	81,457	1
Leasing via Serbian sub.	85,986	2
Slovenian financial leasing	88,372	3

Source: Own work

4.6 Lower Residual Value

Table 6 presents the results shown in Appendix 5. Lower residual value assumptions negatively affect ownership-based structures because the final resale inflow decreases. Leasing structures are less sensitive to this change since part of the residual-value risk is transferred to the leasing provider. This shows that resale value assumptions are particularly important for ownership-based structures. If the vehicle loses more value than expected, the advantage of ownership decreases because the final cash inflow from selling the vehicle is lower.

Table 6: Presentation of change after decrease in residual value

Acquisition structure	Baseline NPV (€)	Lower residual value NPV (€)	Change (€)
Private Purchase	80,482	85,139	+4,657
Corporate Purchase – Slo	86,837	91,942	+5,105
Slovenian financial leasing	95,481	100,585	+5,104
Leasing via Serbian subsidiary	92,498	97,602	+5,104

Source: Own work

4.7 Lower Monthly Lease Payment

Table 7 presents the results shown in Appendix 6. Lower lease payments significantly improve the competitiveness of leasing structures. Under this scenario, leasing through a Serbian subsidiary becomes the most efficient option overall. The results demonstrate that financing conditions play a crucial role in the attractiveness of leasing arrangements. This scenario highlights the importance of actual market leasing conditions. If the company can negotiate substantially lower monthly payments, leasing may become more attractive than ownership despite the presence of financing costs and tax complexity.

Table 7: Presentation of change after decrease in lease payment

Acquisition structure	Baseline NPV (€)	Lower lease payment NPV (€)	Change (€)
Private Purchase	80,482	80,482	0
Corporate Purchase – Slo	86,837	86,837	0
Slovenian financial leasing	95,481	82,233	-15,363
Leasing via Serbian subsidiary	92,498	78,061	-14,437

Source: Own work

4.8 Higher annual Operating Costs

Table 8 presents the results shown in Appendix 7. Higher operating costs disproportionately affect private ownership because the director bears the full cost burden directly. Company-owned and leasing structures are less affected due to tax deductibility of operating expenses. Under this scenario, leasing through a Serbian subsidiary becomes the most efficient structure. This result shows that operating-cost risk is especially relevant for private ownership. When running costs increase, the director absorbs the full burden personally, while company-based structures may partly reduce the effect through tax-deductible expenses.

Table 8: Presentation of change after increase in annual operating costs

Acquisition structure	Baseline NPV (€)	Higher operating costs (€)	Change (€)
Private Purchase	80,482	93,939	+13,457
Corporate Purchase – Slo	86,837	93,145	+6,308
Slovenian financial leasing	95,481	101,009	+5,528
Leasing via Serbian subsidiary	92,498	92,498	0

Source: Own work

4.9 Comparative Analysis

The sensitivity analysis demonstrates that the optimal vehicle acquisition structure depends heavily on several key variables, particularly the director's marginal tax rate, residual value assumptions, financing conditions, operating costs, and the weighting assigned to company and director perspectives. While private purchase represents the most efficient structure under baseline assumptions, the results show that alternative acquisition methods may become more favorable under different economic and tax conditions.

Company ownership becomes increasingly attractive when the director's perspective is weighted more heavily or when personal taxation decreases, primarily because the structure enables depreciation tax shields and reduces the direct financial burden placed on the director. In contrast, higher marginal tax rates significantly reduce the attractiveness of company-based acquisition structures due to the impact of fringe-benefit taxation.

Leasing structures are particularly sensitive to financing conditions. Under lower lease payments, financial leasing through a Serbian subsidiary becomes the most efficient option overall, indicating that leasing competitiveness depends strongly on interest rates and financing costs. At the same time, leasing structures are less sensitive to changes in residual value because a portion of resale-value risk is transferred to the leasing provider.

The analysis also demonstrates that operating costs represent an important risk factor for private ownership structures, as the director bears the full economic burden of fuel, insurance, and maintenance expenses. When operating costs increase significantly, leasing and corporate ownership structures become relatively more attractive due to the deductibility of business-related expenses.

Overall, the comparative analysis confirms that there is no universally optimal acquisition structure under all circumstances. Instead, the most efficient solution depends on the interaction between taxation, financing conditions, residual value expectations, operating costs, and stakeholder priorities. The simulation tool developed in this thesis therefore provides an effective framework for evaluating alternative acquisition structures under different assumptions and business environments.

5 CONCLUSION

This thesis examined four alternative structures for acquiring a company vehicle for a director: private purchase, purchase through a Slovenian company, financial leasing through a Slovenian leasing company, and financial leasing via a Serbian subsidiary. The main objective was to determine the most tax- and financially efficient option, taking into account corporate income tax, personal income tax, VAT treatment, financing costs, residual value, and cross-border implications. A secondary objective was to develop an Excel-based simulation tool for comparing after-tax cash flows and Net Present Value (NPV) outcomes from both the company's and the director's perspective.

The comparative analysis shows that vehicle acquisition is a multidimensional financial decision in which taxation, financing structure, fringe-benefit treatment, operating costs, residual value, and stakeholder priorities interact. Under the baseline assumptions, private purchase by the director is the most cost-efficient option, with the lowest weighted NPV of €80,482. Corporate purchase through a Slovenian company ranks second, with a weighted NPV of €86,837, followed by leasing through a Serbian subsidiary and Slovenian financial leasing. The main reason for this result is that private purchase avoids fringe-benefit taxation, while company-owned and leased vehicles are affected by benefit-in-kind taxation and financing costs.

The sensitivity analysis demonstrates that the optimal structure changes when key assumptions are modified. A higher director tax rate makes company-owned and leasing structures less attractive because of increased fringe-benefit taxation. A lower director tax rate improves the position of company-based structures. When the director's perspective is weighted more heavily, corporate purchase becomes the most efficient option. Lower residual value negatively affects ownership-based structures, while lower monthly lease payments significantly improve leasing options, especially leasing through a Serbian subsidiary. Higher operating costs reduce the attractiveness of private ownership because the director bears these costs directly.

Based on these findings, Hypothesis H1, which proposed that Slovenian financial leasing would be the most tax- and financially efficient method, is rejected, as private purchase has the lowest weighted NPV under baseline assumptions. Hypothesis H2, which suggested that hybrid or partly electric vehicles would be optimal due to environmental and tax benefits, is only partially confirmed, since the final result also depends on purchase price, residual value, financing conditions, and operating costs. Hypothesis H3, which proposed that leasing through a Serbian subsidiary would be the most expensive option, is also only partially confirmed. Although the Serbian structure is not the best option in the baseline model, it becomes the most efficient option under lower lease payments or higher operating costs.

From a practical perspective, the thesis shows that companies should not base vehicle acquisition decisions only on purchase price or monthly lease instalments. Instead, they

should evaluate the full after-tax cost over the vehicle's lifecycle, including personal tax effects, VAT restrictions, operating costs, residual value, and cost distribution between the company and the director. The Excel simulation tool developed in this thesis provides a practical framework for comparing these scenarios consistently.

The thesis has several limitations. The analysis focuses mainly on Slovenia and Serbia and does not include other jurisdictions. Leasing conditions are based on representative assumptions rather than a full market comparison of all providers. The model also assumes stable tax legislation over the five-year period and does not account for unexpected changes in regulation, vehicle market prices, or residual values. Future research could expand the model to additional countries, include more vehicle types, and examine electric vehicle incentives and EU sustainability rules in greater detail.

In conclusion, there is no universally optimal method for acquiring a company vehicle. Under baseline assumptions, private purchase is the most cost-efficient structure, but corporate purchase or leasing may become more favorable when assumptions change. The optimal decision therefore depends on the interaction between personal taxation, corporate taxation, financing conditions, operating costs, residual value, and stakeholder priorities.

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25. Zakon o dohodnini (ZDoh-2) - Uradni list RS, št. 13/11 – uradno prečiščeno besedilo, 9/12 – odl. US, 24/12, 30/12, 40/12 – ZUJF, 75/12, 94/12, 52/13 – odl. US, 96/13, 29/14 – odl. US, 50/14, 23/15, 55/15, 63/16, 69/17, 21/19, 28/19, 66/19, 39/22, 132/22 – odl. US, 158/22, 131/23 – ZORZFS, 104/24, 22/25 – ZZZRO-1 in 40/25 – ZINR
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27. Zakon o porezu na dodatu vrednost („Službeni glasnik RS“, br. 84/2004, 86/2004 - ispravka, 61/2005, 61/2007, 93/2012, 108/2013, 68/2014 - dr. zakon, 142/2014, 83/2015, 108/2016, 113/2017, 30/2018, 72/2019, 153/2020, 138/2022, 94/2024 i 109/2025) - nezvanično prečišćen tekst redakcije Službenog glasnika
28. Zakon o porezu na dohodak građana („Službeni glasnik RS“, br. 24/2001, 80/2002, 80/2002 - dr. zakon, 135/2004, 62/2006, 65/2006 - ispravka, 31/2009, 44/2009, 18/2010, 50/2011, 91/2011 - US, 93/2012, 114/2012 - US, 47/2013, 48/2013 - ispravka, 108/2013, 57/2014, 68/2014 - dr. zakon , 112/2015, 113/2017, 95/2018, 86/2019, 153/2020, 44/2021, 118/2021, 138/2022, 92/2023, 94/2024, 19/2025 i 109/2025) – nezvanično prečišćen tekst redakcije Službenog glasnika
29. Zakon o računovodstvu („Službeni glasnik RS“, br. 73/2019)

APPENDICES

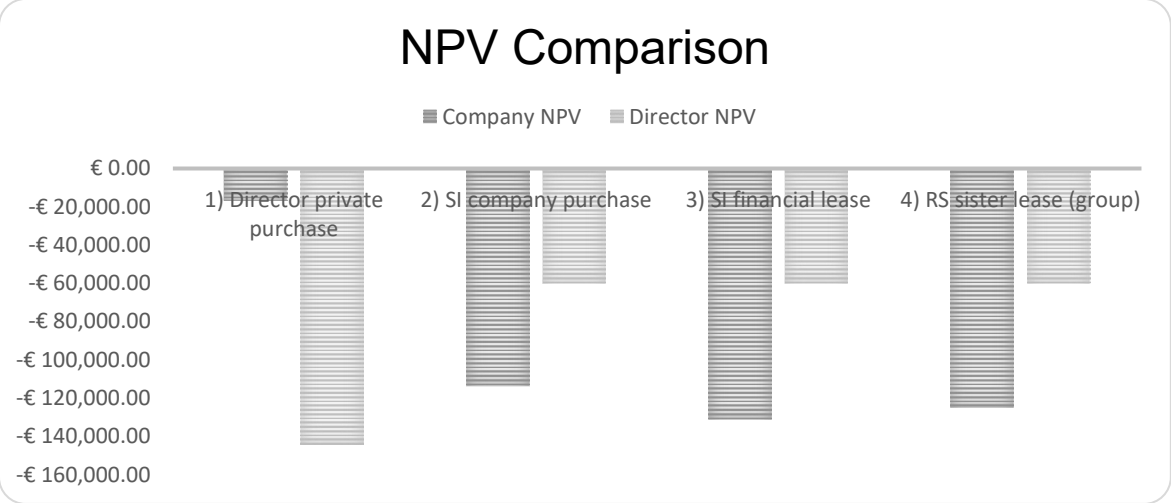
Appendix 1: Baseline Model

Scenario Comparison (NPV of after-tax cash flows)

Lower (more negative) NPV = more costly. Highest NPV = most cost-effective.

	Company weight	Director weight		
Weights (for combined score)	50.0%	50.0%		
Scenario	**Company NPV (€)**	**Director NPV (€)**	**Weighted score (€)**	**Rank**
1) Director private purchase	-€16,739	-€144,224	-€80,482	1
2) SI company purchase	-€113,737	-€59,937	-€86,837	2
3) SI financial lease	-€131,025	-€59,937	-€95,481	4
4) RS sister lease (group)	-€125,059	-€59,937	-€92,498	3

Recommended scenario (by weighted score): **1) Director private purchase**



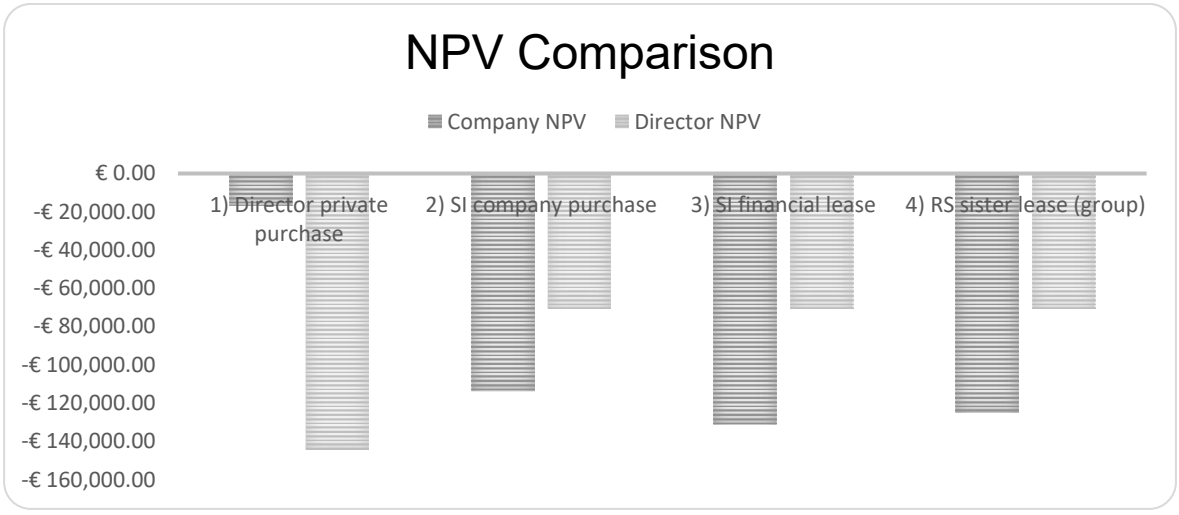
Appendix 2: S1- Higher director tax

Scenario Comparison (NPV of after-tax cash flows)

Lower (more negative) NPV = more costly. Highest NPV = most cost-effective.

	Company weight	Director weight		
Weights (for combined score)	50.0%	50.0%		
Scenario	**Company NPV (€)**	**Director NPV (€)**	**Weighted score (€)**	**Rank**
1) Director private purchase	-€16,739	-€144,224	-€80,482	1
2) SI company purchase	-€113,737	-€70,745	-€92,241	2
3) SI financial lease	-€131,025	-€70,745	-€100,885	4
4) RS sister lease (group)	-€125,059	-€70,745	-€97,902	3

Recommended scenario (by weighted score): **1) Director private purchase**



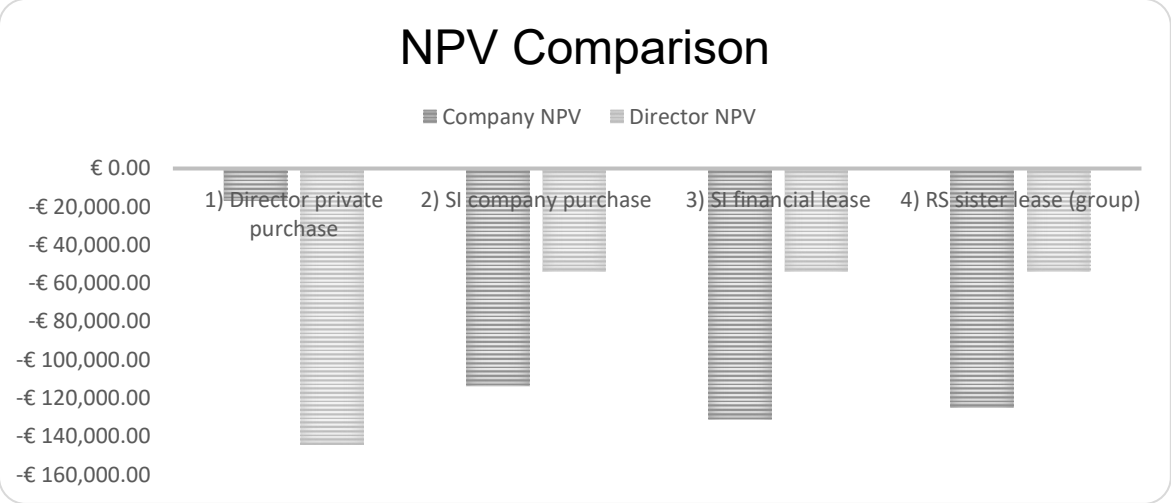
Appendix 3: S2- Lower director tax

Scenario Comparison (NPV of after-tax cash flows)

Lower (more negative) NPV = more costly. Highest NPV = most cost-effective.

	Company weight	Director weight		
Weights (for combined score)	50.0%	50.0%		
Scenario	**Company NPV (€)**	**Director NPV (€)**	**Weighted score (€)**	**Rank**
1) Director private purchase	-€16,739	-€144,224	-€80,482	1
2) SI company purchase	-€113,737	-€54,041	-€83,889	2
3) SI financial lease	-€131,025	-€54,041	-€92,533	4
4) RS sister lease (group)	-€125,059	-€54,041	-€89,550	3

Recommended scenario (by weighted score): **1) Director private purchase**



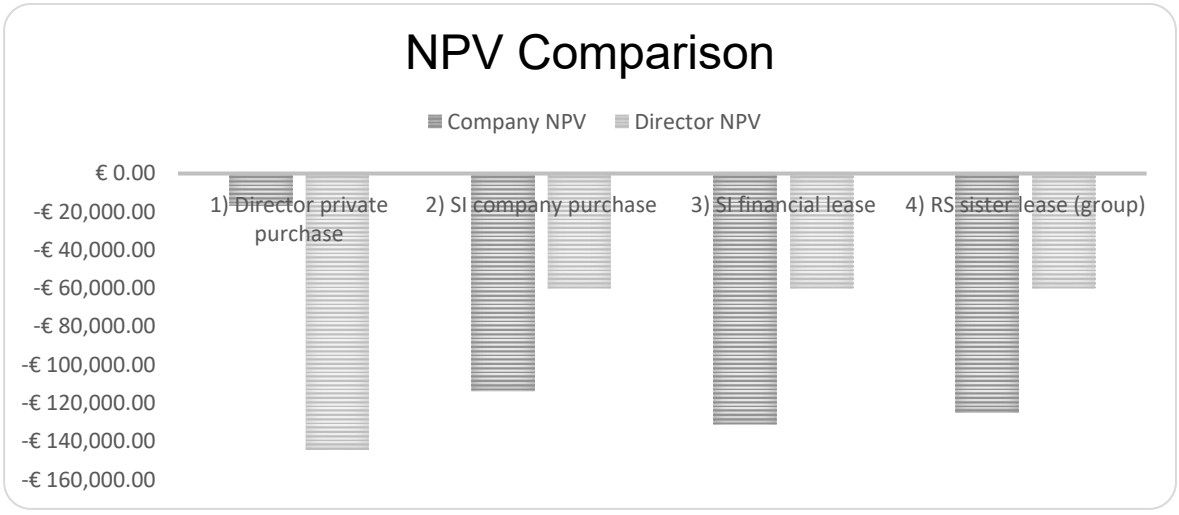
Appendix 4: S3- Different weight

Scenario Comparison (NPV of after-tax cash flows)

Lower (more negative) NPV = more costly. Highest NPV = most cost-effective.

	Company weight	Director weight		
Weights (for combined score)	40.0%	60.0%		
Scenario	**Company NPV (€)**	**Director NPV (€)**	**Weighted score (€)**	**Rank**
1) Director private purchase	-€16,739	-€144,224	-€93,230	4
2) SI company purchase	-€113,737	-€59,937	-€81,457	1
3) SI financial lease	-€131,025	-€59,937	-€88,372	3
4) RS sister lease (group)	-€125,059	-€59,937	-€85,986	2

Recommended scenario (by weighted score): **2) SI company purchase**



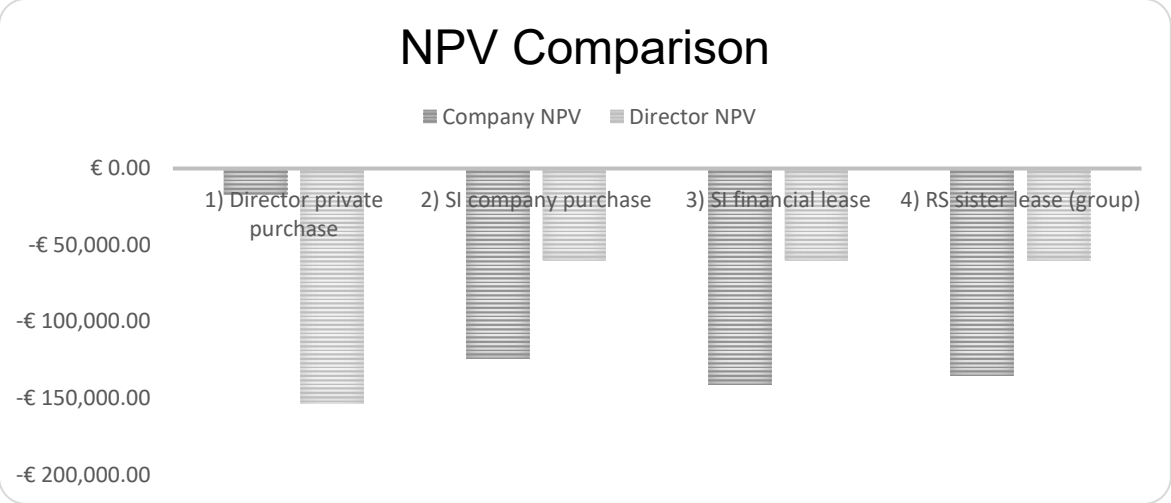
Appendix 5: S4- Lower residual value

Scenario Comparison (NPV of after-tax cash flows)

Lower (more negative) NPV = more costly. Highest NPV = most cost-effective.

	Company weight	Director weight		
Weights (for combined score)	50.0%	50.0%		
Scenario	**Company NPV (€)**	**Director NPV (€)**	**Weighted score (€)**	**Rank**
1) Director private purchase	-€16,739	-€153,538	-€85,139	1
2) SI company purchase	-€123,946	-€59,937	-€91,942	2
3) SI financial lease	-€141,234	-€59,937	-€100,585	4
4) RS sister lease (group)	-€135,268	-€59,937	-€97,602	3

Recommended scenario (by weighted score): **1) Director private purchase**



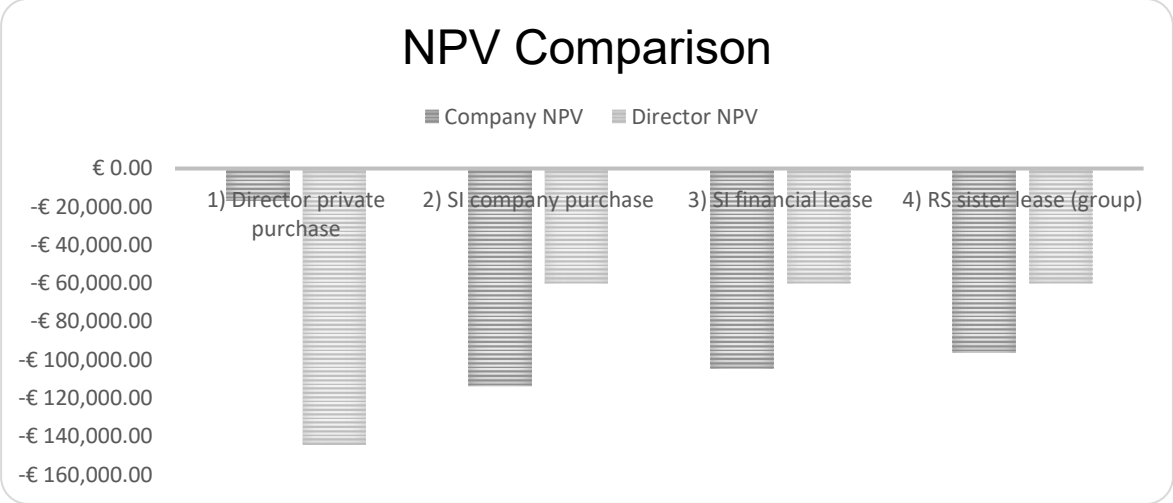
Appendix 6: S5- Lower lease cost

Scenario Comparison (NPV of after-tax cash flows)

Lower (more negative) NPV = more costly. Highest NPV = most cost-effective.

	Company weight	Director weight		
Weights (for combined score)	50.0%	50.0%		
Scenario	**Company NPV (€)**	**Director NPV (€)**	**Weighted score (€)**	**Rank**
1) Director private purchase	-€16,739	-€144,224	-€80,482	2
2) SI company purchase	-€113,737	-€59,937	-€86,837	4
3) SI financial lease	-€104,529	-€59,937	-€82,233	3
4) RS sister lease (group)	-€96,184	-€59,937	-€78,061	1

Recommended scenario (by weighted score): **4) RS sister lease (group)**



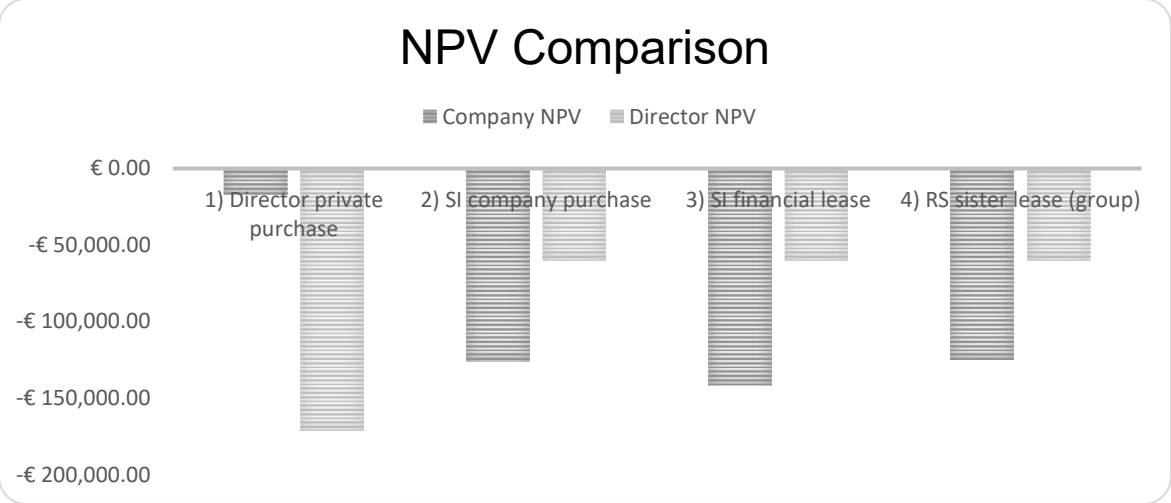
Appendix 7: S6- Higher operating cost

Scenario Comparison (NPV of after-tax cash flows)

Lower (more negative) NPV = more costly. Highest NPV = most cost-effective.

	Company weight	Director weight		
Weights (for combined score)	50.0%	50.0%		
Scenario	**Company NPV (€)**	**Director NPV (€)**	**Weighted score (€)**	**Rank**
1) Director private purchase	-€16,739	-€171,139	-€93,939	3
2) SI company purchase	-€126,352	-€59,937	-€93,145	2
3) SI financial lease	-€142,081	-€59,937	-€101,009	4
4) RS sister lease (group)	-€125,059	-€59,937	-€92,498	1

Recommended scenario (by weighted score): **4) RS sister lease (group)**



Appendix 8: Private purchase

Under the private vehicle purchase scenario, the director acquires the vehicle in a personal capacity and retains full ownership throughout the five-year period. The company does not recognize the vehicle as an asset on its balance sheet and therefore does not incur acquisition-related capital expenditures. Instead, the company reimburses the director for business travel based on the statutory mileage allowance rate, which represents a deductible expense provided that the travel is properly documented and complies with applicable tax regulations.

From the director's perspective, this structure requires an initial capital outflow equal to the full purchase price of the vehicle. The director also bears all operating expenses, including fuel, maintenance, insurance, and registration costs. Because the vehicle is privately owned, no fringe benefit arises from private use, meaning that the director does not incur additional personal income tax liability related to the availability of the vehicle.

Business travel reimbursement is calculated by multiplying the number of business kilometers by the legally prescribed per-kilometer allowance. This mechanism simplifies administrative treatment and avoids allocating actual operating costs between business and private use. For the company, the reimbursement represents a recurring expense that reduces taxable profit and therefore creates a corporate tax shield. Unlike company-owned structures, however, this scenario does not allow depreciation deductions or VAT recovery on the vehicle purchase.

At the end of the five-year period, the director retains the right to sell the vehicle and recover its residual value. The resale proceeds represent a positive cash inflow and are incorporated into the final year of the financial model to reflect the full economic lifecycle of the vehicle.

The main advantage of the private purchase structure is its administrative simplicity and the absence of fringe benefit taxation. However, it transfers the full liquidity burden and financial risk to the director while preventing the company from benefiting from depreciation deductions or potential VAT recovery. Consequently, the attractiveness of this structure depends largely on the level of business travel, the director's marginal tax rate, and the opportunity cost of personal capital.

Appendix 9: Vehicle purchase through Slovenian company

Under the vehicle purchase through a Slovenian company scenario, the company acquires the vehicle directly and records it as a fixed asset in its financial statements. The purchase results in an initial cash outflow corresponding to the acquisition price, including any non-deductible taxes or registration costs. The vehicle is recognized as property, plant and equipment and depreciated over its useful life, with depreciation reducing both accounting profit and, subject to tax regulations, the corporate income tax base.

Corporate ownership enables the company to benefit from depreciation as a tax-deductible expense, generating a corporate tax shield equal to the depreciation expense multiplied by the corporate income tax rate. In addition, operating costs such as fuel, maintenance, insurance, and servicing are treated as business expenses and are deductible to the extent that they relate to business use. In certain cases, VAT recovery may further reduce the effective acquisition cost, although statutory restrictions may apply depending on the type of vehicle and its use.

Because the vehicle is available for private use by the director, fringe benefit taxation arises. Under Slovenian tax rules, private use of a company vehicle is treated as a taxable benefit in kind, generally calculated as a fixed percentage of the vehicle's acquisition value per month. This amount is added to the director's taxable employment income and increases personal income tax and social security contributions. The company may also incur additional employer-side social contribution costs linked to the fringe benefit.

From a cash flow perspective, the company bears a substantial upfront capital outflow followed by recurring operating expenses. At the end of the five-year period, the company retains ownership of the vehicle and may sell it at its residual market value, generating a positive cash inflow that partially offsets the total acquisition cost.

The economic efficiency of this structure depends on the balance between corporate tax savings generated through depreciation and the additional tax burden created by fringe benefit taxation at the director level. While corporate purchase may reduce overall costs through tax deductibility and residual value recovery, it also requires significant upfront capital and exposes the director to additional personal taxation. Consequently, its attractiveness relative to alternative acquisition structures depends on the interaction between corporate tax benefits, personal tax costs, and the company's liquidity position.

Appendix 10: Financial Leasing via Slovenian Leasing Company

Under the financial leasing scenario through a Slovenian leasing company, the vehicle is acquired by the leasing provider and made available to the company in exchange for periodic lease payments over a fixed contractual term. Instead of paying the full purchase price upfront, the company commits to regular instalments that include both principal and interest components. At the end of the lease term, the company typically has the option to acquire ownership of the vehicle by paying a predetermined buyout amount.

From an accounting perspective, financial leasing results in the recognition of a right-of-use asset and a corresponding lease liability. The lease liability reflects the present value of future lease payments, while the right-of-use asset is depreciated over the lease term. Each lease payment consists of a principal component that reduces the liability and an interest component recognized as finance expense.

From a tax perspective, lease payments are generally deductible as business expenses to the extent that they relate to business activity. The interest portion contributes to deductible finance costs, while depreciation of the right-of-use asset may also affect taxable income depending on accounting and tax alignment rules. As with direct company ownership, private use of the vehicle by the director results in fringe benefit taxation, which increases the director's personal income tax and social security obligations and may also generate employer-side contribution costs.

Financial leasing improves liquidity by eliminating a large initial capital outflow and distributing payments evenly over the lease period. However, because lease instalments include financing costs and administrative fees, the total nominal cost is usually higher than under direct purchase. Therefore, the economic comparison depends on evaluating discounted after-tax cash flows.

At the end of the lease term, if the company exercises the buyout option, the buyout payment represents an additional outflow while the vehicle's resale value generates a final inflow. Both elements must be included in the financial model to ensure accurate comparison with purchase scenarios.

Overall, financial leasing through a Slovenian leasing company improves liquidity and provides predictable cash flows but introduces financing costs that must be evaluated through Net Present Value analysis. Its attractiveness depends on the interaction between interest rates, tax deductibility, fringe benefit taxation, and residual value assumptions.

Appendix 11: Financial Leasing via Serbian Subsidiary

In the financial leasing scenario through a Serbian subsidiary, the vehicle is leased by a company incorporated in Serbia and subsequently used within the corporate group structure. Compared with domestic Slovenian leasing, this arrangement introduces additional tax, accounting, and cross-border considerations. The Serbian subsidiary enters into a leasing contract with a local leasing provider and commits to periodic payments over a fixed term, typically five years. Similar to Slovenian leasing, the arrangement results in recognition of a right-of-use asset and a corresponding lease liability, while lease instalments include both principal and interest components. At the end of the lease term, the subsidiary may exercise a buyout option and dispose of the vehicle at its residual market value, generating a final cash inflow included in the financial model.

From a tax perspective, lease payments are generally deductible for corporate income tax purposes in Serbia; however, VAT legislation restricts input VAT deduction for passenger vehicles and related expenses. Consequently, VAT embedded in lease payments may become a non-recoverable cost, increasing the effective cost of the leasing structure.

Cross-border implications arise when the vehicle is used by a director who is tax resident in Slovenia. If the Serbian subsidiary recharges costs to the Slovenian parent company, transfer pricing rules require compliance with the arm's length principle, and improper pricing may lead to tax adjustments. Additionally, since Serbia is not part of the EU VAT system, cross-border transactions may involve additional administrative obligations. Fringe benefit taxation may also arise in Slovenia if the vehicle is available for private use by the director.

Although Serbian leasing distributes payments evenly over the lease term and improves liquidity, VAT restrictions, transfer pricing compliance, and administrative complexity may offset any potential tax advantages. Consequently, the economic efficiency of this structure must be evaluated through discounted after-tax cash flow analysis.