About fringe benefits

Fringe benefits, according to subsection 4 of § 48 of the Income Tax Act, are any goods, services, remuneration in kind or monetarily appraisable benefits which are given to a person specified in subsection 3 of § 48 of the Income Tax Act in connection with an employment or service relationship, membership in the management or controlling body of a legal person, or a long-term contractual relationship, regardless of the time at which the fringe benefit is granted. This means that fringe benefits may not always be linked to valid contracts. In summary, a fringe benefit is a part of salary or wages that is usually paid in a non-monetary form. As an exception, individual cash payments are also treated as a fringe benefit, and these cases are precisely specified in the Income Tax Act.

Section 48 of the Income Tax Act provides a sample list of fringe benefits, which is not final. Therefore, if the benefit provided by the employer meets the conditions of a fringe benefit, it is subject to taxation as a fringe benefit, even though the specific benefit is not listed by name in § 48 of the Income Tax Act.

Example 1
The employee is retired, but the former employer remembers him on his jubilee and gives him a gift. It is still considered a fringe benefit because the employer gives a gift because it was a former employee.

A benefit can be treated as a fringe benefit if the following conditions are met, i.e., it is a benefit granted by the employer to the employee due to an employment relationship and it is financially assessable for the employee.

If the benefit provided to the employee is treated as a fringe benefit, then it does not matter whether the employer has incurred expenses for the benefit provided.

Section 65 of the Act on the General Part of the Civil Code provides for the value of a property object, which is the usual value of such an object, unless otherwise prescribed by law or transaction. The usual value of an object is its average local selling price (market price).

Example 2
The employer receives free concert tickets from their contract partner and gives them to their employees. The foregoing is regarded as a fringe benefit, the taxable value of which is the market price of such concert tickets. Therefore, the price of the fringe benefit is usually determined on the basis of the market price of the goods or services granted as fringe benefit.

The services and goods purchased by employers for employees from both sole proprietors and users of the business account are considered as fringe benefit.

Example 3
The employer orders food for their employees via an app and also pays for the courier service.

Regardless of the fact that the courier is a business account user or a sole proprietor (FIE), tax liability arises on the fringe benefit, i.e., the costs of food and courier services.

Fringe benefits do not include cash payments normally considered to be wages or salaries, additional payments or similar payments on which income tax has to be withheld or which are not subject to income tax.

Last updated on 08.01.2025