

Taxation procedure of fringe benefits

WHAT IS THE PROCEDURE FOR CALCULATING THE FRINGE BENEFIT FOR VEHICLES OTHER THAN PASSENGER CARS?

In order to calculate the tax liability correctly, the **procedure for determining the price of fringe benefits** established by the Minister of Finance must be followed. Pursuant to clause 1 of § 2 of the regulation, if the fringe benefit is the grant, free of charge or at a preferential price, of an asset, incl. a vehicle (except a passenger car), owned or held by the employer, for the use of work, official or service tasks or for activities not related to the employer's business, **the price of the fringe benefit is deemed to be the market price for the rent of such asset or the difference between the market price for the rent and the preferential price.** Market price is the price used by independent parties in their transactions under similar conditions, such as in the case of vehicles, the price and conditions with which vehicles are rented to their customers by vehicle rental companies. The full price of the fringe benefit is taxed.

The regulation of the Minister of Finance does not stipulate how the employer should document enabling the use or not enabling the use of vehicles owned by the employer for personal rides. General documentation requirements apply here, i.e., the employer must be able to prove with sufficient documents whether and how the rides made with this vehicle are/were related to its business or not. If there are enough documents to make sure that all rides made with the vehicle were related to business and that personal rides (free or with a preferential price) of employees were not made, then no tax liability arises.

Example

The employer owns an N1 category van with which the employee also makes personal rides. However, since the employer does not charge the employee for these rides, the employee has received a fringe benefit – the opportunity to use the car for free.

To calculate the price of the fringe benefit and the tax liability, the employer chose the market price of renting the van.

For example, if the rental conditions and the rental price for such van in vehicle rental companies is 32 euros per day for long-term rental, regardless of the actual mileage, the employer can calculate the price of the fringe benefit based on it. If the employee used the van for a whole month, i.e., 30 days, the price of the fringe benefit is $32 \times 30 = 960$ euros.

The income tax liability is $960 \times 22/78 = 270.77$ euros, and the social tax liability is $(960 + 270.77) \times 33\% = 406.15$ euros. Therefore, in the case of giving such van to an employee for free use for a month, the employer must consider the income and social tax liability of 676.92 euros.

Of course, the rental conditions and prices of the rental companies are not always the same, and to determine the market price, it must be based primarily on conditions like those of the employer itself.

Since, pursuant to the Income Tax Act and the regulation of the Minister of Finance, a fringe benefit arises from giving any employer's property to an employee for personal use free of charge or at a

preferential price, the use of employer's property that is not a vehicle in the sense of the Road Traffic Act (e.g., boats, launches, etc.) may also give rise to a fringe benefit. For the use of such assets, fringe benefit is calculated in the same way as for the use of vehicles.

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