Expenses associated with business trips

ACCOMMODATION EXPENSES

Expenses on accommodation in official travel or business travel are not subject to taxation.

TRANSPORT EXPENSES

Transport expenses associated with a business trip are subject to tax-exempt compensation, regardless of the amount of the cost.

If an employee goes on a business trip with a personal car, expenses related to the trip, costs directly related to the use of the car on the trip and additionally incurred costs, except repair and maintenance costs, are reimbursed based on expense documents (subsection 4 of § 2 of the Business Trip Regulation).

If a personal car is used on a business trip, the maximum tax-exempt limit of 550 euros of personal car compensation does not apply to the compensation paid based on the Business Trip Regulation. When paying compensation for the use of a personal car without expense documents, the maximum tax-exempt limit specified in the Passenger Car Regulation applies. The tax-exempt limit of the compensation paid to one employee is up to 0.50 euros per kilometre, but not more than 550 euros per calendar month for each employer paying the compensation.

Thus, the employer can choose whether to reimburse the employee for the use of a personal car on a business trip on the basis of the Business Trip Regulation (i.e. on the basis of expense documents without the maximum tax-exempt limit) or on the basis of the Passenger Car Regulation (i.e. in case of record-keeping, a maximum of 550 euros per month tax-exempt).

OTHER EXPENSES

An employee has the right to demand from the employer the reimbursement of the travel and accommodation expenses associated with a business trip and other **reasonable costs** associated with performing tasks on a business trip. These can be, for example, purchase of tickets, travel insurance, visa procedures, use of a rental car in a foreign country, parking, taxi rides, luggage transportation, costs of exchange rate differences, or other similar costs. Such expenses will be reimbursed to an employee based on documents certifying the expenses (§ 2 of the Business Trip Regulation).

Expenses paid by an employee, which would have incurred regardless of whether the employee was on a business trip or not cannot be considered reasonable work-related expenses.

REIMBURSEMENT OF EXPENSES MADE IN FOREIGN CURRENCY

Expenses paid in foreign currency will be reimbursed to an employee in the currency in circulation in Estonia, based on the daily exchange rate of the European Central Bank indicated on the expense document or valid on the working day following the day of business trip, or based on the expenses actually incurred by the employee sent on a business trip (subsection 5 of § 2 of the Business Trip Regulation).

Thus, the employer has the choice whether to reimburse the expenses incurred in foreign currency to an employee sent on a business trip

- ✓ based on the daily exchange rate of the European Central Bank valid on the date indicated on the cost document, or
- ✓ based on the daily exchange rate of the European Central Bank valid on the working day following the day of arrival from the business trip or
- ✓ according to the expenses actually incurred by the person sent on the business trip (based on a bank statement or currency exchange document).

For example, if the employee has used a credit card for payment, the employer could determine the actual expenses based on the employee's credit card statement and reimburse the expense shown on it in euros, without the need to convert the expenses made in foreign currency based on the exchange rate.

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