

Secondments

A secondment is the sending of an official by an order of the appointing authority or a person authorised by them to perform functions or undergo training outside the location of the permanent post within a fixed period (clause 1 of subsection 3 of § 13 of the Income Tax Act and § 44 of the Civil Service Act).

The procedure for formalising the secondment and the tax-exempt limits for secondment expenses have been established by the 19 December 2012 Regulation No. 112 of the Government of the Republic "Conditions and procedure for sending an official on secondment, reimbursement of secondment expenses and conditions and procedure of payment of daily allowance and rate of daily allowance".

According to § 5 of the Civil Service Act, civil service is a public-law service and trust relationship between the state or local government and an official to perform the functions of the authority, which is the exercise of official authority, and the employment relationship, governed by private law, between the state or local government and a person to perform the functions of the authority, which is solely the work to support the exercise of official authority.

The Civil Service Act also extends (unless otherwise stipulated by The Constitution of the Republic of Estonia or other acts) to the persons listed in subsection 3 of § 2 of the Civil Service Act (judges, Auditor General, etc.) and thus these persons can also be sent on secondment (§ 44 of the Civil Service Act).

The expenses incurred by a foreign mission of the Republic of Estonia in connection with the participation of a diplomat in a diplomatic reception, meeting or other event organised for the purpose of foreign relations are not taxed.

The decision to send an official on secondment is made based on the established procedure. The destination of the secondment, the organisation to which the seconded person will be sent, the duration of the secondment, the purpose, and the rate of compensation for secondment expenses and daily allowance must be stated in the decision of secondment.

Just as in the case of a business trip, in the case of a secondment, it is possible for the seconded official to request an **advance payment** from the authority to cover the secondment costs in the expected amount. In the case of a business trip, the term "possible expenses related to business trip" is used, but the nature of the amount paid by the sender remains the same regardless of the use of different terms. If the official has informed the authority about the need to receive an advance payment to cover the costs of the secondment and it is not granted, the official may refuse the secondment.

According to § 3 of the Secondment Regulation, the secondment and the reimbursement of the secondment expenses must be formalised in accordance with the requirements set forth in the legislation governing the administration, accounting and reporting of public authorities.

Pursuant to subsection 3 of § 3 of the Secondment Regulation, the public authority reimburses the official for travel, accommodation and other costs related to the secondment and pays a daily allowance for the time spent on secondment.

Unlike business trips, the conditions for reimbursement of **travel expenses** related to secondment are more precisely regulated. Travel costs to the place of secondment and back to the place of employment are reimbursed based on travel tickets or other documents proving the cost. Travel costs include ticket booking costs, airport, passenger and departure taxes. In the case of a business trip, such expenses fall within the definition of other reasonable expenses. Other costs associated with secondment are reimbursed based on documents certifying costs in accordance with the internal procedure of the public authority.

According to clause 1 of subsection 3 of § 13 of the Income Tax Act and § 4 of the Secondment Regulation, the minimum limit of daily allowance during business trips abroad is 40 euros per day and the maximum limit is 75 euros for the first 15 days of an assignment abroad, but at most for 15 days per calendar month, and 40 euros for each following day. The part of daily allowance exceeding the tax-exempt limit is taxed as employment income. Like a business trip, it is possible to reduce the amount of the daily allowance by 70 percent if free meals are provided to the seconded person during the stay at the secondment location. In the case of catering at the secondment location, the daily allowance can be reduced to 12 euros ($40 \times 70\% = 28$, $40 - 28 = 12$).

According to clauses 1²–1⁵ of subsection 3 of § 13 of the Income Tax Act, **the following are not subject to income tax as an exemption:**

- ✓ daily allowances paid to experts participating in an international civil mission based on the Participation in International Civil Missions Act, which do not exceed the limit of daily allowances and compensation for travel, accommodation and other expenses agreed for civil missions in the Council of the European Union;
- ✓ daily allowances paid to persons in active service of the Defence Forces participating in an international military operation on the basis of the Military Service Act, which shall not exceed four times the tax-exempt limit of daily allowances during assignments abroad provided for in clause 1 of this subsection;
- ✓ daily allowances paid to experts participating in twinning or technical assistance and information exchange projects funded by the European Union, which do not exceed the upper limit of daily allowances established by the European Commission;
- ✓ daily allowances paid to officials or employees performing the duties of an official expert at an institution or agency of the European Union, which shall not exceed the upper limit of daily allowances established by this institution or agency, and compensation for travel, accommodation and other expenses.

For sending on secondment in the interest of a third party, paying daily allowance by several employers and coming from a secondment and going to another secondment and the time of departure and arrival of the vehicle that is the basis for calculating the daily allowance, provisions with the same content apply as in the case of a business trip.

The basis for **reimbursement of the expenses arising from** an official's secondment and **using a personal car on secondment** is a document certifying the expenses. The public authority sending an official to secondment can choose between two options for reimbursement of expenses:

- ✓ whether to reimburse the official for travel expenses based on expense documents, or
- ✓ to pay the official up to 0.50 euros per kilometre, but not more than 550 euros per calendar month, when keeping records of rides.

Repair and maintenance costs arising from the use of a personal car on secondment are not included in the tax-exempt reimbursement and other costs of the secondment.

In case of payment of the secondment abroad allowance, the official is not paid daily allowance, because the secondment abroad allowance is paid to an official who is sent to a foreign country on a long-term secondment for more than six months (19 December 2012 Regulation No. 115 of the Government of the Republic "Procedure of sending an official on a long-term secondment, original amounts of the secondment abroad allowance and the procedure for calculating and paying the secondment abroad allowance, the conditions and procedure of the reimbursement of secondment expenses, the list of reimbursable medical expenses, the procedure for increasing and paying the secondment abroad allowance for an accompanying family member, and the conditions and procedure for paying the spouse's allowance").

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