Questions and answers about business trips

1. If an employer decides to pay a daily allowance for a domestic business trip, is this payment subject to taxation?
In the case of a domestic business trip, it is not possible to pay the employee a tax-exempt daily allowance. If the employer still decides to pay daily allowance during a domestic business trip, the said payment is a part of salary and must be taxed and declared like salary. If the domestic daily allowance is paid by a third party, it is subject to income tax like other income, and the payer must withhold income tax.

2. If an employee arrives from a business trip and leaves for the next on the same calendar day, how to pay daily allowance?
Tax-exempt daily allowance can be paid to the person sent on a business trip within the prescribed limit. In case of going to another business trip abroad on the day of arrival from a business trip abroad, daily allowance is paid in the amount of a single rate.

3. Which amount of daily allowance for a business trip abroad can be reduced by up to 70% according to subsection 4 of § 4 of the Regulation No. 110?
The amount of daily allowance for a business trip abroad can be reduced by up to 70% if free meals are provided to the assignee during the stay at the place of the business trip. However, the daily allowance for a business trip abroad determined by the employer cannot be less than 40 euros. For example, if the employer established the amount of daily allowance for a business trip abroad as 40, which corresponds to the minimum requirement, and the employee is provided with free meals during the business trip, the employer can reduce the daily allowance by up to 70%, which means paying the employee 12 euros (40 x 70% = 28; 40 – 28 = 12) as daily allowance.

4. If an employee's workplace is outside Estonia and the employee is sent on a business trip, is the daily allowance paid based on the country of employment or Estonian rates?
According to clause 1¹ of subsection 3 of § 13 of the Income Tax Act, business trip expenses are paid within the limits applicable in the foreign country where the place of work is located. If subsection 4 of § 13 of the Income Tax Act applies to the employee, the payments related to business trip are not taxed in Estonia.

5. The person's employer is located in Estonia and the place of work is in a foreign country. He is a resident of a foreign country and pays all his taxes there (e.g. a board member of an Estonian company). The Estonian employer sends this employee on a business trip to Estonia. According to clause 1¹ of subsection 3 of § 13 of the Income Tax Act, payments related to the business trip are reimbursed in the limits applicable at the place of work if the place of work is located in a foreign country. Is it an obligation or an opportunity for the Estonian employer to reimburse the business trip expenses within the limits applicable at the place of work, or can the Estonian employer apply the

limits established by the regulation of the Government of the Republic provided for in clause 1 of subsection 3 of § 13 of the Income Tax Act?
Subsection 3 of § 13 of the Income Tax Act lists the payments that are not subject to income tax. Clause 1¹ of the same paragraph stipulates that if the place of work is abroad, the payments at the applicable thresholds made in that country are not taxed. Thus, § 13 of the Income Tax Act does not give the employer the opportunity to choose which limits it wants to use. The limits for business trips established in the country where the work is performed are applied so that the employee in the foreign country is reimbursed for the expenses and payments of the business trip on the same basis as other employees of that country.

6. Which documents must be completed so that a third party can pay daily allowance?
The Estonian employer must formalise the business trip for its employee and may confirm to the third party the amount of daily allowance for the business trip abroad that it reimburses to the employee. Based on this, the third party decides whether to withhold income tax on the daily allowance for the business trip abroad or whether it can be reimbursed exempt from tax.

7. Is catering in a foreign country allowed to be included in expenses or is it a fringe benefit or must it be included in the daily allowance?
The employer can reduce the rate of daily allowance for a business trip abroad by up to 70%, if free meals are provided to the person sent on the business trip during the stay at the place of the business trip.

Daily allowance is given for, among other things, meals during the stay abroad. If the employer covers the costs of catering in addition to the daily allowance, then it is a fringe benefit, and the employer must pay income tax and social tax on these expenses.

8. Are the catering expenses to be reimbursed by the employer on the basis of expense documents during a domestic business trip within the meaning of subsection 1 of § 2 of the Regulation of the Government of the Republic of 25 June 2009 No. 110 reasonable expenses accompanying the business trip and related to the performance of the work assignment?
As of 1 July 2009, there is no tax-exempt daily allowance provided for domestic business trips. Also, the employer cannot reimburse the employee's meal expenses exempt from tax. If the employer reimburses the said expenses, it is considered a fringe benefit within the meaning of § 48 of the Income Tax Act and these expenses are subject to taxation with income and social tax. Therefore, the expenses incurred for catering during the employee's business trip are not reasonable expenses related to the fulfilment of the business trip work task within the meaning of the regulation.

9. Is breakfast at a hotel, breakfast and/or dinner on a ship a fringe benefit or another expense related to a business trip?
Catering in hotels, airplanes and ships is an established practice. Breakfast in a hotel is usually included in the cost of the room, without the price of the meal being known separately, which is why the entire amount is considered an accommodation expense when reimbursing expenses. There are accommodation facilities that show the costs of both accommodation and breakfast separately on their

invoices, but at the same time it is not possible to buy accommodation without breakfast, which means that the price of accommodation does not depend on whether accommodation was requested with or without breakfast. In this case, breakfast is considered an accommodation expense that is not taxed as a fringe benefit. Invoicing this way is generally because in the given country, accommodation and catering have different VAT rates, and the issuer of the invoice is obliged to include these amounts separately on the invoice.

Similarly to breakfast in a hotel, meals on a plane or ship are not taxable if the meal was included in the ticket price, regardless of whether the meal was requested or not.

In case catering was additionally ordered, purchased on board, its reimbursement by the employer is a fringe benefit. If it is desired to reimburse the catering costs, the daily allowance for the corresponding days of the business trip must be reduced by these amounts – that is, if the cost of catering reimbursement and the paid daily allowance do not exceed the tax-exempt limit of the daily allowance for the business trip abroad, then there is no tax liability. From the point of view of taxation, it does not matter whether documented food expenses are reimbursed instead of daily allowance of a business trip abroad or whether a daily allowance is paid, what is important is the tax-exempt limit. According to subsection 2 of § 40 of the Employment Contracts Act, an employee has the right to receive a daily allowance while on a business trip abroad.

10. Is catering for a business partner while on a business trip a cost of entertaining guests or other expense related to the business trip?
It is a cost of entertaining guests, regardless of whether it is made in Estonia or outside Estonia and it is taxed according to § 49 of the Income Tax Act.

Expenses on baggage transport, communication services, etc. are treated as other expenses related to the fulfilment of the assignment on the business trip according to subsection 2 of § 2 of the Regulation No. 110.

11. Which expenses can be reimbursed as other expenses related to a business trip in the case of a business trip abroad and how is the taxable amount determined?
Other reasonable expenses associated with a business trip include all expenses necessary for the business trip, such as travel insurance, visa processing, expenses arising from the difference in currency exchange rates, luggage transportation or other similar expenses. Costs are compensated based on cost documents.

12. The employer provides the employee with travel insurance for the period spent on a business trip in a foreign country. The employee is insured, but the employer receives compensation. Now the employer pays out the insurance compensation received to the employee. Does the employer have a tax liability, and if so, is it a fringe benefit or income of the person?
Among other things, the cost of travel insurance is a reasonable cost associated with a business trip.

Travel insurance can be concluded by the employer or the employee. If it is concluded by the employer, the employer indicates in the application for compensation of the insured event to whom the compensation is to be paid.

If the employer indicates the employee as the recipient of the compensation in the application, the insurance company will pay the compensation directly to the employee and the employer will not incur any additional tax obligations.

If the employer indicates itself as the recipient of the compensation in the application, the compensation will be paid to the employer. However, because the insured event happened to the employee and the actual damage occurred to the employee and the compensation is paid to compensate the employee's damage, it is still considered compensation paid to the employee. In this case, the employer is only an intermediary for the payment, and this does not entail any tax liability for the employer or the employee.

13. The employee uses a rental car to travel locally on a business trip. Is the use of a rental car taxed and how?
All other expenses related to the fulfilment of the assignment of a business trip are reimbursed in full based on expense documents, regardless of whether it is a domestic business trip or a business trip abroad.

It is important that business trips of employees and members of management or controlling bodies are related to the employer's business/main activity. This means that the reimbursement of other expenses must be based on their necessity for the performance of the assigned tasks for each specific business trip. If it was necessary to use a rental car to fulfil the assignment of the business trip, all costs associated with this car are compensated.

14. The employee is sent on a business trip abroad from Estonia and uses a taxi to go to the airport. Is it a travel expense from the starting point of the business trip to the destination or intra-city travel?
In case of business trips abroad, all documented costs related to the business trip are fully reimbursed, and when reimbursing travel expenses, no distinction is made in terms of taxation, whether it is a travel expense from the starting point to the destination or a journey within the city. It is important that it is an expense necessary to perform the task.

15. The employee is sent on a business trip. To travel to Tallinn Airport, she uses the employer's car, which stays in the airport parking lot for the entire duration of the business trip. Is the parking fee related to the business trip?
Yes, such expenses are business trip travel expenses, which do not have a limit. If the Business Trip Regulation is applied to reimbursement of expenses and all expenses are reimbursed based on expense documents, it does not matter whether the employer's car or a personal car is used for the business trip.

When reimbursing the costs of using a personal car, it should be noted that the same journey made for work purposes cannot be reimbursed twice, that means both as an expense of a business trip and in

accordance with Regulation No. 164 of the Government of the Republic of 14 July 2006 "Conditions and limits for the payment of compensation for the costs of using a personal car for service, employment and business rides". When reimbursing costs, it must be clearly distinguished based on which regulation it is done.

16. The employee makes payments with his credit card (e.g. pays for a hotel) while on a business trip abroad. Is the exchange rate difference between a commercial bank and the European Central Bank an expense related to the business trip that is reimbursed?
The employee is compensated for the difference between the daily rate of the European Central Bank and the rate of the commercial bank based on the bank statement, which shows the rate of the commercial bank. The compensation is treated as an expense related to the fulfilment of other assignments and is reimbursed together with other expenses incurred during the business trip and related to the business trip.

17. A business trip has been formalised for the employee, but she returns home from the destination of the business trip every day. Can the travel tickets provided by the employee be reimbursed for each day to the destination of the business trip and back?
The Business Trip Regulation does not provide for such reimbursement of travel expenses, and thus in this case, the employee can be reimbursed tax-exempt for one ticket to and from the destination of the business trip.

18. How to reimburse the travel expenses of a business trip, if the actual start and end dates of the business trip do not match the start and end dates of the business trip given in the business trip decision?
The costs of the business trip are reimbursed based on the employer's written decision, which indicates, among other things, the destination and duration of the business trip. Travel expenses to and from the place of the business trip are reimbursed based on a document certifying the cost or a travel ticket submitted by the person sent on the business trip. The dates of the travel ticket must generally correspond to the start and end dates of the business trip.

If, by agreement of the parties, an employee goes to the business trip destination at the expense of their holiday before the business trip begins or returns from the business trip location after the end of the work assignment, then the holiday days are excluded from the calculation of the daily allowance and accommodation costs, but the reimbursement of travel expenses is the employer's expense, because even without the holiday, the employer would have had to send and bring back the employee from the business trip at its own expense. If the employee's going to or coming from the place of the business trip during holiday does not increase the employer's travel expenses, then no fringe benefit is granted.

If the travel expenses increase, the employer has the right to reimburse the travel expenses exempt from tax to the extent of the travel expenses on the date after the business trip.

The part of the increased travel expenses (the difference between the travel expenses of the date after

the work assignment and the date chosen for the employee's personal interests) is paid by the employee, or if the travel expenses are reimbursed by the employer, it is taxed as fringe benefit.

If a holiday trip with no work purpose is formalised as a business trip, all expenses reimbursed to the employee are taxed as fringe benefit.

19. A person sent on a business trip submits a travel ticket, the date of which does not correspond to the start or end date of the business trip, for the reimbursement of travel expenses. Is it possible to reimburse the ticket and how?
If, by agreement of the parties, an employee goes to the business trip destination at the expense of their holiday before the business trip begins or returns from the business trip location after the end of the work assignment, then the holiday days are excluded from the calculation of the daily allowance and accommodation costs, but the reimbursement of travel expenses is the employer's expense, because even without the holiday, the employer would have had to send and bring back the employee from the business trip at its own expense. If the employee's going to or coming from the place of the business trip during holiday does not increase the employer's travel expenses, then no fringe benefit is granted.

20. The employee did not inform his employer that he bought a travel ticket himself when he went to or arrived from a business trip, i.e. he combined the business trip with a holiday, the travel expenses of which he bore himself. The ticket purchased by the employer remained unused. Does the employer have a tax liability on an unused ticket?
If the employee combines the business trip with his vacation, he must inform the employer about it and inform which ticket he does not need.

If the employee did not inform the employer and did not use the ticket purchased by the employer to travel to or from the business trip location, the employee has caused the employer a financially assessable loss, which can be recovered from the employee. If the employer waives the recovery of the damage caused to it, taxation is carried out according to the principle described in point 22.

21. The place of work of a person employed by an Estonian company is in Finland, and she also goes on a business trip from Finland. In this case, the Finnish rules and rates of business trips apply. One type of compensation for expenses related to the business trip is compensation for the use of a personal car (0.4 euros per kilometre). Are the Estonian or Finnish tax-exempt limits for using a personal car applied?
If such a compensation for the use of a personal car related to business trips has been established in Finland, the taxation must be based on Finnish rules and rates.

22. The employee does not go on a business trip abroad, but the employer has already paid for the costs of the business trip (tickets, accommodation). In this case, are the unused tickets and accommodation subject to taxation?
Sending an employee on a business trip abroad requires their consent, and the employer formalises sending the employee on a business trip abroad in writing. Thus, the employee is sent on a business trip

with their consent, and the person is aware of the expenses incurred by the employer before the business trip begins (e.g. reservations, travel tickets, accommodation, etc.). If the employee cannot go on the business trip, they should inform the employer as soon as possible. The employer is usually able to be refunded parts of the sums paid in advance.

In a situation where an employee does not go on a business trip, the employer must assess the reason why the employee behaved this way. Based on the reason, the employer can decide whether the employee has caused it financial damage or not and, if so, to what extent. The employer has the right to recover from the employee the financial damage caused to it (the amount of expenses incurred). If the employer decides not to collect the financial damage caused, it is a fringe benefit within the meaning of clause 9 of subsection 4 of § 48 of the Income Tax Act.

When applying clause 9 of subsection 4 of § 48 of the Income Tax Act, we point out that the above-mentioned provision does not constitute a fringe benefit if the estimated reasonable costs related to the collection of the financial claim exceed the amount of the claim. Since the determination of the predicted costs is largely an estimate, we recommend that the decision to waive the recovery of costs should consider all costs associated with the recovery of costs, which means that the decision to waive the claim should be sufficiently justified and written.

23. In which case does the employer have the right to formalise a business trip to an employee?
The Employment Contracts Act stipulates what a business trip is and who can be sent on a business trip. Section 20 of the act stipulates the place of performance of work, where it is assumed that the place of performance of work is agreed upon with the precision of the local government unit. Subsection 1 of § 21 of the same act stipulates that an employer may send an employee to perform work duties outside the place of work specified in the employment contract.

Thus, the employer can formalise a business trip if it sends an employee outside the place of work specified in the employment contract. This also entails the employer's obligation to reimburse expenses related to the business trip in accordance with § 40 of the Employment Contracts Act.

Regulation No. 110 of the Government of the Republic of 25 June 2009 “Procedure for the payment of compensation for the expenses of a business trip; and the minimum daily allowance for a business trip, the conditions and procedure for payment” regulates the rules for formalising business trips by employers, procedures for reimbursement of expenses and tax-exempt thresholds. Section 3 of § 1 of the same regulation states that the regulation does not apply to benefits paid to an employee for trips between the employee's place of residence and the place of work specified in the employment contract.

24. The employee's employment contract states that the area of work is Estonia. The location of the employer is Haapsalu. Can the employee be sent on business trip to another town in Estonia?
If it has been agreed in the employment contract that the place of work is Estonia, then a business trip cannot be formalised for this employee. Nor can they be paid a tax-exempt daily allowance or be reimbursed for expenses related to a business trip.

The employer can reimburse work-related expenses exempt from tax on the basis of an expense document in accordance with subsection 3 of § 12 of the Income Tax Act.

If the area of work is Estonia, during a **business trip abroad**, it is possible to pay daily allowance tax-exempt to the employee, if the place of the business trip in a foreign country is located at least 50 kilometres from the border of Estonia.

25. The place of the employee's work in the employment contract is the Republic of Estonia. Based on the content of work, work is done in different regions of Estonia. If the employer or employee incurs additional expenses for the performance of work duties, for example pays for travel expenses or accommodation (depending on the nature of the work), are the expenses incurred subject to taxation as a fringe benefit?
If the employee incurs expenses based on the nature of the work – these are necessary for the performance of their duties, then according to subsection 3 of § 12 of the Income Tax Act, compensation for documented expenses incurred for the benefit of another person is not considered income of a natural person. Reimbursements of these expenses are also not considered to be a fringe benefit. However, if the costs are incurred by the employer, these are costs related to business.

Expenses must be assessed primarily based on the needs arising from the employer's business, and the connection of the expenses with business must be proven.

26. Can a member of a non-profit association be sent on a business trip and how are expenses reimbursed?
It is not possible to send members of non-profit associations on business trips and pay them tax-exempt daily allowance. If members of a non-profit association are paid, regardless of this, payments similar to daily allowance or food allowance, income tax is withheld from these payments on the basis of clause 13 of § 41 of the Income Tax Act, similarly to other payments (payment type 55 on Annex 1 of form TSD).

As an exception, a sports organisation has the right to send athletes who are its members or members of the sports organisation which is its member, and coaches, judges, sports doctors, and other persons connected with the organisation of sport on a sports assignment abroad to fulfil the statutory objectives. A creative person can also be sent on a business trip abroad if the business trip abroad is related to their creative work.

According to subsection 3 of § 12 of the Income Tax Act, it is allowed to pay compensation for documented expenses to a natural person, and these amounts are not considered income of a natural person, if these expenses are made for the benefit of another person (e.g. a non-profit association).

Additional information

Sports assignments Business trips of creative persons

27. Can an employee of another company be sent on a business trip as a third party?
Subsection 1 of § 21 of the Employment Contracts Act stipulates that an employer may send an employee on a business trip to perform work duties outside the place of work specified in the employment contract. According to § 1 of Regulation No. 110, an employer can send an employee, a member of the management or controlling body of a legal person (a member of the board and council, procurator, founder, liquidator, auditor, member of the audit committee, branch manager of a foreign company, etc.) on a business trip. Therefore, only the employer of the employee can send the employee on a business trip. If one company wants to send an employee of another company on a business trip, it is no longer considered a business trip.

As an exception, the regulation provides for travel and accommodation expenses and daily allowance related to sport assignments of athletes and business trips of creative persons.

28. Is a person who has arrived in an Estonian company/organisation from another country considered a third party according to the Business Trip Regulation?
No. Based on the regulations on reimbursement of business trip and secondment expenses, a third party is considered to be a person who, instead of an employer, bears the expenses related to an employee's business trip. Depending on the procedure for reimbursement of business trip expenses and mutual agreement, expenses related to a business trip will be partially or fully reimbursed by a third party.

29. Subsection 1 of § 4 of the regulation No. 110 of the Government of the Republic of 25 June 2009 "Procedure for the payment of compensation for the expenses of a business trip; and the minimum daily allowance for a business trip, the conditions and procedure for payment" stipulates that an employee is paid daily allowance of a business trip abroad for the time spent on the road and at the location of the business trip, if the place of the business trip in a foreign country is located at least 50 kilometres from the border of the settlement where the workplace is located.
Which distance between two inhabited points should be considered? Should the shortest distance between two populated points be taken into account, or should the actual travelled distance be taken into account?
The minimum distance of the destination of a business trip from the border of the settlement where the place of work is located, provided for in subsection 1 of § 4 of the Business Trip Regulation, has been established primarily for the purpose of defining a certain minimum distance between the workplace and the destination of the business trip, for which the employee has the right to receive a daily allowance from the employer and the employer is obliged to pay it. If there were no such provision, it would be possible to claim a daily allowance, for example, even if the employee travels only a few kilometres from the workplace. Due to the purpose of the said provision the tax authority will consider in its implementation the distance by the usual and reasonable and most commonly used route.

30. Subsection 2 of § 4 of the regulation No. 110 of the Government of the Republic of 25 June 2009 "Procedure for the payment of compensation for the expenses of a business trip; and the minimum daily allowance for a business trip, the conditions and procedure for payment" stipulates that daily allowance is paid for the day of departure for a business trip abroad if the vehicle bound for the foreign country departs no later than 21:00. Daily allowance is paid for the day of arrival from a foreign

country, if the vehicle arrives after 3:00.
What kind of proof is used to prove the time of departure or arrival of the vehicle, if it is an employee's personal or rented car, or if the actual departure or arrival time of a public transport vehicle differs from that indicated in the timetable?
If an employer pays an employee tax-exempt daily allowance for the departure day of a business trip abroad, when the vehicle bound for the foreign country leaves no later than 21:00, or for the day of arrival from the business trip abroad, if the vehicle arrives after 3:00, then the tax audit can use different types of proof acceptable in tax proceedings as such proof.

31. How is the departure and arrival time of a ship or plane determined? In case of a plane, should it be based on the time when passengers are allowed to enter (or depart) the plane, when the plane starts moving from the gate or parking place (or arrives there) or the moment the plane takes off (or lands)?
Subsection 2 of § 4 of the Regulation 110 stipulates that the payment of daily allowance depends on the time of departure or arrival of the vehicle, which means that it must be based on the actual time of departure or arrival of the vehicle. Usually, the time of arrival or departure of a ship or plane coincides with the time indicated on the ticket (which can be considered as one possible proof). If the time of departure or arrival indicated on the ticket differs from the actual time of departure or arrival, the taxpayer can prove this in tax inspection with various proof acceptable in tax proceedings.

32. Do the mentioned time restrictions (daily allowance is paid for the day of departure to a business trip abroad, if the vehicle leaves to the foreign country at 21:00 at the latest, and daily allowance is paid for the day of arrival from a business trip abroad, if the vehicle arrives after 3:00) also apply if the employee sent on a business trip crosses the state border not while in a vehicle, but on foot? For example, takes a bus from Tartu to Valga, crosses the border on foot and takes a bus from Valka to Riga.
Crossing the border on foot or, for example, changing the vehicle before the reaching the border at 21:05 can be considered as a minor deviation from the requirements of the regulation, so such circumstances should not result in not paying daily allowance. The tax authority assesses each situation separately, based on the purpose and meaning of the provision.

33. If an employee is on a one-day business trip abroad and stays abroad for less than 3 hours in total, but after 03:00 and before 21:00, is payment of tax-exempt daily allowance allowed?
Daily allowance of a business trip is paid primarily for the performance of work tasks during a period of stay on the business trip. To protect the principles of labour law, the regulation establishes agreed hours, according to which employees are paid daily allowance for business trips abroad even if they actually do not perform their duties on a business trip, but only travel to or from the location of the business trip. The presumption of subsection 2 of § 4 of regulation No. 110 is a business trip lasting several days. The terms "day of departure" and "day of arrival" used in the regulation can only be possible if a business trip lasts several days. In case of a one-day business trip, the "day of departure" and "day of arrival" coincide with the date of the business trip and in this case the times of the business trip do not matter.

34. Subsection 4 of § 4 of the regulation No. 110 of the Government of the Republic of 25 June 2009 “Procedure for the payment of compensation for the expenses of a business trip; and the minimum

daily allowance for a business trip, the conditions and procedure for payment" stipulates that an employer can reduce the rate of daily allowance by up to 70 percent if free meals are provided to the person during their stay at the place of the business trip location. Are catering costs incurred by the employer exempt from tax in this case? Is the daily allowance exempt from tax even if the employer bears the catering costs and decides not to reduce daily allowance?
The daily allowance for a business trip abroad in the rate of 75 euros for the first 15 days of the business trip, but no more than for 15 days in a calendar month and 40 euros for each subsequent day is not subject to taxation according to clause 3 of subsection 1 of § 7 of the regulation. The possibility of reducing the rate of daily allowance provided for in subsection 4 of § 4 of the regulation is not related to the taxation of daily allowance and is essentially a labour law provision that allows the employer to reduce the rate of daily allowance if the employee is provided with meals either by the employer or by another person. The employer's payment of the catering costs of an employee on a business trip abroad is taxable as a fringe benefit, and the payment of the employee's catering costs by another person (e.g. the person receiving the employee) is taxable based on the tax laws in force in the foreign country.

35. For the purposes of Regulation No. 110 of the Government of the Republic of 25 June 2009 "Procedure for the payment of compensation for the expenses of a business trip; and the minimum daily allowance for a business trip, the conditions and procedure for payment", who is the "third person" who may pay a daily allowance exempt from tax to a person not in an employment relationship?
A third person is a person who is not an employer.

36. If an employee has more than one employer, how is it identified which employer has made the decision to send them on a business trip first, if all decisions are made on the same day and there is no information about the time of the decision? Is it necessary to take into account the time when the decision was formalised, signed or notified to the employee? How to behave if the decision to go on the business trip was first verbally announced to the employee by employer No. 1, but the written decision was formalised first by employer No. 2? How to behave if the person sent on the business trip is a member of the board of all the legal entities sending them on the business trip and makes the decision about sending them on the business trip at the same time on behalf of all persons?
The construction of the sentence in § 6 of Regulation No. 110 does not qualify employers as primary and secondary. It is a provision of labour law that imposes the obligation on an employee to inform the employer about sending them on business trip at the same time by another employer.

If the employer is aware that another employer also pays the employee a daily allowance, this employer has no obligation to pay daily allowance for the same period.

If the notified employer still decides to pay the employee daily allowance, the fact must be taken into account that the maximum tax-exempt rate of daily allowance paid by several employers is 75 euros in total for the first 15 days of the business trip, but no more than for 15 days in a calendar month and 40 euros for each subsequent day.

Since according to § 6 of the regulation, the employee must also inform the employer of the amount of

daily allowance determined by another employer, the informed employer can calculate the part of the daily allowance exceeding the maximum tax-exempt rate before paying the daily allowance. Such exceeding part is subject to taxation as employment income by the notified employer.

If the employee sent on a business trip is a member of the board of all the legal persons sending them to the business trip and makes a decision about sending them on the business trip at the same time on behalf of all persons, then they have the decision-making authority over which company formalises the business trip first and can pay daily allowance up to the tax-exempt limit. The tax-exempt rate of the daily allowance paid by several companies to a board member is 75 euros in total for the first 15 days of the business trip, but no more than for 15 days in a calendar month and 40 euros for each subsequent day.

37. If the employee sent on a business trip spends the night in the United States, should the calculation of the day be based on the Estonian time zone for the entire duration of the business trip, or should the beginning and end of the day be taken into account according to the place where the employee was at a particular moment? How are hours rounded to full days? If the employee stays at the location of the business trip for a total of 25 hours, can it be counted as one day, two days, or must the accommodation cost limit be divided according to the number of hours?
Since a day consists of 24 hours and the maximum tax-exempt accommodation cost limit applies per day, rounding is not necessary. 24 hours can be treated as one day and 48 hours as 2 days.

38. The employee fell ill while on a business trip abroad on September 15 (he took a sick leave). The first return possibility was a flight on September 18. Can the employee be paid a tax-exempt daily allowance for the three days of the business trip, be reimbursed for accommodation costs and the return ticket?
The employee has the right to demand compensation for the costs associated with the business trip (subsection 1 of § 40 of the Employment Contracts Act). If an employee falls ill and takes a sick leave and returns from the business trip as soon as possible in case of illness, the requirement for reimbursement of accommodation and travel expenses and daily allowance for the business trip do not change. Thus, the employer can pay the employee a tax-exempt daily allowance for the business trip, reimburse tax-exempt accommodation costs and the return ticket.

The employer could reduce the daily allowance of the business trip abroad by up to 70% if the employee goes to a hospital, because meals are provided in hospitals.

39. The employee was sent on a business trip abroad. Due to the spread of the COVID-19 virus (the borders were closed), the employee could not return home from the business trip abroad at the agreed time.
The employer can:

a) extend the business trip and pay daily allowance of the business trip abroad, reimburse the accommodation costs and the return transport costs;

b) agree with the employee that the latter will continue to work remotely. The employer can reimburse the employee's accommodation costs, transportation costs 100%, because the employee has found themself in this situation based on the employer's interests/needs;

c) upon agreement with the employee and at the employee's request, formalise a holiday for the employee. Reimbursement of accommodation costs is a fringe benefit. Transport costs for the return trip home are exempt from tax because the employer is also obliged to bring the employee back from a business trip abroad.

Last updated on 08.01.2025