Health and sports expenses

Tax-exempt expenses for improving health are:

1. participation fees in public sports events
2. expenses directly related to regular use of sporting or mobility venues or to massage
3. expenses made for maintenance of the employer's existing sports facilities
4. expenses on services provided by a person holding an activity licence for the provision of health services within the framework of dental care, rehabilitation, psychological treatment, physiotherapy or speech therapy, and on nutrition counselling service provided by a nutrition counsellor who holds a professional qualification
5. insurance premiums of sickness insurance contracts.

An employer can compensate expenses made for improving the employees' health to the extent of 400 euros per every employee in a year exempt from tax.

It must be considered that:

- ✓ 400 euros **includes VAT, and input VAT cannot be deducted** from the health and sports expenses incurred for employees
- ✓ 400 euros is **for each employee per year** and this amount cannot be transferred to other employees
- ✓ **if an employee has several employers, each employer can apply the tax incentive** for health and sports expenses in the amount of 400 euros
- ✓ **documents are required** to compensate the expenses
- ✓ it is necessary to **keep person-based accounting** (it is possible to choose either cash-based or accrual-based accounting)
- ✓ bearing costs **is not mandatory**, everything listed does not have to be made available to all employees
- ✓ employees receive benefits because of **employment relationships** (the contract is concluded in the future, has stopped, is valid or has ended)
- ✓ the tax incentive **does not include equipment needed for practising sports** (clothes, shoes, table tennis rackets, skis, including rental of sports equipment, etc.) **or additional services** (e.g. catering, transport, parking, wardrobe costs, reception following an event, etc.)

- ✓ the tax incentive also **extends to sports and health expenses made outside Estonia**

Employers can decide whether and which services for health improvement or sporting opportunities they offer to their employees. Employees can decide whether and which services for health improvement or sporting opportunities they use.

EXAMPLE 1

The employer has 10 employees, but two of them want to use the health improvement options. Thus, the employer can bear tax-exempt health improvement costs for two employees, i.e. 800 euros per year.

EXAMPLE 2

The employer has concluded a contract for the use of a sports club in the amount of 500 euros per month (i.e. 6000 euros per year). The employer has 20 employees. If 10 of them want to use the sporting opportunities, then the cost of using the sports club is tax-exempt in the amount of 4000 euros (10 × 400), and the cost of using the sports club in the amount of 2000 euros (6000 – 4000) is taxed with income and social tax as a fringe benefit. If all 20 employees want to use the sporting opportunities, the cost of using the sports club is tax-exempt in the amount of 8000 euros (20 × 400), and since the employer pays 6000 euros per year, there is no tax liability.

The employer can set different thresholds for reimbursement of expenses for employees if the possibility of reimbursement of expenses is ensured for all employees. Establishing a threshold cannot, however, lead to a situation where some employees have no opportunity for reimbursement of expenses. For example, members of the board have a limit of 400 euros per year, but the limit for employees is 10 euros per year. In this case, it is considered that not all employees have been offered the benefit.

The tax incentive is not intended for employees who work on the basis of short-term (e.g. one-day) authorisation agreements (for example, freelance collaborators of press publications or educational institutions, those who complete study assignments, members of theses defence committees, reviewers, experts, temporary workers, etc. The Income Tax Act allows to make tax-exempt health improvement expenses for them, but not offering them a benefit is not considered a violation of the condition that requires the offer of benefits to all employees.

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