

Tax-exempt compensation limits

Based on driving records, business rides can be reimbursed in the extent of up to 50 cents per kilometre, but not more than 550 euros for rides made in one calendar month. This means that employers can also set a lower price per kilometre, for example 20 cents, but neither limit must be exceeded to qualify for the exemption. Therefore, if the price per kilometre of compensation is set at, for example, 1 euro, the part exceeding the limit price per kilometre is taxable, i.e. 50 cents, regardless of the total amount of the compensation.

The compensation can also be paid to the employee summed up, i.e. more than 550 euros cash-based in one calendar month, but it is important that the compensation is not calculated in excess of the prescribed limit for one month.

The compensation amount exceeding the limits is considered a fringe benefit. If the amount of calculated compensation for a calendar month is greater than the limit, the fringe benefit is calculated for each month separately and the fringe benefit must be declared in the month when the compensation was paid out.

A natural person can also receive tax-exempt compensation from several employers if there are records, while the upper limit of 550 euros is applied separately for each employer. The compensation includes all expenses related to the normal use of the car (including fuel, insurance, etc.), except for parking fee paid when performing service, employment, or official duties.

The price per kilometre and the tax-exempt limit established in the regulation are not related to actual costs (expense documents). Subsection 3 of § 12 of the Income Tax Act states that compensation for certified expenses incurred for the benefit of another person is not the income of a natural person, but it also adds that this subsection does not apply to compensation for which separate conditions and limits have been established. Since separate conditions and limits have been established for the compensation paid for the use of a personal car, compensation for the use of a personal car based on expense documents (e.g. payment of a tire change, repair costs, etc.) is a fringe benefit (**§ 48 of the Income Tax Act** and **§ 6 of the Regulation No. 2 "Procedure for determining the price of fringe benefits" of the Minister of Finance of 13 January 2011**), with the exception of parking fee paid when performing service, employment or official duties.

As an exception, personal car expenses can be reimbursed on the basis of an expense document, if one goes on a business trip with a personal car, and the reimbursement of these expenses is based on the so-called business trip regulations: **Regulation No. 110 of the Government of the Republic of 15 June 2009** or **Regulation No. 112 of the Government of the Republic of 19 December 2012**.

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