When is ride compensation exempt from tax

WHEN IS THE REIMBURSEMENT OF RIDES BETWEEN WORK AND PLACE OF RESIDENCE EXEMPT FROM TAX

If, in general, rides between work and place of residence are not considered as work rides and cannot be reimbursed tax-free, it is still possible to do so under certain conditions. Rides between the place of residence and the place of work can be treated as work rides if it is not possible to travel this route by public transport at a reasonable time or cost. Also, if the place of residence of an employee with a contract of employment is located at least 50 kilometres from the place of work (subsection 5^1 of § 48 of the Income Tax Act). In this case, rides between work and place of residence are indicated in the driving records as the purpose of the rides, and these can be reimbursed exempt from tax up to the general limit (550 euros).

A person with a disability can be compensated for rides between home and workplace within the limits if records are kept and if it is not possible to use public transport or if its use causes a significant decrease in the person's ability to move and work.

Rides from home to work and back cannot be reimbursed exempt from tax on the grounds that it is easier and more convenient for a person to drive between home and work in a personal car than to use public transport.

It is possible to reimburse rides between home and workplace exempt from tax if it is primarily necessary for the employer to operate its activities. This means that the employer's interest generally prevails when compensating rides between home and work, and the employer must be able to justify it if necessary. The payment of compensation to each person must be assessed separately based on the person's place of residence, work obligations, start of working day, opportunities for using public transport, etc. By evaluating all these circumstances together, the employer can decide whether tax-exempt compensation for the person's rides from home to work is justified or not.

Example
An agreement has been concluded with the employee that the employee is ready 24/7 (on-call) to solve problems arising from business activities, i.e., crisis situations. In this case, can rides between work and home be considered business rides?
On-call time is the time when the employee is not required to perform work tasks but is required to be ready to perform work tasks based on the employer's order under agreed conditions. Since the employee cannot fully concentrate on rest during the on-call time and must be ready to perform work tasks immediately, if necessary, it is justified to pay salary for the on-call time in the amount of 1/10 of the agreed salary. On-call time can be implemented by agreement between the employee and the employer.

Therefore, solutions to crisis situations (on-call time) are related to entrepreneurship, as well as rides outside the place of daily work for work purposes and then back there. In this case, rides between work and home are considered business rides.
However, attention must be paid to the fact that merely formally imposing the obligation on employees to regulate crisis situations does not give the right to tax-exempt compensation for all rides between work and home. Such an obligation must be substantive, based on the employer's real needs and correspond to the employee's duties.
More information on the organisation of employee transportation in the instruction “**Transporting employees home and to work**”.

Last updated on 08.01.2025