Compensation for the use of personal cars

WHO CAN BE PAID TAX-EXEMPT COMPENSATION?

According to the **Regulation No. 164 of the Government of the Republic of 14 July 2006** (hereinafter *the Regulation*), compensation can be paid for the use of a passenger car for business trips:

- to officials (within the meaning of the Income Tax Act, the persons specified in subsection 3 of § 2 of the Civil Service Act, such as members of local government councils, members of rural municipalities or city governments, judges, members of the Riigikogu, etc., are considered to be officials);
- to employees (within the meaning of the Employment Contracts Act) and
- to members of management or controlling bodies of legal persons (within the meaning of § 9 of the Income Tax Act).

Thus, for example, tax-exempt compensation cannot be paid, based on the Regulation, to owners of companies or to persons who provide services based on contracts under the law of obligations. However, it is possible for them to be reimbursed for expenses incurred in the interest of legal persons based on subsection 3 of § 12 of the Income Tax Act, if these expenses are documented.

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