Transport organised by employer

To apply the tax incentive, it is necessary to keep records, and the records must reveal all the important facts for the application of the tax incentive. The introduction of the term “using public transport with a reasonable expenditure of time and money” plays an important role in the implementation of this provision.

Unreasonable expenditure of time or money may be due to the following circumstances:

- the employee does not have the opportunity to travel by public transport between work and home, because the working day starts or ends at a time when public transport does not operate (both in the case of work in shifts and in a situation where the working day has been extended based on overtime);

- the workplace is located in an area (place) that is not accessible by public transport;

- public transport is accessible, but an unreasonable expenditure of time or money occurs in a situation where public transport does not have a direct route between the workplace and home, and the journey has, for example, numerous transfers. There may also be situations where, for example, bus schedule during the day is such that using public transport would take an unreasonable amount of time (the employee has to go to work significantly earlier before the start of a working day, or gets home significantly later after the end of a working day, or transfers cause a significant time loss compared to the time required to travel the entire distance and due to the nature of the employee's work, it is not possible to start or end the working hours flexibly).

The fact that the destination is reached significantly later when using public transport compared to driving by car cannot be considered decisive. The comparison is not made between the time spent travelling by car and public transport, but the comparison is based on the usual time spent travelling by public transport (e.g., if it is an inner-city route, it should be considered that it takes significantly more time to travel 10 kilometres using public transport in the city than when travelling a long-distance bus). Public transport makes stops, therefore the time required for travelling by public transport cannot be considered as a circumstance causing unreasonable time consumption. Therefore, when assessing if the time to be spent is reasonable, only a comparison with the fastest possible means of transportation (e.g., car, plane) is inappropriate. If compared to the fastest means of transport, the tax incentive would extend to most employers operating in Estonia, but the purpose of this provision was to give a tax exemption to those employers who organise the transport of employees who have had limited opportunities to find a job at their place of residence (primarily in a rural area) and getting to a job located in another area is accompanied by unreasonable costs of time or money due to poor public transport arrangements.

Last updated on 08.01.2025