

Staff sustainability events: tax authority's opinion (1/21/18)

One of the innovations resulting from the CIT reform that has attracted employers' attention is costs of staff sustainability events. The CIT Act defines expense categories that qualify as staff sustainability events, but employers have questions about some unlisted expense categories that help motivate employees and are essentially staff sustainability events. [The website of the State Revenue Service \(SRS\) features answers](#) to employers' FAQ about staff sustainability events. This article explores those answers and offers our thoughts about two expense categories potentially affecting most employers: coffee and tea in the workplace and collective events.

Statutory provisions

Section 8(4) of the CIT Act defines the following costs of staff sustainability events:

- expenses incurred in holding motivational or team-building events for employees;
- expenses incurred in carrying an employee between home and work;
- funeral benefits;
- expenses of events specified by the collective agreement¹ that cannot be traced to an individual;
- expenses associated with non-business social infrastructure items that are not intended for providing an employee with a place of living.

Coffee, tea and snacks for employees

The cost of coffee and tea offered to customers and suppliers qualifies as so-called representation expenses. Since staff sustainability events and representation expenses are added together for CIT purposes, we might assume the lawmaker's intention to classify coffee and tea for employees as staff sustainability costs. This assumption would clarify the treatment of those expenses and help companies avoid having to apportion coffee and tea expenses between customers and employees.

According to the SRS, however, coffee and tea for employees are not staff sustainability costs unless they are linked to a particular event or specified by the collective agreement. Accordingly, if the company is to classify as staff sustainability costs any coffee, tea or other snacks available at the place of work that cannot be personalised, they must be specified in the collective agreement.

We note that employee meals of up to €480 a year are exempt from PIT and CIT, provided a collective agreement is in place and requirements of the PIT Act are met.

A staff event not attended by all employees

The CIT Act implies that the costs of an event attended by all of the company's employees are staff sustainability costs, but an event the company holds for only one of its departments or teams is still in doubt. Off the record the SRS has interpreted the law very literally, i.e. a staff sustainability event is only one that is attended by all of the company's employees.

The SRS has explained that staff sustainability costs include events held by company branches. It is still

not clear which course of action should be taken by a company that has no separate branches but is divided into internal departments, each with its own goals and functions. Can expenses incurred in holding a motivational event for the employees of a particular department be treated as staff sustainability costs?

We feel the lawmaker should publish a statement to clarify the purpose of this provision. Can staff sustainability expenses be recognised for an event not attended by all employees? We suggest employers should write to the Ministry of Finance as the government agency that drafted the bill and seek an interpretation of collective events a company holds for its employees.

¹ A collective agreement is a contract in writing between an employer and trade unions or the authorised representatives of employees (where employees have not joined a union) laying down conditions for work, pay and social protection, including fringe benefits.