

Taxation when employer pays for business trip accommodation and meals 2/7/22



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The global situation is still making us look at each other through a screen, and we have come to think of this as everyday life. A business trip is now more about connecting to another online call than boarding a coach or plane to attend a client meeting or a professional training course. Introducing a brief series of articles on payroll taxation, this one explores the tax treatment and obligations of an employer sending a worker on a business trip and paying for their accommodation and meals. We will be writing about other tax law interpretations we have received from the tax authority after we asked questions relevant to our clients preparing for the income tax filing season.

Statutory requirements

The Cabinet of Ministers' Rule No. 969, *Reimbursing Expenses Incurred on Business Trips*, paragraph 13 states:

- If the worker is provided with free accommodation – a hotel room and at least three meals a day (possibly paid from another institution's financial aid) – or if free accommodation is provided under EU legislation, the worker may be paid up to 30% of the daily allowance rate (reimbursement of additional spending) for each day of the business trip, subject to approval from the company's CEO.

Accordingly, if the employer provides accommodation and meals, no daily allowance can be paid unless the employer issues an order to that effect. Based on such an order, however, only 30% of the daily allowance rate can be paid, with payroll taxes due on any excess.

PwC's question

To make sure we are applying the law correctly, we asked the tax authority to interpret the above clause and answer this question:

- When the employer sends a worker on a business trip and pays both accommodation and three meals a day, but does not pay a daily allowance, or reduces it to 30% of the maximum, is the total amount of accommodation and catering services free of restrictions and exempt from corporate income tax?

The tax authority's interpretation

If a worker is provided with free accommodation and three meals, the law imposes no limit on the cost of accommodation and catering. It is treated as the employer's tax-free business expense.

An example

If a worker is sent on a business trip to Lithuania, the employer is allowed to pay for a high-class hotel room and three restaurant meals a day, plus a daily allowance of up to 10 euros.

So the employer is free to choose between paying the full daily allowance but no meals, or paying for both the accommodation and meals.

Information on daily allowances and hotel rates in 92 countries is available at [MindLink.lv - Useful - Business trips](#).