

# Compensating employees for electric vehicle charging expenses 1/23/23



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We have written before about the corporate income tax treatment for the acquisition and maintenance costs of an electric vehicle (EV). Yet employees often charge their corporate EVs at home. This article explores how a company could reimburse an employee's electricity costs.

## Background

A company owns an EV that does not qualify as a luxury executive vehicle, and pays company car tax on it. An employee uses the EV for business and private purposes, charging it at home after working hours. The question is how the company can compensate the employee for electricity costs.

## The State Revenue Service's opinion and PwC's opinion

The law is silent as to how the company can compensate the employee, with no tax implications, for electricity costs if the company's EV is charged at home.

Since the employee is unable to submit an invoice as a supporting document, the State Revenue Service says the employee can register as a sole trader and invoice the company for the charging costs. In that case the employee should be provided with a separate electricity meter to document the electricity actually consumed charging the EV.

In our opinion, it's unreasonable for the employee to register a trade for this purpose alone. Moreover, this activity could not, by definition, be considered an economic activity because it is not carried on to make a profit. The aim is to receive a type of reimbursement that is not specifically regulated by the law. However, if the employee registers as a sole trader and invoices the company for the charging costs, the company can recognise those as business expenses based on the electricity consumption rate for EVs (see our article on the corporate income tax treatment of EV expenses).

If the employee does not register as a sole trader and the company wants to reimburse the electricity costs, those should be charged to payroll taxes. For administrative ease, the company can pay an extra monthly fee on top of the salary to cover these costs. If the costs are charged to personal income tax, they will be business expenses for corporate income tax purposes.