

# Personal Income Tax Act amended (2/50/20)

Parliament has adopted amendments to the Personal Income Tax Act ("PIT") in their final reading. This means various changes, such as the top rate being reduced from 31.4% to 31% and an automatic refund of any PIT overpay. This article explores the new PIT treatment of amounts an employer pays to compensate workers for expenses associated with remote work.

## Current procedures

The legislation has so far been silent on compensations an employer pays for remote work and on their payroll tax treatment. However, the State Revenue Service had issued guidance "[Tax Treatment Issues Arising from the Emergency Situation Announced to Stop the Covid-19 Outbreak](#)," which provides that a company's computers, mobile phones and furniture are its fixed assets, so all expenses associated with using and maintaining them, including the company's telecommunication bills, are business expenses that are exempt from corporate income tax.

This treatment applies also to cases where an employee works remotely and the company buys a computer, mobile phone, chair or other equipment necessary for remote work. The employer's spending on computers, furniture, stationery, mobile phones, telecommunications and other equipment necessary for remote work does not attract wage tax in the worker's hands.

If a worker has made foreign calls as part of their job duties, incurring extra costs on their private phone bill, and the employer has reimbursed them, this compensation does not attract wage tax, and the costs are the employer's business expenses.

If the employer compensates a worker for using their private computer, phone, internet connection, furniture etc to carry out remote work, this is considered the worker's benefit attracting wage tax. The amount of compensation charged to wage tax is considered the company's business expenses.

## The changes

The amendments prescribe exempt compensation rates where the employer compensates a worker for remote work expenses.

From the tax year 2021, a worker's expenses associated with remote work the employer covers under the Employment Act will be exempt from PIT if their monthly total for full-time work does not exceed EUR 30.

If remote work expenses are to escape PIT, the following conditions must be met:

1. The employment contract contains a clause on remote work or the employer's order specifies expenses to be reimbursed;
2. The remote work expenses are covered by the employer with whom the worker has filed their wage tax booklet;
3. The remote work expense levels are set in proportion to the workload and the number of monthly remote work days specified in the employment contract or in the employer's order if work is done both remotely and at the place of work.

Section 14 of the National Social Insurance (“NSI”) Act provides that mandatory NSI contributions are payable on all employment income on which PIT must be withheld, without first deducting any personal allowance, tax relief or allowable expense the taxpayer can deduct from taxable income. Accordingly, if costs are exempt from PIT, the compensations prescribed by the amendments are also exempt from NSI contributions.

There is no compensation for costs a worker incurs during any prolonged (more than 30 days) absence such as a prolonged unpaid leave or sick leave.

Watch this space for other amendments to the PIT Act.