

Taxation of free meals and transport for workers

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In last week's edition of Flash News we outlined the VAT treatment of companies offering free meals to their workers during working hours as well as transport between home and work to ensure business continuity especially during the Covid-19 crisis. This article explores the personal and corporate income tax implications of this practice.

Personal income tax treatment

To apply PIT correctly we need to look at meals and transport separately.

But first we need to figure out whether the nature of meals and transport expenses allows them to be personalised, i.e. whether it is possible to assess a particular worker's benefit. If these expenses cannot be personalised they are no longer subject to PIT and should be added to the employer's CIT base (for details see the section on CIT treatment below).

Accordingly, if expenses are personalised they will attract PIT and national social insurance ("NSI") contributions.

Meals

The PIT Act allows a special exemption for company meals up to EUR 480 a year (averaging EUR 40 a month) per worker if there is a collective agreement in place that provides for meal compensations and if particular conditions are satisfied, for example:

1. Total worker meal expenses do not exceed 5% of the employer's annual gross wages for which NSI contributions have been paid;
2. At least six workers are employed;
3. Other conditions for outstanding taxes, no breaches, and length of trading.

It is important to note that this PIT-exempt income should be included in Statements of Amounts Paid to the Individual according to the Cabinet of Ministers' Rule No. 677 of 25 August 2008, *Personal Income Tax Statements*.

If the collective agreement does not provide for meal expenses or if statutory conditions are not satisfied, the expenses should be covered under the general procedure for worker benefits. Specifically, the Cabinet of Ministers' Rule No. 899 of 21 September 2010, *Application of Provisions of the Personal Income Tax Act*, provides that salary tax is charged on any direct or indirect benefits from the employer and on expenses incurred by workers and their family members that are personalised, associated with meals and refreshment purchases, and covered by the employer, as well as other income, payments and benefits.

Transport

Under the general procedure any personalised transport expenses, such as taxi services, should be added to the person's taxable income and charged to payroll taxes, i.e. PIT and NSI contributions, as part of their employment pay. However, according to the tax authority's public interpretations ([click here](#)) any

expenses the employer incurs in carrying workers between home and work during the emergency situation, including the cost of compensating workers for fuel purchases for their private car in which they drive between home and work, are CIT-exempt business expenses. Accordingly, they are exempt from PIT.

Do such expenses qualify for an exemption as remote working expenses?

When companies provide their workers with free meals and transport between home and work the exemption from PIT and NSI contributions up to EUR 30 a month for 2021 will not be available because these expenses are not related to remote working.

CIT treatment

Personalised expenses charged to payroll taxes

If expenses are personalised as benefits with the person's employment income and charged to payroll taxes, then CIT no longer applies.

Non-personalised expenses

In general, if a collective agreement provides for free meals and transport between home and work, those expenses could be included in staff sustainability expenses, which would be deductible for CIT purposes up to the statutory limit (5% of last year's total wages for which NSI contributions have been paid). In that case the expenses must be included in the collective agreement.

If a company does not wish to sign a collective agreement, these are non-business expenses under the CIT Act.

However, the tax authority's latest recommendations allow transport expenses to escape CIT whether they are personalised or not.