

## **BREAK-THROUGH RULING ON TAXATION OF LOCAL TRAVEL**

We wish to draw your attention to a private tax ruling issued by Director of Warsaw Tax Chamber on 14 December 2015 (ref. IPPB4/4511-3-95/15-2/JK3) in relation to personal income tax treatment of amounts paid to employees for using their private cars on company business.

The case involved a company whose employees have a certain area indicated in their contracts as their place of work. Consequently, any travel within that area does not qualify as business travel for the purposes of Labour Code but as "local travel". The employees use their private cars for those trips, in consideration for which the company pays them allowances based on mileage travelled.

The tax authority ruled that, in such a situation, the amounts for the employees:

- are paid in the interests of the employer because they bring the company a benefit in the form of effective performance of duties by the employees; and
- therefore should not be treated as employees' income for the purposes of the PIT Act.

This is a ground-breaking ruling as the authorities have so far consistently claimed that such employees should be imputed income which as a rule is taxable (with an exemption applying only to a very narrowly defined group of employees, i.e. social workers, forest workers and Polish Post workers).

The ruling offers an opportunity to obtain tax efficiencies in terms of personal income taxation of employees who use private cars for company purposes.

If this issue pertains to your business and you are interested in our assistance, please contact your WTS&SAJA consultant or our office.

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