



Changes in the Taxation of Private Use of Company Assets

Amendments to the Corporate Income Tax Act ("CITA") and the Personal Income Tax Act ("PITA") were published in the State Gazette on 27 September 2016, and enter into force retroactively from 1 January 2016.

The amendments introduce a new 10% one-off tax on employers' expenses in-kind, relating to the private use of company assets such as immovable property, vehicles and other. The new rules are an alternative of taxing those expenses as income in-kind (under the PITA) of the individuals benefiting from the private use.

Employers will be able to choose which of the two taxation methods to apply to all employees for the entire calendar year. The choice for the current year has to be made with the filing of the annual corporate income tax return for the previous year. For 2016 the choice may be made with the corporate income tax return to be submitted by 31 March 2017.

When determining the tax base for the new one-off tax, employers will have the option to choose among several methods for the allocation of expenses between private and business use, depending on the type of the asset:

- Immovable property – depending on the area or period of use;
- Vehicles – mileage, period of use, or a fixed proportion of 50%;
- Other assets – presumption of 20% personal use or possibility for evidencing another proportion.

The stated purpose of the amendments is easier administration of the taxation of private use compared to taxing it as income in-kind of the individuals. However, the new rules still retain (and even increase) discrepancies between the taxation of private use for the purposes of VAT, the new one-off tax or personal income tax, as well as for social security contributions (e.g., in determining the tax base and documentation).

We consider that the changes are a reason for employers to analyze whether their assets are used for private purposes, and how this should be taxed, in view of minimizing costs and administration.

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