

## **Estonia**

### **Changes to tax free compensation paid to an employee for the business use of a personal passenger car**

As of the 1st of September 2014 enters into force an amendment of the Income Tax Act which abolishes employers' possibility to pay tax exempt compensation for the service or employment related use of a personal passenger car to an employee (also to official, member of the management or controlling body of a legal person) in case no driving records are kept. Under the regulation in force until 31 august 2014 it is allowed to pay tax exempt compensation up to 64 euros per month for service or employment related use of a personal passenger car even in case trip-logs are not kept.

If driving records are kept, then as of September 2014 tax exempt limit of compensation paid to one person is 0,30 euros per kilometre, but not more than 335 euros during each calendar month per each employer paying the compensation. Until the end of August 2014 tax exempt limit is 256 euros.

The driving records must include the name of the employee using the car, plate number of a motor-car, initial and final reading of odometer for every journey, also purpose and the date of the trip.

In case the employer will continue to pay the EUR 64 compensation after August 2014, but proper driving records are not kept, then the compensation should be taxed as salary payment.

Mait Riikjärv (Tallinn)  
Director  
Deloitte Estonia  
mriikjarv@deloitteCE.com

Ivo Vanasaun (Tallinn)  
Tax Manager  
Deloitte Estonia  
ivanasaun@deloitteCE.com