

The mileage allowance for use of private cars will be increased

I. The Government is planning to increase the rates per one kilometre of the trip

The draft Regulation of the Minister of Infrastructure amending the Regulation on use of passenger cars, motorcycles and mopeds that are not employer's property for the purpose of performance of employee's professional duties was published on the website of the Government Legislation Centre. The Regulation provides for the rates per 1 kilometre of the trip based on which the employer reimburses the costs of use of private vehicles by employees for business purposes. The draft is at the stage of review and opinions. It must be noted that the rates the regulation regards have not changed since 2007.

II. The mileage allowance rates for employees will be raised significantly

The new Regulation stipulates that the maximum value of individual rates per 1 km of the trip shall be PLN 0.89 (currently PLN 0.5214) for a passenger car with cylinder capacity up to 900 cm³, PLN 1.038 (currently PLN 0.8385) for a passenger car with cylinder capacity over 900 cm³, PLN 0.69 (currently PLN 2302) for a motorcycle and PLN 0.42 (currently PLN 0.1382) for a moped. The amount of the determined lump-sum is reduced by one-twentieth for every business day of the employee's absence from work due to sickness, holiday leaves, business trips lasting at least 8 hours or any other absence as well as for every business day when the employee does not have the vehicle at his/her disposal for business purposes. The draft provides for entry of the Regulation into force on the first day of the month following the month of publication.

For the first time since 2007, the Government will raise the rates per 1 km of trips by private cars used for business purposes. The new regulations will enter into force on the first day of the month following the month of publication of the new rates in the Journal of Laws.

III. Receipt of the reimbursement of costs of use of private cars requires conclusion of a contract

It must be noted that use of passenger cars, motorcycles and mopeds that are not employer's property by the employee for business purposes on local routes must be based on a civil law contract regarding use of the vehicle for business purposes concluded between the employer and employee on the terms and conditions prescribed in the Regulation. On the other hand, reimbursement of the costs of use of the vehicle by the employee for business purposes outside the municipality where the employer's registered office is located or outside the employee's permanent place of work is determined by the regulations on detailed terms of determination and value of payables due to the employee for business trips within the territory of the country.



IV. The kilometre limit depends on the size of the municipality in the commune

According to the regulations, the monthly kilometre limit for local trips shall be determined by the employer, and the limit shall be determined depending on the number of residences of the given commune or city where the employee is employed and cannot exceed: 300 km - up to 100 thousand residents, 500 km - over 100 thousand to 500 thousand residents, 700 km - over 500 thousand residents. Separate limits apply to employees of forest, national park and rescue services.

V. Reimbursement for use of a private car only in the form of a lump-sum

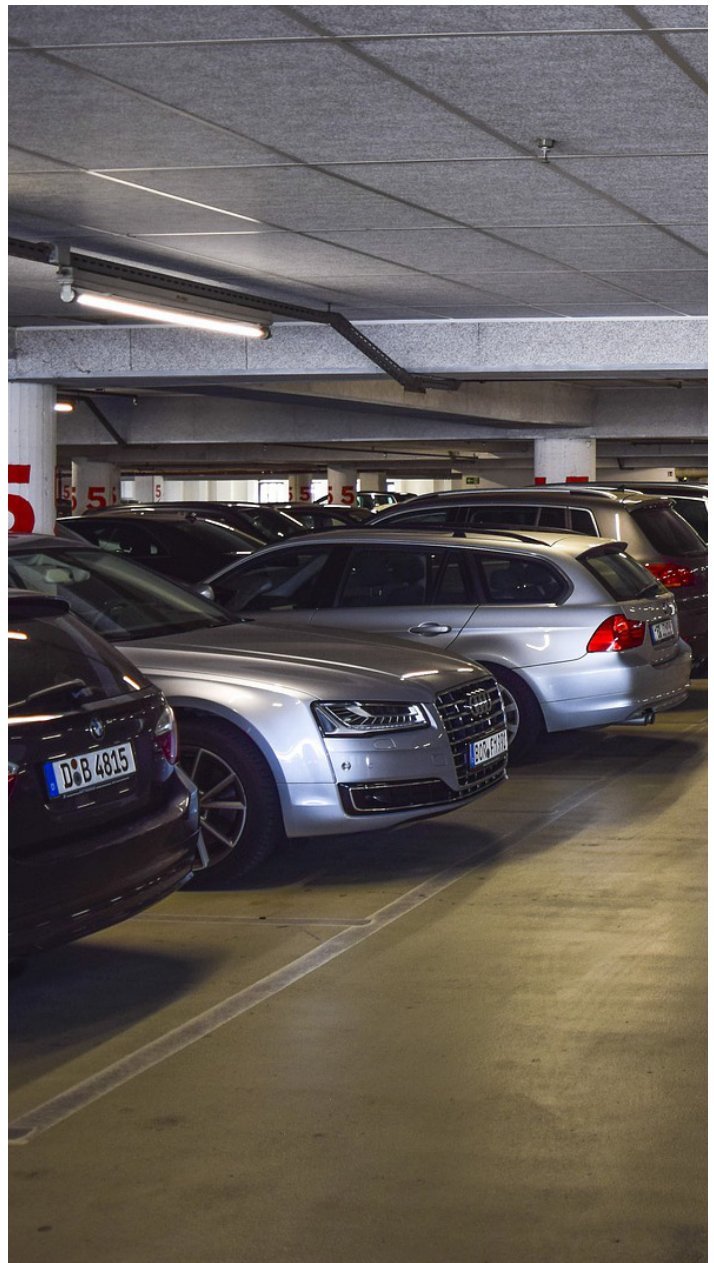
The costs of use of vehicles for business purposes are reimbursed in the form of a monthly lump-sum calculated as a product of the rate per 1 kilometre of the trip and monthly kilometre limit for local trips, after the employee submits a written declaration on use of the vehicle for business purposes in the given month. The employee's declaration must contain data regarding the vehicle (cylinder capacity, make, registration number) and specify the number of days of the employee's absence from work in the given month due to sickness, holiday leaves, business trips or other absence as well as the number of days when the employee did not have the car at his/her disposal for business purposes.

VI. The received lump-sum is the employee's revenue

The reimbursement of costs incurred on use of the private car for business purposes on local routes received by the employee is the employee's revenue under the employment relationship subject to taxation with personal income tax. The employer, as the payer, is obliged (under Article 31 and Article 38 of the Act on PIT) to deduct and pay PIT advances also on the reimbursement of costs connected with use of private cars for business purposes on local routes by employees.

VII. Lump-sum on use of private car exempt from PIT only in case of records

According to the Act on PIT, reimbursement of costs incurred by the employee on use of vehicles being the employee's property for the purpose of the employment establishment on local routes is exempt from PIT if the obligation of the employment relationship to incur such costs or the possibility to grant the right to reimbursement of such costs arise directly from other statutory laws - up to the value of the monthly lump-sum or up to a value not exceeding the amount determined based on the rates per 1 kilometre of the trip specified in separate laws issued by the proper minister if the vehicle mileage, excluding the monetary lump-sum payments, is documented in the vehicle mileage records kept by the employee.



VIII. Tax is due also on use of business cars after worktime

The employer shall also record accrual of lump-sum revenue subject to taxation with PIT for use of business cars by employees for private purposes. The lump-sum revenue of PLN 250 monthly accrues for an employee if a car with engine power (fuelled with petrol, Diesel oil or LPG) not exceeding 60 kW is made available to the employee. The same value of monthly revenue applies to employees using business electric or hydrogen powered cars for private purposes. On the other hand, the value of revenue of employees using business cars with engines with power exceeding 60 kW outside their worktime amounts to PLN 400 monthly.



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IX. Lump-sum revenue on business cars only for the days of use

If the employee uses a business car for private purposes only for a part of a month, the currently effective rules apply to determination of the revenue. This means that the value of the benefit gained by the employee on that account is determined as 1/30 of the statutory value of the monthly lump-sum for every day of use of the car for non-business purposes. On the other hand, if the vehicle is partially used against a fee, the value of the revenue is the difference between the monthly lump-sum calculated as discussed above and the fee paid by the employee.

The information presented herein does not constitute comprehensive information or opinion. Consult your adviser before making any decisions.

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