

Travel Allowances

The purpose of this document is to provide detailed information on travel allowances and conditions of their reimbursement.

What are travel allowances?

Travel allowances means reimbursement of expenses, usually, incurred by employees during their business trip, i.e. incurred by employees in a place other than their regular workplace.

What is regular workplace of an employee?

An employee's regular workplace is the place agreed in writing in the employment contract between the employee and the employer. For the employees who frequently change their workplace due to a separate nature of their job (e.g. drivers of motor vehicles), it is possible to agree the regular workplace at their permanent address (the employee's address).

Who is entitled to travel allowances?

- Employees working based on employment contract;
- Statutory bodies (e.g. Directors);
- Employees working based on work performance contract, work activities contract or temporary student job contract (if so agreed in the contract);
- Or other persons provided that specific conditions are met (proving travel allowances as tax deductible expenses might be problematic in the case of a tax audit)

Which kinds of travel allowances can be claimed?

During a business trip employees are entitled to receive the following kinds of allowances:

1. Meal allowance (so-called Per Diem);
2. Allowance for the use of one's own motor vehicle;
3. Reimbursement of other expenses (e.g. accommodation, parking, toll, admission to exhibitions, highway vignettes).

What is considered to be a business trip?

- ✓ An employee's business trip shall be considered a time period starting from the commencement of the employee's work in a place other than his/her regular workplace, including performance of his/her work at such other place, up to the employee's returning from such business trip.
- ✓ In the case of statutory bodies, a business trip can also include travelling from their permanent address to the company's seat.

What is not considered to be a business trip?

- ✗ An employee's business trip shall not be considered travelling from the employee's permanent address to his/her regular workplace.
- ✗ **Example:** If a driver in a truck transport business is sent by an employer to a business trip to Berlin, whereby his permanent address is in Trnava and his regular workplace is in Bratislava, then the driver's travel from his permanent address in Trnava to the seat of the company in Bratislava shall not be considered a business trip.

1. Meal allowance (so-called Per Diem)

In terms of meal allowance, it is necessary to distinguish between domestic and foreign business trip.

Meal allowance for domestic business trips

A domestic business trip means any business trip in the territory of the Slovak Republic. In the case of a domestic business trip the amount of meal allowance is determined based on duration of the business trip, as follows:

Duration of the domestic business trip within a calendar day	Employee's entitlement to meal allowance in the amount of (valid from 1 June 2018)
less than 5 hours	€ 0.00
5 hours up to 12 hours including	€ 5.10
more than 12 hours up to 18 hours including	€ 7.60
more than 18 hours	€ 11.60

Example: An employee was sent to a business trip from Bratislava to Košice, the trip commenced on 1 October 2018 at 04:00 p.m. in Bratislava and ended on 4 October 2018 at 02:00 p.m. again in Bratislava. No free meal was provided to the employee during the business trip. The amount of meal allowance during this business trip shall be determined as follows:

Date	Duration of a business trip	Meal allowance
1 Oct 2018	8 h	€ 5.10
2 Oct 2018	24 h	€ 11.60
3 Oct 2018	24 h	€ 11.60
4 Oct 2018	14 h	€ 7.60

Employee's total entitlement to meal allowance = € 5.10 + € 11.60 + € 11.60 + € 7.60 = € 35.90.

Meal allowance for foreign business trips

A foreign business trip commences in the moment of border crossing, i.e. leaving Slovakia and entering foreign country and it ends in the moment of border crossing, i.e. leaving foreign country and returning back to Slovakia. In the case of the below means of transport, the determining time of border crossing means:

- Road or railway transport – actual time of Slovak border crossing;
- Airplane transport – plane departure according to the flight schedule.

During a foreign business trip, an employee is entitled to meal allowance in dependence on the duration of the business trip in a foreign country, as follows:

Duration of a foreign business trip within a calendar day	Employee's entitlement to meal allowance in the amount of
less than 6 hours including	25% of meal allowance base rate*
more than 6 hours up to 12 hours including	50% of meal allowance base rate*
more than 12 hours	meal allowance base rate*

* For the summary of meal allowance base rates structured by individual countries see Annex.

In the case that several borders are crossed within one calendar day, meal allowance is determined, as follows:

1. At first, calculate the **total number of hours that were** spent on a foreign business trip (outside the territory of the SR).
2. Use the meal allowance base rate of that country, in which the business trip took **most of time**.
3. In the case that an employee spent the same number of hours in several countries within one calendar day, the employer shall provide the employee with the meal allowance of that country which is the most beneficial for the employee.

Example: An employee was sent to a business trip from Trnava through Bratislava to Hamburg, which commenced on 1 October 2018 at 06:00 a.m. and ended 3 October 2018 at 02:45 p.m. again in Trnava. No free meal was provided to the employee during the business trip. The amount of the employee's meal allowance shall be determined as follows:

Date	Country	Arrival	Departure	Duration of a business trip	The amount of meal allowance
1 Oct 2018	Trnava (SR)	-	06:00 a.m.	5.5 h	€ 5.10
	Bratislava (SR)	06:30 a.m.	11:30 a.m.		
	Czech Republic	11:30 a.m.	04:30 p.m.	5 h	CZK 600
	Germany	04:30 p.m.	-	7,5 h	€ 45
2 Oct 2018	Germany	-	-	24 h	€ 45
3 Oct 2018	Germany	-	09:00 a.m.	9 h	€ 45
	Czech Republic	09:00 a.m.	02:00 p.m.	5 h	CZK 600
	Trnava (SR)	02:45 p.m.	-	0.75 h	€ 0.00

On 1 October 2018 and 3 October 2018, the meal allowance base rate for Germany was used, as on these days the employee's business trip took the most there.

Employee's total entitlement to meal allowance = € 5.10 (1 Oct) + € 45 (1 Oct) + € 45 (2 Oct) + € 45 (3 Oct) = € 140.10.

Conversion of meal allowance denominated in foreign currency

When converting the amount of meal allowance denominated in a foreign currency, a reference exchange rate calculated and announced by the European Central Bank which is valid **on the first day of the month** in which the foreign business trip commenced shall be used.

Example: An employee was sent by an employer for a foreign business trip from Bratislava through Austria and Germany to Switzerland. The business trip commenced on 15 October 2018 at 10:00 a.m. in Bratislava and ended on 16 October 2018 at 09:30 p.m. again in Bratislava. No free meal was provided to the employee during the business trip. The amount of the employee's meal allowance shall be determined as follows:

Date	Country	Arrival	Departure	Duration of a business trip	The amount of meal allowance
15 Oct 2018	Bratislava (SR)	-	10:00 a.m.	0.5 h	€ 0.00
	Austria	10:30 a.m.	02:30 p.m.	4 h	€ 45
	Germany	02:30 p.m.	08:00 p.m.	5.5 h	
	Switzerland	08:00 p.m.	-	4 h	
16 Oct 2018	Switzerland	-	03:30 p.m.	15.5 h	CHF 80
	Austria	03:30 p.m.	08:30 p.m.	5 h	
	Bratislava (SR)	09:30 p.m.	-	1 h	€ 0.00

The employee's total entitlement to meal allowance = € 45 (15 Oct) + CHF 80 (16 Oct), whereby CHF 80 shall be converted to EUR using a reference exchange rate valid on 1 October 2018, i.e. CHF 80 x 1.1414 = € 91.312. After rounding, the employee's total entitlement to meal allowance is € 136.32.

Free meals provided and reduction in meal allowance

An employee is entitled to the stated meal allowances only if there is no free meal provided to him/her during a domestic or foreign business trip. In the case that an employee has a free meal provably provided, at least partially, during the business trip within a calendar day, (e.g. invoice for accommodation also includes breakfasts and dinners etc.), the employer shall **reduce** such employee's meal allowance:

Domestic business trips with free meal provided: <ul style="list-style-type: none"> • Breakfast: reduction by 25% of meal allowance for the time zone exceeding 18 hours (= 25% of € 11.60), i.e. by € 2.90. • Lunch: reduction by 40% of meal allowance for the time zone exceeding 18 hours (= 40% of € 11.60), i.e. by € 4.64. • Dinner: reduction by 35% of meal allowance for the time zone exceeding 18 hours (= 35% of € 11.60), i.e. by € 4.06. 	Foreign business trips with free meal provided: <ul style="list-style-type: none"> • Breakfast: reduction by 25% of meal allowance for the time zone exceeding 12 hours • Lunch: reduction by 40% of meal allowance for the time zone exceeding 12 hours • Dinner: reduction by 35% of meal allowance for the time zone exceeding 12 hours
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Calculated amount of reduction shall not be rounded. Calculated amount of meal allowance shall be rounded, up to the nearest eurocent. Meal allowance is rounded in this way separately per each calendar day. Meal allowance is not rounded for the business trip as a whole.

Entitlement to meal allowance arises, if:

- ✓ an employee arranges meals himself/herself (the receipt proving payment for the meal is not necessary)
- ✓ an employee uses an advance received from an employer to cover expenses for meals (the advance is then netted off with the entitlement to meal allowance)

Entitlement to meal allowance does not arise, if:

- ✗ an employer or other legal entity or natural person provides an employee with free meal
- ✗ breakfast, lunch and/or dinner are included in the invoice for accommodation (meal allowance is reduced)

Example: An employee was sent by the employer to a foreign business trip from Bratislava to Linz, which commenced on 1 Oct 2018 at 04:30 p.m. in Bratislava (Slovak-Austrian border was crossed at 05:00 p.m.) and ended on 2 Oct 2018 at 01:30 p.m. again in Bratislava (Austrian-Slovak border was crossed at 01:00 p.m.). During this business trip, the employee was accommodated in a hotel and he had breakfast in the hotel (invoice for accommodation included accommodation and breakfast). In the case of this business trip, the amount of meal allowance for the employee shall be determined as follows:

Date	Duration of a foreign business trip	Employee's entitlement to meal allowance in the amount of	Provided meal / Reduction in meal allowance	Entitlement to meal allowance in the amount of
1 Oct 2018	7 hours	50% of the meal allowance base rate (i.e. $0.5 \times \text{€ } 45 = \text{€ } 22.5$)	Meal not provided/ no reduction	€ 22.5
2 Oct 2018	13 hours	Meal allowance base rate (i.e. € 45)	Provided breakfast/reduction by 25% of the meal allowance base rate	$\text{€ } 45 - (0.25 \times \text{€ } 45) = \text{€ } 33.75$

The employee's total entitlement to meal allowance for the foreign business trip = € 22.5 + € 33.75 = € 56.25.

Entitlement to meal allowance for the domestic business trip did not arise for the employee as it took only 2 x 30 min.

If the employee was provided with free meals in full (breakfast, lunch, dinner) during the business trip, he/she is not entitled to any meal allowance.

2. Allowance for the use of one's own motor vehicle

If an employee and an employer **agree in writing** that the employee will use his/her own motor vehicle during the business trip, he/she shall be entitled to:

- **Basic allowance** in the amount of € 0.193 per each 1 km of driving;
- **Allowance for consumed fuel** which is based on:
 - **Number of kilometres driven** during the business trip – it is determined based on the data in the speedometer (structured by "driving within the city" and "driving outside the city" or "combined")
 - **Fuel consumption** – it is determined based on the vehicle registration papers
 - **Fuel price per 1 litre** valid during the purchase – it is proved by the receipt proving the purchase or an average price defined by the Statistical Office of the SR.

Entitlement to allowance for the use of a motor vehicle arises, if:

- ✓ following a written agreement between an employee and an employer, the employee uses his/her own motor vehicle

Entitlement to allowance for the use of a motor vehicle does not arise, if:

- ✗ an employee covers the purchase of fuel by a corporate payment card, he/she is not entitled to the allowance for consumed fuel (however he/she is entitled to the basic allowance)

Example: Following the agreement with an employer, an employee used during a business trip his own private vehicle. At the beginning of the business trip the employee fuelled up 50 litres, the price of fuel was € 1.25 per litre, this was proved by the receipt. During the business trip he drove 400 km (data from the speedometer), thereof 90 km were driven in the city. The vehicle's registration papers state fuel consumption according to UNECE Regulation:

- outside the city = 7.2 l / 100 km
- within the city = 10.3 l / 100 km

Allowance for the use of the vehicle based on the receipt proving the purchase of fuel is calculated as follows:

Basic allowance = 400 km x 0.193 €/km = € 77.20

Allowance for consumed fuel in the city = (90 km x 10.3 l/100 km : 100) x 1.25 €/l = € 11.5875

Allowance for consumed fuel outside the city = (400 km – 90 km) x 7.2 l/100 km : 100 x 1.25 €/l = € 27.90

Allowance for consumed fuel in total = 11.5875 + 27.90 = € 39.4875

Total allowance for the use of the employee's vehicle = € 77.20 + € 39.4875 = € 116.6875; after rounding, the employee's total entitlement to the allowance for the use of the vehicle is € 116.69.

Example: Following the agreement with an employer, an employee used, during a business trip, his own private vehicle. During the business trip he drove 400 km (data from the speedometer), thereof 90 km within the city. During the clearance of this business trip the employer applied:

- "Combined" fuel consumption according to UNECE = 8.5 l / 100 km; and
- Average price defined by the Statistical Office of the SR for particular day.

Allowance for the use of the motor vehicle:

Basic allowance = 400 km x 0.193 €/km = € 77.20

Allowance for consumed fuel in total = (400 km x 8.5 l/100 km : 100) x 1,408 €/l = € 47.872

The total allowance for the use of the motor vehicle = € 77.20 + € 47.872 = € 125,072; after rounding, the employee's total entitlement to the allowance for the use of the motor vehicle is € 125.08.

The resulting amount of the basic allowance and allowance for consumed fuel is rounded up to the nearest eurocent.

3. Reimbursement of other expenses

Other expenses incurred during a business trip include e.g. accommodation, parking, toll, admission to exhibitions, and highway vignettes.

Entitlement to such reimbursement arises, if:

- ✓ an employee pays these expenses and then submits to an employer the documents proving their payment (we recommend that the invoice for these expenses includes identification data of the company)
- ✓ an employee uses an advance received from an employer for payment for these expenses (then, the advance is netted off with entitlement to such reimbursement)

Entitlement to such reimbursement does not arise, if:

- ✗ an employer pays for an employee's accommodation, parking, etc.
- ✗ an employee covers such expenses with a corporate payment card

Example: Following his/her return from the business trip, the employee submitted to the employer documents proving the payment for accommodation in the hotel - 2 nights stay in the amount of 50 €/night. The employee is entitled to reimbursement of accommodation expenses in provable amount $(2 \times 50 \text{ €}) = 100 \text{ €}$.

Flat travel allowances

Under certain circumstances, an employer can define flat reimbursement of individual travel allowances provided in the case of domestic and foreign business trips in order to minimize administrative burden. The provision of flat travel allowances is convenient especially in the case of employees who regularly travel for business under similar conditions.

Calculation of a flat allowance

- when calculating the amount of a flat allowance, an employer applies average conditions for the provision of allowances to an employee or a group of employees
- employer may proceed in a way that he/she defines certain average amount (e.g. daily, weekly, monthly, quarterly, etc.), which covers several recurring allowances (travel allowances, meal allowances, accommodation expenses)
- it is an onerous act of an employer, and so the consent of an employee or labour union body is not necessary
- an employer is obliged to take into consideration an employee's statutory titles, as well as, his/her legitimate interests

The conditions of flat travel allowances' application

- an employer should **produce a written calculation** for each so defined flat travel allowance; the written calculation shall document the calculation method and its content
- an employer is obliged to review and reconsider regularly the flat travel allowance and in the case of significant changes, the employer is obliged to recalculate the defined flat travel allowance and adjust it in a way that it corresponds with real state

We note that **defining flat travel allowances is inconvenient in the case of employees who travel for business but often under different conditions.**

Advance for travel allowances and clearance of business trips

When sending an employee to a foreign business trip, an employer is obliged to provide the employee with an advance up to the amount of expected allowances.

Employee	<ul style="list-style-type: none"> is obliged within 10 working days after returning from a business trip to submit to the employer written documents that are necessary for travel expense clearance, and return to the employer excessive advance.
Employer	<ul style="list-style-type: none"> is obliged within 10 working days after the date when written documents are submitted to make clearance of a business trip and settle the employee's claims is responsible for clearance of business trips

In principle, the employer should make clearance of a business trip for each employee's business trip separately, but in practice the Tax Office accepts, in the case of several business trips of one employee, single clearance for the whole calendar month.

If the employer and the employee have agreed to interrupt the business trip, the employee is not entitled to reimbursement of the expenses incurred by him/her during the interruption of the business trip.

When the business trip is cleared, the total employee's entitlement in EUR is rounded up to the nearest eurocent.

If, on the basis of the clearance, a payable in a foreign currency arises for the employer, then the reference exchange rate calculated and announced by the European Central Bank which is valid on the day preceding the clearance of travel expenses shall be applied (except for meal allowances in which case the exchange rate that is valid on the first day of the month in which the foreign business trip started shall be used - see the section "Conversion of meal allowance denominated in foreign currency").

Assessment of travel allowances in terms of income tax

An employee is entitled to all the travel allowances stated in this document in statutory amounts and an employer is obliged to reimburse to the employee such travel allowances. This applies to the so-called travel allowances that can be claimed. However, in addition to these statutory travel allowances, the employer may provide his employees with other or higher travel allowances, the so-called travel allowances that cannot be claimed. Such division of the travel allowances into those that "can be claimed" and those that "cannot be claimed" is decisive for their tax assessment.

Travel allowances that can be claimed

- ✓ an employer is obliged to provide them to the employee who is sent to a business trip
- ✓ an employer **does not pay** income tax on salaried occupational activities and mandatory contributions from such travel allowances
- ✓ are tax expenses of an employer (including VAT)

Travel allowances that cannot be claimed

- ✗ an employer can agree them in the collective agreement, employment contract or other written agreement or define them in an internal regulation
- ✗ an employer **pays** income tax on salaried occupational activities and mandatory contributions from such travel allowances
- ✗ are tax expense for an employer (including VAT) only **in the case** that the employer and the employee have agreed on such allowances in the employment contract and the employer **pays income tax on salaried occupational activities and mandatory contributions** from such travel allowances

Assessment of travel allowances in terms of value added tax

An employer is not entitled to deduct value added tax for the reimbursement of travel allowances that were incurred by an employee during a domestic or foreign business trip regardless of the fact whether the documents include the name of the employee or employer.

In the case that an employer still wants to deduct value added tax for the reimbursement of travel allowances that were incurred by the employee during a domestic or foreign business trip, we recommend to do 2 separate clearings.

1. **Clearing of a business trip without the possibility to deduct VAT**, where this mainly includes the following travel allowances:
 - Meal allowances
 - Reimbursement of expenses for flight tickets
 - Reimbursement of expenses proved by the documents received from VAT non-payers
 - Reimbursement of expenses proved by the documents containing foreign VAT, which will not be claimed by the employer due to different reasons
2. **Clearing of employee's expenses that were incurred on behalf of employer with the possibility to deduct VAT**, where the following conditions must be met:
 - Document proving incurred expense must include the employer's name; and at the same time
 - Document proving incurred expense must apply Slovak or foreign VAT correctly, and the employer shall claim refund of such VAT

If you have any further questions, do not hesitate to contact us.

Your EHATAX team