



FINACONT TAX NEWSLETTER

Commuting to work and assignment – reimbursement options



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Commuting to work

According to the Labor Code the employer is obliged to reimburse the employee's expenses incurred due to the fulfillment of the employment relationship. This includes the reimbursement of travel expenses of commuting to work.

The employer is required to pay the costs of daily commuting to work and travelling home at weekends without further consideration if the worker's permanent or usual residence and his workplace is not in the same place.

Commuting to work means daily travelling to work and back home with distance travel for working purposes between the place of work and the place of

residence of the employee not being in the same administrative area or with local community travel means for transit purposes.

The employer is obliged to reimburse at least 86% of the total price of the ticket or travel pass for interurban buses, trains and Budapest public transport, but the reimbursement of the total price of a ticket or pass is also free of taxes. For receiving the reimbursement it is enough to give the ticket or pass to the accounting.

Daily travelling to work and back home with working purposes between the place of work and the place of residence within the same administrative area is **also considered to be commuting to work** if the worker cannot reach his workplace either by local or interurban public transport due to its geographical location.

In such cases the **obligatory amount of reimbursement to be paid on to and return trips is 9 HUF / km.**



The employee is entitled to receive cash reimbursement if:

- a) there is no public transport between the place of residence and the workplace of the employee;
- b) the employee is unable to use the public transport system or is able to use it only with long waiting time due to his or her work schedule;
- c) the employee is unable to use public transport means due to his or her reduced mobility or severe disability under the government decree on the rules of the qualification and review of severe disability and the disbursement of disability grants, including the case when an employee's travel to work is ensured by his or her relative as per in Point b) of Section 294 of the Labor Code.
- d) the employee has a child in nursery school or a child under the age of ten studying in public education.

The compulsory rate of reimbursement of expenses related to travelling to home at weekends is 86% of the price of the ticket of travelling home, but **up to HUF 35.340 per month**.

Assignment

Assignment will take place if the actual place of work of the employee is not the same as his or her registered workplace.

The tax treatment should be based on the Act on Personal Income Tax saying that **an assignment means** a travel necessary to perform tasks related to the activity of the employer and ordered by the employer, in particular working in a place other than the

one set out in the employment contract, not including traveling back and forth from the place of residence to the place of work.

The taxation of amounts received in connection with assignment may differ; some of them should not be taken into account when income is calculated, while other costs can be recognized.

If an employee **uses means of public transport** during his assignment, the cost of travel ticket can be reimbursed on the basis of an invoice issued to the employer.

If the employee is provided with a company car, there will be no costs incurred by the private individual (employee) and thus no reimbursement will be made.

If the employee uses his or her own car, costs can be reimbursed on the basis of a mileage record or an assignment order.

If an assignment order is used, the amount calculated on the basis of the standard fuel consumption rate and the fuel price provided by the tax authorities for the kilometer distance specified in the assignment order and the amount determined on the basis of standard car costs of HUF 15 / km can be reimbursed tax-free. If the reimbursement is more than this above-specified amount, the total cost reimbursed shall be treated as taxable income.

If a mileage record is used, the product of the standard fuel consumption rate and the fuel price provided by the tax authorities or the purchase of fuel verified by an invoice can be reimbursed, however, the amount of the latter one may not exceed the amount calculated with the consumption standard. The

maintenance and repair costs evidenced by an invoice can also be reimbursed.

Practical examples to distinguish between assignment and commuting

1. An employee lives in Gödöllő, he usually does his job in Budapest, but sometimes he has to travel to Miskolc for a day to the employer's site.

The daily round trip between Gödöllő and Budapest is considered as commuting to work. If the employee sets off to the site in Miskolc directly from his home and does not stop at his place of work in Budapest, the travel shall be regarded as official business travel (assignment). However, if the employee starts his travel from his place of work in Budapest, the Gödöllő-Budapest section of the trip will be considered as commuting, while the Budapest-Miskolc section will be an official business travel. The return travel should be treated the same way.

2. An employee lives in Budapest and the registered seat address of his employer is in Budapest, but the employee does not perform his daily work at the registered seat address, but one day he works at Vác, then he travels to Göd and from there to home, while on other days he starts his work in Dunakeszi from where he travels home through the registered seat address.

As the employee does his job in several locations, the employer's seat address in Budapest is considered to be the workplace. Therefore, every travel is regarded as assignment in taxation terms, except for travelling home from the registered seat address which is within administrative boundaries and thus is not regarded as commuting.

Please contact our colleagues if you wish to have a detailed interpretation of this legislation as this newsletter offers general understanding.

Should you have any questions, please do not hesitate to contact us.

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