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The lump-sum income from company car use for private purposes includes the costs of fuel - says the general ruling issued by the Ministry of Finance

The value of income from the use of company cars for employees' private purposes is determined as a lump sum in the PIT Act. The Minister of Finance, in a general ruling issued on 11 September 2020 (DD3.8201.1.2020), confirmed that the lump sum also includes the value of fuel purchased by the employee on the employer's account.

Some things made easier, other - harder

According to the PIT Act, the use of company cars by employees for private purposes is a gratuitous benefit which gives rise to income for the employee; the income amounts to:

- PLN 250 per month - for cars with engine capacity up to 1600cm³;
- PLN 400 per month - for cars with engine capacity exceeding 1600cm³.

The lump-sum income for employees using company cars was implemented in order to facilitate settlements for employers. Verification of the amount of income earned by the employee who used a company car was problematic and time-consuming. Therefore, the legislator implemented a regulation which established a lump-sum amount of income from the "company car use". Unfortunately, the term was not precisely defined, and consequently it was unclear which costs are to be included in the lump sum for company car use for private purposes.

One of the most problematic costs was the cost of fuel, which is necessary to use a car. Courts and tax authorities presented divergent opinions in this respect.

Discrepancies in interpretation of the law

Tax authorities were of the opinion that the lump sum included costs of insurance, repairs, inspections of the car, but excluded the costs of fuel. The tax rulings issued in this respect indicated that the gratuitous income from the costs of fuel should be defined according to the rules laid down in Article 11(2a)(4) of the PIT Act, i.e. according to market prices. This interpretation of the law has led to complaints filed by taxpayers with administrative courts.

The courts issued rulings contrary to the above opinion, which were favourable for taxpayers. The courts' arguments were based on linguistic interpretation of the term "company car use". The courts held that the use of company cars was intended to accomplish some goal or profit. The employee's goal in this respect was to reach the place of work or to return home. Company cars could not be used for this purpose without incurring the costs of fuel. Therefore, if the legislator did not precisely define or enumerate the costs covered by the lump sum, it should be assumed that they included primarily the costs which would normally be incurred by the employee using the car. Such costs certainly included the amounts spent for the purchase of fuel.

The Minister of Finance shared the interpretation presented by courts

The Minister of Finance put an end to this dispute by issuing a general ruling. He changed the standpoint presented by the authorities and shared the position presented by the courts. The Minister indicated that the lump sum included costs of maintenance and general use of the car incurred by the employer, such as: fuel, insurance, tyre change, current repairs, periodic inspections, which the employer, as the car owner, must incur for the car to be operative and drivable on roads.

To sum up - employers may include the costs of fuel in the lump sum for the company car use with no risk of such inclusion being contested by tax authorities.

If you would like to learn more about the presented changes or talk about their impact on the activities of your company, we please do not hesitate to contact us.

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