

# Tax Alert

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We work together with our colleagues in other PricewaterhouseCoopers' offices world-wide and use our access to international know-how and long-term experience to quickly and efficiently solve tax issues that arise both locally and in foreign jurisdictions.

For more information, please see our contact details below.



On 30 December 2008, the Estonian Government approved the increase of compensation rate for use of private car for business purposes. Amendments are effective as of 1 January 2009.

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## The compensation rate for use of private car is increased

As of 1 January 2009, the monthly non-taxable reimbursement rate for use of private car for business purposes is increased from EEK 2000 to EEK 4000.

If employees or members of the management board keep a logbook for use of their private cars for business purposes the employer is allowed to compensate to an individual 4 EEK/km, but not more than 4000 EEK/month.

As a consequence, tax exempt compensation may be provided for a maximum of 1000 km instead of 500 km that was allowed earlier.

If several employers pay in the same month the compensation for the same individual then every employer can compensate EEK 4000 exempt from taxes.

In the absence of keeping the logbook for use of private car, it is continually permissible to pay the employee a non-taxable compensation in the monthly amount of EEK 1000 only.

## Additional information

Private car is considered to be a passenger car that is at the disposal of an employee or member of the management board and is not in possession of the employer.

The employer is required to submit once per year to the Tax and Customs Board a tax return on form INF 14. The return must be submitted by 10 April of the year following the calendar year when the payments to the employees for use of private cars were made.

