

## New vehicle mileage rates

**On January 17, 2023, regulations came into effect amending the Ordinance of March 25, 2002 on the conditions for determining and the manner of reimbursing the costs of using passenger cars, motorcycles and mopeds not owned by the employer for business purposes, which increased the mileage rates to be paid by the employer for employees' driving in private vehicles for business purposes.**

### FIRST INCREASE IN 16 YEARS

Mileage rates are being increased for the first time since 2007. This is a result of high inflation, as well as the rising cost of operating cars, including, among other things, large increases in fuel prices. This was the statement of reasons presented by the infrastructure ministry with the draft amendments to the regulation.

The mileage rate depends e.g. on the engine capacity of the vehicles used.

- For a passenger car with engine displacement:
  - up to 900 cc – PLN 0.89 (until January 16, 2023 it was PLN 0.5214);
  - over 900 cc – PLN 1.15 (until January 16, 2023 it was PLN 0.8358);
- for a motorcycle – PLN 0.69 (until 16.01.2023 it was PLN 0.2302);
- for a moped – PLN 0.42 (until January 16, 2023 it was PLN 0.1382).

It is worth explaining how employers should handle employees' mileage claims that were submitted before January 17, but processed after that date. The amending ordinance regulates this issue, indicating that if the taxpayer's application is already processed after the amended regulations take effect, i.e. after January 17, the employer should already apply the new, higher rates. The fact that the employee's request was received prior to the amendment of the regulations is irrelevant.

It should also be remembered that the basis for the employer to recognize the expenses associated with an employee's use of a private car for business purposes as a tax deductible expense is the mileage logbook.

According to the provisions of the VAT Act, mileage logbook should include:

1. motor vehicle registration number;
2. the date on which record keeping begins and ends;
3. the odometer reading of the motor vehicle as of the date of commencement of recordkeeping, as of the end of each accounting period, and as of the date of termination of recordkeeping;
4. an entry by the person driving the motor vehicle, regarding each use of the vehicle, including:
  - a. next entry number,
  - b. date and purpose of the trip,
  - c. route description (from where – to where),
  - d. number of kilometers traveled,

	<ul style="list-style-type: none"> <li>e. name of the person driving the vehicle <ul style="list-style-type: none"> <li>- confirmed by the taxpayer at the end of each accounting period regarding the authenticity of the entry of the person driving the vehicle, if he/she is not the taxpayer;</li> </ul> </li> <li>5. the number of kilometers driven at the end of each accounting period and at the date of completion of recordkeeping.</li> </ul>
<p><b>DRIVING LOCALLY, RETURN WITH A STATEMENT</b></p>	<p>Let us also remind you that the mileage allowance applies when employees use their private cars, motorcycles or mopeds for local trips for business purposes and have signed an applicable civil law contract with the employer for this purpose. In addition, the employer sets a monthly limit for local drives for which mileage is due. This limit depends, among other things, on the population of the city or commune in which the enterprise is located. Provisions of the regulation indicate that these limits cannot exceed:</p> <ul style="list-style-type: none"> <li>■ 300 km – locations under 100,000 inhabitants;</li> <li>■ 500 km – cities with populations ranging from 100,000 to 500,000.</li> <li>■ 700 km – cities with a population of more than 700,000.</li> </ul> <p>Mileage allowance is paid as a monthly lump sum, which is calculated by multiplying the mileage rate by the mileage of the vehicle (driving for business purposes). The amount to be paid is calculated by the employee in a statement submitted to the employer. In case of absence of the employee (e.g., annual leave, illness) mileage is subject to a proportional reduction for the time the employee does not perform work.</p> <p>It is worth adding that, as a rule, the mileage paid is subject to PIT taxation, unless the provisions of the Personal Income Tax Law (in Article 21) indicate the possibility of applying an exemption from taxation (e.g. in the case of employees under 26 years of age).</p>
<p><b>BUSINESS AND FOREIGN TRAVEL ALLOWANCES</b></p>	<p>Let us also remind you that as of January 1, 2023, the per diem rate for domestic business trips has changed from PLN 38 introduced by the July 2022 increase to PLN 45. The last increase in per diem rates for foreign travel was in November 2022.</p>
<p><b>PIT, CIT AND SOCIAL SECURITY CONSEQUENCES IF INDIVIDUAL MILEAGE AND PER DIEM RATES ARE INTRODUCED INTO INTRA-COMPANY REGULATIONS</b></p>	<p>The regulations do not prohibit an employer from using individual mileage or per diem rates set internally for employee business travel. However, when making such a decision, one should be aware that any payments above the aforementioned limits will constitute additional employment income for employees subject to PIT taxation and Social Security contributions. In addition, in the case of mileage, the excess over the limit will not be tax deductible for the employer.</p>



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## CONTACT

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