



Tax Alert, July 2019

Rulebook on tax exemption from salary tax with respect to organizing recreational, sport and other activities for the employees

On 12 July 2019, Minister of finance has issued Rulebook on tax exemption from salary tax with respect to organizing recreational, sport and other activities for the employees, which more closely defines the application of the exemption from Article 18a of the Personal Income Tax Law.

Rulebook will enter into force **on 20 July 2019**.

Tax exemption from salary tax regarding the recreation at the work place, reimbursement of costs of collective recreation and organizing sport and other activities for the employees in order to improve their health and/or create a stronger bond among employees or between employees and the employer (team building) can be applied if following conditions are met.

Recreation at the work place

This benefit would not be considered as taxable employee's income if:

- Such benefit of the employer is properly documented;
- The employer has made the payment directly to the suppliers;
- If the recreation is defined with the general act of the employer;
- All the employees are entitled to the recreation of same type, volume and quality, as determined in the general act of the employer;

Reimbursement of costs for collective recreation

Tax exemption for this benefit would be applicable under the following conditions:

- Prescribed by the general act of the employer;
- Available to all employees under the same conditions i.e. same type, volume and quality;
- It is properly documented;
- Employer makes the payments directly to the suppliers.

Rulebook also clarifies what is to be deemed as reimbursement of costs for collective recreation, as well as in which the employer can combine different ways of reimbursement – noting that it is important that all particularities are defined in the employer's general act.

Provided that the benefits (reimbursement of costs or recreation at the work place) cannot be properly utilized due to the large number of employees, physical and functional division of businesses units with the employer, this tax exemption would be applicable if the employer provides proper space and time schedule for using these benefits.

In addition, if the employer has individuals which need specific type, quality and volume of the recreation, tax exemption would be applicable if this need is documented with appropriate medical forms and reports.

Organization of sports and other activities that tend to improve health and/or create a stronger bond among employees and between employees and employer (team building)

Tax exemption would be applicable under the following conditions:

- If these activities are prescribed in the general act of the employer and are executed based on the reasoned decision of the employer;
- If the right to participate has a significant number of employees (70% of the total number);
- If the right to participate is utilized by a significant number of employees (70% of total number that have the right to participate)
- If the expenses are documented;
- And if the payment of expenses is done directly to the supplier;

Exceptionally, if due to the large number of employees, physical and functional division of business units employer organizes multiple team buildings, this tax exemption would be applicable if the above conditions are met and if the right to participate has 70% of the employees on those events, in one calendar year.