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By PwC Deutschland | 10. September 2015

Comprehensive car insurance for employees

The finance ministry has decreed that an employer may upgrade an employee’s car insurance to comprehensive cover for business travel without tax consequences for the individual.

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For 2014, the Income Tax Act provision on employee travelling expenses was reworded to allow tax-free reimbursement of car expenses incurred on business journeys at actual, or at the highest rate for government officials as laid down in the Federal Travelling Expenses Act. Currently, this is €0.30/km. The finance ministry has now withdrawn a decree issued under previous law dealing with the tax treatment of the cost to an employer for proving additional insurance cover to an employee using his car on employer business. The consequence is that an employer may now upgrade or supplement an employee's third-party policy to provide comprehensive cover whilst using his car on the employer's business without tax consequences for the individual. Thus, the additional cost to the employer will neither be taxed as a benefit in kind, nor taken into account as a factor reducing the tax-free km allowance.

Schlagwörter

car expenses, insurance cover