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Motoring expenses

Some employees use their private cars for business purposes. Re-imburement of motoring expenses incurred can be dealt with in various ways. Employers are reminded that round-sum motoring expenses payments are taxable in full and must be treated as pay. Please see earlier paragraph 'Round-Sum Expenses'.

Re-imburement of Motoring Expenses by Flat-Rate Kilometric allowances

Where employees use their private cars for business purposes, re-imburement in respect of allowable motoring expenses can be made by way of flat-rate kilometric allowances.

There are two types of kilometric allowance schemes which are acceptable for tax purposes, if an employee bears all the motoring expenses:

- The prevailing schedule of Civil Service rates **or**
- Any other schedule with rates not greater than the Civil Service rates

Mileage

No tax liability is incurred where there is reimbursement by the employer of vouched expenses incurred for the purposes of the trade.

If a round sum expense allowance is given to an employee, it is regarded as income and taxed accordingly under PAYE. Subsequently, a claim for refund of income tax can be made based on allowable business expenditure incurred.

An employee may claim a mileage allowance, where they use their own private cars for business purposes and pay all expenses including petrol/diesel, insurance and other overheads. Provided the reimbursement is in accordance with Revenue guidelines at rates not in excess of Civil Service Mileage Rates, no prior agreement with the Inspector of Taxes is required.

Mileage rates are a good way to reimburse employees tax free. How does it work?

Where employees use their private cars or motorcycles for business purposes, reimbursement by the employer in respect of allowable motoring expenses can be made by way of flat-rate mileage allowances.

The key issue is whether an employee bears all the motoring expenses. If so, the expenses that can be paid are any amount not exceeding schedule of Civil Service rates. The employee has to submit detailed expense claims which must be kept by the employer as they could be subject to a future Revenue audit. Therefore, the employee just gets compensated for the use of their car on business trips so it is not a tax scheme to get a lot of tax free income to the employee.

The Civil Service motor mileage rates per KM for individuals who are obliged to use their car (or motorcycle) in the normal course of their duties are (with effect from 5 March 2009)

Motor Cars

Official Motor Travel in a calendar year	Engine Capacity: Up to 1,200 cc	Engine Capacity: 1,201 cc to 1,500 cc	Engine Capacity: 1,501 cc and over
Up to 6,437km	39.12 cent	46.25 cent	59.07 cent
6,438km and over	21.22 cent	23.62 cent	28.46 cent

There is also a similar system for subsistence payments.

Subsistence Allowances

Subsistence allowance can be paid to staff who work away from base in carrying out their duties of employment.

CIVIL SERVICE SUBSISTENCE RATES

From 5 March 2009

Class of Allowance	Over Night Allowance			Day Allowance	
	Normal Rate	Reduced Rate	Detention Rate	10 hours or more	5 to 10 Hours
	₪	₪	₪	₪	₪
A	108.99	100.48	54.48	33.61	13.71
B	107.69	92.11	53.87	33.61	13.71

Class	Salary
A	Excess ₪69,659
B	< ₪69,659

Normal Rate Up to 14 nights

Reduced rate Next 14 nights

Detention rate Absence over 28 nights.

Special rules apply to absences over 56 nights.

The day and night allowance cannot be paid in respect of the same period

There are detailed rules and conditions governing the payment of subsistence allowances. Advice should be taken before proceeding with any payments.