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FACTSHEET LABOUR LAW REIMBURSEMENT OF EXPENSES AND TRAVEL COSTS TO EMPLOYEES



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In everyday working life, it is a regular and frequent occurrence that employees have to advance expenses for their employer. The correct reimbursement of these items causes many companies great problems and is very complex in detail. In the following, we present the essential guidelines, without this being a substitute for a concrete assessment of the individual case.

As a general rule, the **reimbursement of all expenses advanced by employees must be included in the respective monthly payroll ("nómina")**. Depending on the type of expense, they are treated differently for tax and social security purposes. Although it is common for employers to reimburse their employees for expenses "in cash", this is an illegal practice.

Therefore, the most important advice to employers is to avoid this bureaucratic effort if possible by having **the company pay the expenses directly itself**, be it through direct bookings of e.g. hotel stays or by providing the employees with company credit cards. These expenses paid by the employer in this way then only have to be proven with a ticket or an invoice and booked as a business expense.

Among travel expenses, a distinction must be made between those that are reimbursable and those that are not reimbursable, which determines their tax and social security treatment:

- **Reimbursement of amounts advanced by the employee: travel expenses incurred by the employee on behalf of the company are non-wage items and, therefore, not subject to taxation or contributions, which must be reimbursed to the employee without any financial limit, upon presentation of the receipts or invoices, through the payroll.** The company must be able to provide documentary proof that the expense has actually been advanced by the employee and that it is a purely professional expense.
- **Non-reimbursable amounts: Lump sums paid to an employee travelling or travelling for the company for catering expenses are exempt from taxation and social security contributions up to certain amounts, if the journey is to a municipality other than the employee's usual place of work and residence. The same applies to mileage paid to an employee travelling in his or her own vehicle.** Exempted subsistence expenses vary depending on whether there is an overnight stay and whether the journey is within or outside Spain (see table below). **Excesses over these amounts are subject to taxation and contributions.** Travel must always be justified.



Travel expenses			Exempted amount	Non-exempt amount (tax and contribution)	
Subsistence and catering expenses ("dietas ")	Subsistence expenses		Justified amount	Unjustified amount	
	Catering expenses	Overnight	In Spain	53,34 € / day	The excess over these amounts
			Abroad	91,35 € / day	
	No overnight (1)	No overnight (1)	In Spain	26,67 € / day	
			Abroad	48,08 € / day	
Travel costs		Public transport	Justified amount	Unjustified amount	
		On their own account	0,26 € / kilometre plus justified tolls and parking	The excess over these amounts	

(1) For aircrew the exempted amounts are different.

Example:

An employee, who lives and works in Barcelona, is sent by his employer to visit a client in Madrid (including hotel stay). He drives with his car to Madrid in the afternoon and on the way he eats in a rest stop (with receipt). The company had paid the hotel directly (an invoice is issued with company details). The employee pays for the parking in cash at the parking machine (with ticket). At noon the next day, after the appointment with the client, he drives back to Valencia and refuels shortly before arriving.

Several items will be reflected in the next payslip:

- The parking costs, 1:1 as reimbursable travel expenses, not subject to taxation or contribution.
- Mileage exempt from tax and contribution up to 0.26 €/km. If the employer pays, for example, €0.31/km, €0.05/km is subject to tax and contribution.
- Hotel expenses are not reimbursed, as they are paid directly by the company.
- Tax-free and contribution-free subsistence expenses 80.01 euros (1*53.34 euros for overnight stay on the first day + 1*26.67 euros for the second day). If the employer pays, for example, EUR 100.00, EUR 19.99 are subject to tax and contribution.
- The meal in the rest stop is covered by the paid per diem, so there is no additional reimbursement.
- As an alternative to a flat-rate allowance, the employer can reimburse all meal expenses (up to the amount of the company's internal guidelines) on presentation of the relevant receipts or invoices.
- If the employee had travelled by company car, he/she would not receive a mileage payment, but would be reimbursed for the petrol expenses paid in advance (in this case, the invoice should be issued with the company's details).
- All amounts paid to the employee (subsistence and/or mileage allowance) or reimbursed (other travel expenses) must be reflected on the pay slip.

Labour law department

Lozano Schindhelm



CONTACT

Fernando Lozano

Abogado, Asesor Fiscal, Managing Partner

f.lozano@schindhelm.com

Axel Roth

Abogado, Rechtsanwalt, Partner

a.roth@schindhelm.com

Bilbao

Barroeta Aldamar, 7

E-48001 Bilbao

T +34 944 25 66 98

bilbao@schindhelm.com

Denia

Marqués de Campo, 27

E-03700 Denia

T +34 965 78 27 54

denia@schindhelm.com

Madrid

Juan Álvarez Mendizábal, 32

E-28008 Madrid

T +34 915 47 51 25

madrid@schindhelm.com

Palma de Mallorca

Pere Dezcallar i Net, 13

E-07003 Palma de Mallorca

T +34 971 21 32 54

palma@schindhelm.com

Valencia

Conde de Salvatierra, 21

E-46004 Valencia

T +34 963 28 77 93

valencia@schindhelm.com

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