

# CWT info

Vienna, 24 September 2008

## **Bonus miles - Income Tax Guidelines 2002 - 1<sup>st</sup> Amendment 2008**

Dear Customers,

we would like to inform you of the latest income tax amendment on the topic of bonus miles.

In an amendment passed on 4<sup>th</sup> July 2008, BMF-010222/0157-VI/7/2008, the Austrian Ministry of Finance published changes in the Income Tax Guidelines 2002.

Effective 1<sup>st</sup> January 2008, the Income Tax Guidelines 2002 are now to be applied in the 1<sup>st</sup> Amendment 2008 version.

### **Excerpt: 3.8. Private use of certain bonuses in kind**

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The employer is in principle entitled to any bonuses (e.g. bonus miles) credited for work-related travel as part of a customer loyalty program (e.g. frequent flyer program).

If the employee is allowed to use such bonus miles for private purposes, this constitutes a work-related benefit and must hence be assessed as regular work income.

The bonus does not constitute a payment in kind if the employee declares to his employer in writing that he is not participating in a customer loyalty program, or if the employer does not grant the employee the opportunity to make use of the benefits earned.

No payment in kind exists if the employee uses his "bonus miles" for work-related travel, including for upgrades on work-related flights.

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The amount of benefits is to be assessed pursuant to Art. 15 Para. 2 of the Income Tax Act 1988 by applying the usual median prices at the location of use.

Alternatively, it is possible to estimate the payment in kind as a lump sum based on empirical values, at 1.5% of the expenses borne by the employer (e.g. airfare, hotel accommodations). The benefit can then be accounted for over the entire calendar year, at the latest in the December payroll.

#### Example:

Expenses for an employee's work-related flights during the month of March come to 4,000 EUR, and in September and October to 3,000 EUR respectively. The employer gives the employee the "bonus miles" accruing from these flights for his personal use. The resulting payment in kind attributable to the working relationship can be estimated at 150 EUR (1.5% of 10,000 EUR) and must be registered as income for taxation purposes at the latest for the calendar month of December.

Note: A case is currently being heard before the Austrian Supreme Administrative Court under the reference number 2007/15/0293 following the decision UFS Graz on 25<sup>th</sup> October 2008, RV/01113-G/05, ARD 5842/16/2008.

Status as of 8<sup>th</sup> September 2008

If you have questions on how the above applies to your company, please contact your tax advisor.

Yours truly,

Your Carlson Wagonlit Travel Team