



## **Tax Savings with Discount Cards and Vouchers**

Note: *Most discount cards and vouchers were eliminated in the 2018 Budget*

If you work for a company that helps with the cost of lunches, daycare tuition, schooling and nursing home costs, you should consider using these allowances in the form of electronic cards or specific discount vouchers to achieve greater tax savings. Both you and your employer will find them fiscally advantageous.

The same fundamental principle works across the board with most forms of these discount cards and vouchers. Rather than you paying for expenses from after-tax earnings, your employer supports these expenses via discount cards and vouchers as part and parcel of your remuneration package. These payments are considered deductible running costs in the company's books, not wages.

### **Tax Discounts**

Electronic payment cards and coupons which maximise tax incentives are increasingly sought-after solutions to replace standard subsidies traditionally paid in cash. There are currently several groups that offer these cards and vouchers.

These alternative forms of remuneration enjoy fiscal and parafiscal exemptions which make them more advantageous for both workers and the company. The amount granted via the card is exempt from the employer's Social Security contribution ("TSU" - *Taxa Social Única*). In the case of childcare vouchers, the amount payable is also enhanced as a deductible expense in "IRC". Employees are "IRS" exempt on the amount received, thereby lowering their overall taxable income and rate of assessment. However, keep in mind that these amounts are also not taken into account in the calculation of long-term social benefits, such as contributions towards old age pensions.



### **Meal Allowance - *Cards are preferable***

There is a growing number of companies that have switched from cash payments to loading an electronic card to provide their employees' meal allowance. They are also accepted for grocery payments in participating establishments.

Meal allowances paid in cash are exempt from “IRS” up to €4.27. The exemption jumps to €6.83 for subsidies paid via electronic cards, a boost of 60%. The increase comes from tax savings in “IRS” and Social Security, not higher costs to the employer. By using the card and avoiding cash, you have a larger amount available to spend plus more flexible spending options.

### **Daycare and Education Tuition**

Childcare and school fees usually account for a considerable portion of a family budget, so daycare and student checks are one of the social benefits most valuable for employees with children under 25. If the school is part of an associated network, the employee can deduct the attributable amount each month by giving the institution the respective cheque or voucher.

### **Creches**

*Childcare cheques help employees and the company*

Opting for a daycare check instead of seeing the value incorporated into regular taxable earnings is fiscally advantageous for both employees and employer. Workers do not pay “IRS” or Social Security on the amount received, and they can apply the subsidy in its entirety towards daycare tuition.

The company is exempt from Social Security contributions on the value of the daycare cheque and can deduct this amount as an expense with a 40% enhancement. At the end of the year, the full amount (140%) is deductible from corporate profits for “IRC” purposes.



## **Schools**

### *Social Security exemption for student check*

Some companies continue to provide social support to their employees after their children reach school age by granting an education allowance or a student's cheque accepted at participating schools. By opting for this coupon, instead of receiving the extra value in regular remuneration, the worker pays less tax, since this income is exempt from Social Security contributions. The company also takes advantage of the equivalent exemption.

## **Nursing homes**

### *Social Security exempt allowance*

Sharing the nursing home payments for family members is a benefit that can make a difference to an employee's household budget. The Company can share in the costs of nursing homes by granting a discount voucher within the network of adhering establishments. The same tax breaks exist as with the education allowances for school-age children. The subsidy given in the discount coupon is considered as a 100% cost to the company, which does not pay Social Security contributions on the amount allocated. Likewise, the worker is exempt from Social Security payment on the amount received, if paid by discount voucher.

## **DISCOUNT CHEQUES WITH NO TAX BREAKS**

There are other forms of discount checks that do not carry fiscal benefits but can be used by employers to reward workers by covering certain expenses.

## **Shopping Vouchers**

### *Discounts vouchers at participating stores*

Celebrating partnerships with merchant networks allow many companies to award discount coupons to their collaborators on purchases made in stores that are associated members. In practice,



it is prepaid voucher that the employer can write down as an expense. The attribution of these shopping coupons is unregulated and may be given spontaneously to an employee, without specific justification. However, keep in mind that they do not carry any tax break.

### **Commuting and Transportation**

#### *Car Cheques share transportation expenses*

Assigning vouchers to a worker's car is an initiative used by some companies, that, with this additional benefit, seek to minimize the cost of transport by including expenses for fuel and car repairs. These coupons can be deducted by the company as a cost but otherwise have no tax advantages.

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