

# Tax implications of personal transportation reimbursement

## Understanding Taiwan Tax Regulations

When a company's employees, directors, or supervisors use their own personal vehicle for business transportation, reimbursement and taxes on those reimbursements should be taken into account.

### Background

When a company's employees, directors, or supervisors use their own personal vehicle for business transportation, reimbursement and taxes on those reimbursements should be taken into account. The tax implications of the actual cost, deemed cost, and fixed allowance methods of reimbursement are summarized below.

### 1. Reimbursement based on the actual cost method

If a company enters into a contract with its salespeople by which it agrees to reimburse their use of private vehicles for business purposes, including reimbursements for gasoline, repair expenses, parking expenses, and highway tolls, then such expense reimbursements can be recognized as valid business expenses.<sup>1</sup>

Based on this method, it is possible to reimburse actual expenses incurred by the employee without creating taxable income for the employee. However, in practice, it may be difficult to prove how much of the expenses incurred are for business purposes and how much arises from personal use.

### 2. Reimbursement based on the deemed cost method

A company may also reimburse the travel expenses of employees using private vehicles by providing a deemed sum based on mileage. The reimbursement must not exceed the equivalent train ticket or taxi fare.<sup>2</sup>

The current taxi fare is roughly TWD 26 per kilometer. Using this method, the amount of travel reimbursement granted is generally sufficient to cover depreciation, repairs,

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ruling 75.04.22 TaiTsaiSui 7523491

<sup>2</sup> For more information, see the MOF ruling 69.07.02 TaiTsaiSui 35247

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<sup>1</sup> For more information, see the Ministry of Finance (MOF)

maintenance, and gas expenses. The amount given to employees based on mileage is tax-free for the employee. A copy of a travel claim report signed by the employee and approved by the employer must be provided.

### 3. Fixed travel allowance

A company can also select to provide employees with a fixed monthly travel allowance, although the allowance is taxed as part of the employee's salary. Due to these tax implications, this is not a popular method in Taiwan.

### 4. Business travel expenses directors, supervisors and shareholders

Company directors, supervisors or shareholders in charge of running the business can also claim business travel expenses using the methods above.<sup>3</sup>

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<sup>3</sup> For more information, see the MOF ruling 71.12.08

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