GLOBAL COMPLIANCE GUIDE

Taxation and Business Travel Expenses: A Global Guide for Multi-Entity Businesses—2026

Rules, rates and compliance requirements across the USA, Canada, UK, Europe, UAE , Australia and India

Published June 2026 • All rates verified against primary regulatory sources • For finance and compliance teams

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SECTION 1

Introduction: Why this matters for multi-entity businesses

The problem that keeps finance directors awake

A senior finance director at a mid-sized professional services firm recently described her challenge this way: her company operated entities in the United Kingdom, the United States, Germany, and Canada, each with employees travelling regularly for client work. She had twelve different expense policy documents, four different mileage rates in circulation, two compliance incidents in the previous tax year, and a month-end close that was extending by two to three days because expense reconciliation across entities was taking far longer than it should.

She was not unusual. In 2026, this is the operating reality for thousands of businesses that have grown beyond a single country of operation — often faster than their finance infrastructure has kept pace.

The core difficulty is this: business travel expenses appear straightforward on the surface. An employee travels for work, incurs costs, submits receipts, gets reimbursed. But in practice, the tax treatment of those expenses — what is deductible for the business, what is taxable for the employee, what documentation is required, and at what rates reimbursement is tax-free — varies enormously from one jurisdiction to the next. And those variations are not cosmetic. They carry material tax risk, employee relations consequences, and compliance exposure that can be painful and expensive to unwind.

> **SCALE OF THE CHALLENGE**
> The GBTA (Global Business Travel Association) estimated in 2025 that global corporate travel spend exceeded $1.57 trillion. For multi-entity businesses, even a 1% compliance error rate on travel expense claims represents a significant tax and payroll exposure — particularly in jurisdictions where HMRC, the IRS, or the ATO applies interest and penalties to underpayments.

What changes when you operate across multiple countries?

When a business operates in a single jurisdiction, managing travel expense tax compliance is manageable — even if it is tedious. The rules are fixed, the rates are known, and a single expense policy can govern everything. That simplicity disappears the moment a business adds a second jurisdiction, and each additional country compounds the complexity.

The specific challenges that multi-entity businesses face include:

- **Rate divergence.** The mileage rate for a UK employee using their own car (55p per mile as of April 2026) is materially different from the equivalent rate for a US employee (72.5 cents per mile, per IRS Notice 2026-10), a German employee (€0.30 per kilometre per the BMF), and a

Canadian employee (73 cents per kilometre per the CRA). Applying the wrong rate in any direction creates either a taxable excess payment or an under-reimbursement that affects employee morale and may trigger Mileage Allowance Relief claims.

- **Document retention periods.** The IRS requires records to be kept for at least three years from the date of filing the relevant return. HMRC requires six years. Germany's GoBD rules require ten years. Australian ATO guidance requires five years. Indian income tax rules require eight years. A single global retention policy of three years — the US minimum — would expose a business to compliance failure in Germany, the UK, India, and elsewhere.
- **Digital receipt acceptance.** All six jurisdictions covered in this guide now accept digital receipts in principle, but the technical requirements for what constitutes an acceptable digital record differ. Germany's GoBD rules are particularly prescriptive about how digital documents must be stored and whether original paper receipts can be discarded after scanning. An expense management system that is HMRC-compliant may not be GoBD-compliant without additional configuration.
- **Employee vs. employer tax treatment.** In the UK, the tax treatment of business travel expenses flows through PAYE — an employer that reimburses above HMRC's Approved Mileage Allowance Payment (AMAP) rate must report the excess through payroll and pay Class 1A National Insurance contributions. In the US, employer reimbursements under an accountable plan are excluded from taxable income; reimbursements under a non-accountable plan are fully taxable as wages. These distinctions require completely different payroll and expense system configurations for each entity.
- **Per diem structures.** Germany has a statutory per diem framework (Verpflegungsmehraufwand) governed by the Federal Ministry of Finance (BMF), with specific meal deductions when meals are provided. The US has a GSA per diem system that varies by city and changes annually. The UK uses HMRC benchmark scale rates. Australia uses ATO reasonable allowances. India uses employer-set allowances governed by Section 10(14) of the Income Tax Act 1961 (now replaced by the Income Tax Act 2025 from April 2026). None of these systems are compatible with each other, and none can be safely replaced by a single global per diem rate without creating tax exposure in multiple jurisdictions.
- **Cross-border travel.** When an employee based in the UK travels to Germany on business, which country's rules govern which expenses? The answer depends on whether the reimbursement is provided by the UK entity or the German entity, whether the employee is temporarily assigned or on a short business trip, and what double taxation treaties say about employment income treatment. For businesses with frequent cross-border travel, this is not an edge case — it is a core compliance question that requires specific policy and system design.

Why 2026 is a particularly important year

Three significant regulatory changes in 2026 make this the right moment to review and update global travel expense compliance frameworks:

1. **UK HMRC AMAP rate increase.** From 6 April 2026, HMRC increased the Approved Mileage Allowance Payment (AMAP) rate for cars and vans from 45p to 55p per mile — the first increase in over 13 years (announced in May 2026 and backdated to the start of the 2026/27 tax year). Any UK entity still paying the old 45p rate is under-reimbursing employees, who may now claim Mileage Allowance Relief on the difference. Expense management systems not yet updated to 55p are creating compliance gaps daily.
2. **IRS standard mileage rate increase.** The IRS increased the standard business mileage rate from 70 cents per mile in 2025 to 72.5 cents per mile effective 1 January 2026, per IRS Notice 2026-10. US entities with mileage reimbursement policies referencing a specific rate rather than 'the current IRS rate' may be under-reimbursing employees without realising it.
3. **India's new Income Tax Act 2025.** India's new Income Tax Act 2025 came into effect from 1 April 2026, replacing the Income Tax Act 1961. Leave Travel Concession (LTC) provisions have been relocated to Schedule III under Rule 278 of the draft Income-tax Rules 2026, with new block periods and updated conditions. Indian entities — and global businesses with Indian subsidiaries — need to review their LTC and travel allowance configurations to ensure alignment with the new legislation.

This guide covers the detailed rules, current 2026 rates, and compliance requirements for major jurisdictions across the Americas, Europe, the Middle East, and Asia-Pacific: the United States, the United Kingdom, Germany, Canada, Australia, and India. It is designed for finance directors, finance managers, and compliance teams in multi-entity businesses — not as a substitute for professional tax advice in any jurisdiction, but as a working reference that helps finance teams understand what questions to ask, what rates to apply, and what documentation to maintain.

PROFESSIONAL ADVICE DISCLAIMER

The rates and rules in this guide are based on publicly available regulatory guidance as of June 2026. Tax legislation changes frequently. Nothing in this document constitutes tax advice for any specific organisation or individual. Always verify current rates with the relevant authority and seek qualified tax advice before making compliance decisions.

SECTION 2

The universal compliance framework

Before examining jurisdiction-specific rules, it is worth establishing the compliance framework that underlies travel expense tax treatment in virtually every country. Despite the significant differences in rates, per diem structures, and documentation requirements, the same four fundamental questions govern business travel expense compliance everywhere:

Question 1: Is this a business expense?

In every jurisdiction covered in this guide, a travel expense is only deductible and reimbursable tax-free if it is incurred wholly and exclusively for business purposes. This sounds straightforward, but it creates genuine complexity in practice. Commuting from home to a regular workplace is not a business travel expense anywhere. A detour to visit a personal contact on a business trip may render part of the trip non-deductible. A hotel upgrade beyond what is reasonable for business travel may be treated as a personal benefit.

The specific tests differ: the IRS uses 'ordinary and necessary' (IRC §162). HMRC uses 'wholly, exclusively and necessarily incurred in the performance of the duties of the employment' (ITEPA 2003). The German Income Tax Act (Einkommensteuergesetz, §4(5)) prohibits deduction of expenses with a private component beyond defined thresholds. The Australian ATO requires expenses to be incurred 'in the course of gaining or producing assessable income.' The principles are similar; the precise legal tests and their application differ in ways that matter in edge cases.

Question 2: Has the expense been properly documented?

Documentation requirements exist in all jurisdictions and serve two purposes: they give tax authorities confidence that the expense was genuinely incurred for business purposes, and they provide the evidence needed to substantiate the amount claimed. The minimum documentation requirements are similar across jurisdictions:

- The amount of the expense
- The date the expense was incurred
- The business purpose of the expense
- The name or identity of the payee (supplier, hotel, restaurant, etc.)
- In many jurisdictions, the names of other parties involved in the expenditure (e.g. who attended a business meal)

What varies significantly is the format that documentation can take (paper vs. digital), the retention period, and the circumstances in which per diem allowances can replace receipt-based documentation.

Question 3: Has the expense been reimbursed correctly?

In most jurisdictions, a business can reimburse employees for legitimate business travel expenses without creating a taxable benefit — provided the reimbursement is for actual expenses incurred, does not exceed the amounts actually spent, and meets the jurisdiction's specific requirements. Where these conditions are not met — for example, where a flat allowance is paid regardless of actual spend, or where reimbursement exceeds the approved rate — the excess is typically treated as taxable income in the hands of the employee and may attract employer payroll obligations.

Per diem rates provide an alternative to receipt-based reimbursement in many jurisdictions. Their advantage is administrative simplicity — employees do not need to collect meal receipts. Their limitation is that the approved rate may not match actual costs, particularly in high-cost cities. Most jurisdictions allow actual-cost reimbursement as an alternative to per diem allowances.

Question 4: Have records been retained for the required period?

Record retention requirements vary significantly and are one of the most commonly overlooked compliance gaps for multi-entity businesses. A global policy of retaining expense records for three years — the US minimum — will create compliance exposure in Germany (ten years), India (eight years), the UK (six years), and Canada (six years). The correct approach for a multi-entity business is either to retain all records for the longest applicable period across all jurisdictions (ten years for a business with a German entity) or to implement jurisdiction-specific retention schedules in the expense management system.

The accountable plan principle

Many jurisdictions distinguish between reimbursements made under an 'accountable plan' (where the employee has to document and substantiate the expense, return any excess, and the reimbursement is not treated as compensation) and reimbursements outside such a plan (where amounts are treated as taxable wages). The US uses this terminology explicitly (IRS regulations §1.62-2). The UK equivalent is the distinction between employer-approved expenses that are exempt from PAYE and those that must be reported. Germany distinguishes between lump sum tax-free reimbursements and those subject to income tax. The mechanism differs; the principle — that documented, proportionate, business-purpose reimbursements are treated differently from undocumented flat payments — is universal.

SECTION 3

United States — IRS rules and 2026 rates

United States of America

Governing authority: Internal Revenue Service (IRS) · Department of the Treasury

Business mileage rate (2026)	72.5¢/mile (1 Jan–30 Jun, Notice 2026-10); 76¢/mile from 1 Jul (Ann. 2026-11)
Medical / moving rate	20.5¢/mile (Jan–Jun); 23.5¢/mile from 1 Jul 2026
Charitable rate	14¢/mile (2026, set by statute)
FAVR vehicle cost limit	$61,700 for autos, trucks, or vans (2026)
Depreciation portion of business rate	35¢/mile (2026)
GSA per diem — Washington DC (M&IE)	$92/day meals & incidentals (FY2026)
Record retention	Minimum 3 years from date of filing the relevant return
Primary legislation	Internal Revenue Code §162 (ordinary and necessary business expenses); regs §1.62-2

NOTE

The IRS made a rare mid-year adjustment in 2026: the business rate was 72.5¢ for 1 Jan–30 Jun 2026, then rose to 76¢ from 1 July 2026 (Announcement 2026-11) to reflect higher fuel costs. Records must show the date each mile was driven so the correct rate applies. Separately, the OBBBA permanently disallowed the itemised deduction for unreimbursed employee travel expenses, so accountable-plan reimbursement is now the only tax-effective route for most employees.

What counts as a deductible business travel expense in the US

Under IRC §162, an ordinary and necessary business expense incurred away from the employee's 'tax home' overnight is deductible. The tax home is generally the employee's regular place of business — not their personal residence. Travel expenses that qualify include:

- **Transportation:** flights, trains, taxis, rideshare, and mileage for personal vehicle use
- **Lodging:** hotel costs for the nights away from the tax home on business

- **Meals:** 50% deductible when incurred while away from the tax home overnight (the 50% limitation applies to the business, not the employee)
- **Incidental expenses:** tips, laundry, and minor costs directly associated with the business travel

Commuting costs — travel between an employee's home and their regular place of work — are explicitly not deductible under US law, regardless of the distance involved. This is one of the most common misunderstandings among employees submitting expense claims.

The accountable plan requirement

For a business reimbursement to be excluded from an employee's taxable income, it must be made under an 'accountable plan' as defined in IRS regulations §1.62-2. An accountable plan requires:

1. **Business connection:** the expense must have a business connection — it must be deductible under IRC §162 or must be related to the employer's business
2. **Substantiation:** the employee must provide an adequate accounting of the expense within a reasonable period (generally 60 days)
3. **Return of excess:** any excess reimbursement above the actual expense must be returned to the employer within a reasonable period (generally 120 days)

Reimbursements that do not meet all three accountable plan requirements are treated as paid under a non-accountable plan. Under a non-accountable plan, all reimbursements are included in the employee's taxable wages, subject to income tax withholding and Federal Insurance Contributions Act (FICA) taxes. This is a material difference — a $10,000 non-accountable plan reimbursement will cost the employee several thousand dollars in additional income tax.

For multi-entity businesses with US operations, the accountable plan framework is fundamental. Every expense reimbursement process must be designed to satisfy all three requirements, and the documentation that employees submit must be sufficient to substantiate the business purpose, amount, and timing of each expense.

The 2026 IRS standard mileage rate in detail

IRS Notice 2026-10 announced the increase to 72.5 cents per mile effective 1 January 2026, up from 70 cents per mile in 2025. This represents a 3.6% increase, reflecting the IRS's annual review of fixed and variable costs of operating an automobile, including fuel prices, insurance rates, maintenance costs, and vehicle depreciation. In response to rising fuel costs, the IRS has announced an uncommon midyear adjustment to the standard mileage rate. Effective for travel between July 1 and December 31, 2026, the business mileage reimbursement rate has increased to 76 cents per mile, according to the IRS announcement made on July 13, 2026.

The standard mileage rate has two important properties that multi-entity businesses must understand:

- **Optional, not mandatory.** Employers are not required to use the IRS standard mileage rate. They can reimburse employees at a higher or lower rate. However, if the reimbursement exceeds the IRS standard rate, the excess is treated as taxable income to the employee unless the employer can demonstrate that the employee's actual vehicle costs exceeded the standard rate.
- **Year of first use.** If an employee uses their personal vehicle for business in 2026 and chooses the standard mileage rate, they must continue using that method for that vehicle in subsequent years. A switch to actual expense method is allowed, but a switch back from actual to standard mileage is not permitted for a vehicle previously used for business under the standard mileage method.

GSA per diem rates

The US Government Services Administration (GSA) publishes annual per diem rates for meals and incidental expenses (M&IE) and lodging for locations across the United States. While these rates are mandatory for federal government employees, they serve as the standard reference for private sector businesses using per diem arrangements.

For the fiscal year October 2025 to September 2026, the standard per diem rate for meals and incidentals in Washington DC is $92 per day, broken down as $23 for breakfast, $26 for lunch, $38 for dinner, and $5 for incidentals. For the first and last days of travel, the IRS allows 75% of the applicable per diem rate.

Rates vary significantly by location. High-cost cities like New York, San Francisco, and Boston have substantially higher per diem rates than the standard federal rate. Businesses using per diem arrangements should apply location-specific GSA rates rather than a single flat rate to avoid creating taxable benefits for employees in high-cost locations.

Documentation requirements

The IRS requires that travel expense documentation include: the amount of the expense; the time of the travel (dates and duration); the place of travel (destination); the business purpose of the travel; and, for entertainment expenses, the names and business relationships of the people involved.

The IRS accepts digital receipts and electronic records, provided they are legible, contain the required information, and are stored in a manner that makes them retrievable. Paper originals can generally be discarded after scanning, provided the digital image is a complete and accurate copy.

The contemporaneous requirement is important: records should be created at the time of the expense, not reconstructed later. Expense reports submitted weeks after a trip, without supporting receipts, are vulnerable to IRS challenge. The IRS takes a particularly dim view of meal expenses without documentation of the business purpose and attendees — these have historically been the most heavily scrutinised category in audits.

ENTERPRISE IMPLICATION FOR US ENTITIES

Any multi-entity business with US operations must ensure that its expense management system is configured to apply the 2026 IRS rate of 72.5 cents per mile, require documentation of business purpose and attendees for all entertainment and meal claims, and enforce the accountable plan substantiation timeline (60 days for submission, 120 days for return of excess). Failure on any of these points converts otherwise exempt reimbursements into taxable wages, triggering income tax withholding, FICA obligations, and potential penalties.

SECTION 4

United Kingdom — HMRC rules and 2026/27 rates

United Kingdom

Governing authority: HM Revenue & Customs (HMRC) · Income Tax (Earnings and Pensions) Act 2003

Car/van AMAP — first 10,000 miles	55p per mile — from 6 April 2026 (increased from 45p, first change since 2011)
Car/van AMAP — over 10,000 miles	25p per mile (unchanged)
Motorcycle AMAP rate	24p per mile (unchanged)
Bicycle AMAP rate	20p per mile (unchanged)
Passenger payment (per passenger)	5p per mile (unchanged)
Scale rate — day subsistence	£5 (5+ hours); £10 (10+ hours) — benchmark rates
Scale rate — overnight away	£25 overnight subsistence (benchmark rate)
Record retention	6 years from end of the relevant tax year
Primary legislation	ITEPA 2003; Finance Act 2015; HMRC EIM guidance

NOTE

AMAP rate increase from 45p to 55p announced May 2026, backdated to 6 April 2026 (start of 2026/27 tax year). Employers who paid 45p in April/May 2026 should review and pay any shortfall.

The AMAP framework: how it works

The Approved Mileage Allowance Payment (AMAP) framework, governed by ITEPA 2003 sections 229–236, allows employers to reimburse employees for business travel in their own vehicles without any income tax or National Insurance consequences, provided the reimbursement does not exceed the approved rates.

The 2026/27 rate of 55p per mile for cars and vans represents a significant and long-overdue increase. The previous rate of 45p per mile had been frozen since 2011 — 15 years during which fuel costs, insurance premiums, and vehicle operating costs rose substantially. For an employee driving 10,000 business miles per year, the increase from 45p to 55p represents an additional £1,000 in tax-free reimbursement annually.

The two-tier structure — 55p for the first 10,000 miles and 25p thereafter — recognises that high-mileage business drivers have already recovered the fixed costs of vehicle ownership (insurance, road tax, depreciation) and are primarily incurring variable costs (fuel, wear and tear) on subsequent miles.

Practical compliance points for UK entities

- Employers are not obliged to pay the AMAP rate — they can pay less, or more. But payment above the AMAP rate generates a taxable benefit equal to the excess, which must be reported to HMRC and attracts Class 1A National Insurance contributions from the employer at 14.9% (2026/27 rate).
- If an employer pays below the AMAP rate, the employee can claim Mileage Allowance Relief (MAR) on the difference through their self-assessment tax return — reducing their personal tax liability.
- The 5p per mile passenger payment allows a further tax-free payment when an employee carries a fellow employee as a passenger on a qualifying business journey.
- Commuting between home and a permanent workplace is never qualifying business mileage under HMRC rules, regardless of distance.
- Travel to a temporary workplace (defined as a workplace where the employee attends for a period of no more than 24 months and that attendance is not expected to be permanent) qualifies as business travel under HMRC rules.

Scale rate payments

Scale rate payments allow employers to pay employees a fixed daily allowance to cover meal and subsistence costs when travelling on business, without requiring the employee to produce receipts for every purchase. HMRC publishes benchmark scale rates that can be applied without HMRC approval. Higher rates require a formal HMRC approval process (HMRC EIM30220).

The benchmark scale rates for 2026/27 are: £5 for day travel involving absence from home or work of five hours or more; £10 for absence of ten hours or more; £25 for overnight accommodation away from home. These rates cover meals and incidentals only — actual accommodation costs are reimbursable separately against receipts.

For multi-entity businesses with UK employees who travel internationally, the overseas rates published by HMRC (EIM30220) apply in place of domestic benchmark rates. These rates are published country by country and are updated periodically.

PAYE and payroll obligations

Unlike the US accountable plan framework, UK business travel expense reimbursements are handled through the PAYE system. The key distinction is between:

- **Qualifying business expenses** — reimbursements that are exempt from income tax and National Insurance. These do not need to be reported on P11D or processed through payroll, provided they meet the qualifying conditions.
- **Benefits in kind (P11D items)** — reimbursements that exceed approved rates, or allowances that are not tied to actual business travel, must be reported on form P11D and attract Class 1A National Insurance.
- **Payrolled benefits** — from April 2026, most benefits in kind must be reported in real time through payroll rather than on annual P11D forms, under HMRC's mandatory payrolling regime.

The introduction of mandatory payrolling of benefits from April 2026 is a significant operational change for UK entities. Expense management systems that previously relied on year-end P11D reporting for excess mileage and out-of-policy reimbursements now need to integrate with payroll in real time.

HMRC's Making Tax Digital (MTD) requirements

UK businesses registered for VAT are required to maintain digital records of VAT on business expenses and file VAT returns through HMRC's MTD-compatible software. From April 2026, MTD for Income Tax (ITSA) extends digital record-keeping obligations to sole traders and some landlords with qualifying income — with wider rollout in subsequent years.

For multi-entity businesses with UK VAT-registered entities, this means expense management software must maintain a digital audit trail of VAT amounts on expenses in a format compatible with MTD requirements. Paper-based or manual expense processes that cannot produce a compliant digital audit trail are not MTD-compatible and create compliance risk for the UK entity.

KEY ACTION FOR UK ENTITIES IN 2026

Update mileage rates in expense management systems from 45p to 55p per mile immediately — this change is backdated to 6 April 2026. Any employee reimbursed at 45p per mile for journeys since 6 April 2026 is entitled to a top-up payment of 10p per mile, payable tax-free. The failure to update rates does not just create a compliance gap — it affects employee pay. Review whether mandatory payrolling of benefits applies to your UK entity from April 2026, and update payroll integrations accordingly.

SECTION 5

Germany — BMF rules and 2026 rates

Federal Republic of Germany	
Governing authority: Bundesministerium der Finanzen (BMF) · Einkommensteuergesetz (EStG)	
Mileage — personal vehicle	€0.30 per kilometre (Kilometerpauschale, unchanged in 2026)
Per diem — partial day (8+ hrs)	€14 (Verpflegungsmehraufwand — small meal allowance, unchanged)
Per diem — full day (24+ hrs)	€28 (full day meal allowance, unchanged)
Per diem — first/last day	€14 (same as partial day rate)
Accommodation	Actual cost; receipted invoice required; BMF letter Dec 2025 updates international lump sums
Three-month rule	After 3 continuous months at one location it becomes a 'regular workplace' — per diems cease to be tax-free
Record retention (GoBD)	10 years for commercial records; 6 years for business letters
Primary legislation	EStG §4(5), §9; BMF letters on Reisekostenrecht; GoBD (BMF letter 28 Nov 2019)

NOTE

Germany's domestic per diem rates are set by the BMF and last increased in 2020. International rates are updated annually by BMF letter — the December 2025 letter sets 2026 international per diem rates for over 180 countries.

Germany's Reisekostenrecht: the travel expense law framework

Germany has one of the most structured and codified business travel expense frameworks in the world. The core legislation is the Einkommensteuergesetz (Income Tax Act), specifically §4(5) (for business expenses generally) and §9 (for employee income-related expenses). The practical application is governed by a series of BMF letters (Bundesministerium der Finanzen guidance letters) that set specific rates and conditions for tax-free reimbursements.

Four categories of travel expense are defined under German law, each with specific rules:

1. **Fahrtkosten (transport costs):** Reimbursement for getting to and from the destination. For personal vehicles, the tax-free rate is €0.30 per kilometre. For vehicles with six or more seats, it is €0.35 per kilometre. Actual transport receipts (flights, trains, taxis) are reimbursable at cost.
2. **Verpflegungsmehraufwand (meal allowances):** The additional subsistence costs incurred during business travel. These are fixed by the BMF as flat-rate per diems — €14 for absences of 8 to 24 hours and €28 for full days. If the employer provides a meal, the per diem is reduced: 20% for a provided breakfast, 40% each for provided lunch or dinner.
3. **Übernachtungskosten (accommodation costs):** Reimbursed at actual cost against receipted invoices. No fixed lump sum is available for tax-free employer reimbursement of accommodation in Germany (unlike some other jurisdictions). The BMF publishes non-binding lump sum accommodation rates for international travel, but these are for employee self-deduction purposes, not for employer tax-free reimbursement.
4. **Reisenebenkosten (incidental travel expenses):** Other costs directly arising from the business trip — car parking, highway tolls, phone calls, luggage storage, and similar. These are reimbursable at actual cost against receipts.

The three-month rule: a critical compliance trap

One of the most significant and frequently misunderstood features of German travel expense law is the Dreimonatsfrist — the three-month rule. When an employee is sent to work at a single location for a continuous period, the tax-free treatment of per diem meal allowances ceases after three months at that location.

After three continuous months at the same external workplace, the tax authority treats that location as a neue Tätigkeitsstätte — a new regular workplace. From that point, travel between home and that location is no longer qualifying business travel, and per diem meal allowances are no longer tax-free. The three-month clock resets if the employee interrupts the assignment for at least four weeks.

For multi-entity businesses that post employees to German subsidiaries, project sites, or client locations for extended periods, the three-month rule must be actively tracked. An expense management system that continues to pay German per diems after the three-month threshold has been crossed is creating taxable income for the employee and a payroll compliance exposure for the entity.

GoBD: Germany's digital record-keeping requirements

Germany's Grundsätze zur ordnungsmäßigen Führung und Aufbewahrung von Büchern — the GoBD — imposes some of the most prescriptive digital record-keeping requirements of any jurisdiction in this guide. The GoBD (BMF letter, 28 November 2019) governs how business records, including expense receipts, must be stored electronically.

Key GoBD requirements for expense management:

- Digital records must be stored in a format that is machine-readable, tamper-evident, and retrievable throughout the mandatory retention period (ten years for commercial records)
- Paper receipts that are scanned must be scanned completely and accurately; the original paper may be discarded only if the digital copy meets GoBD requirements for verifiability
- The expense management system must maintain a complete audit trail of who created, modified, and approved each expense record
- A Verfahrensdokumentation (process documentation) must exist, describing how the electronic archiving system works and how records are protected from manipulation

Many generic expense management systems that are compliant with HMRC or IRS digital receipt requirements are not automatically GoBD-compliant. German entities specifically — or multi-entity businesses with German entities — need to verify that their expense management system meets GoBD requirements, not just the requirements of the group's home country.

KEY ACTION FOR GERMAN ENTITIES

Review all long-term project assignments in Germany for the three-month rule. Any employee on assignment at a single external location for over three months needs their expense treatment reviewed — per diem meal allowances should cease or be processed as taxable income. Verify that your expense management system's digital archive meets GoBD requirements, including the Verfahrensdokumentation.

SECTION 6

Canada — CRA rules and 2026 rates

Canada

Governing authority: Canada Revenue Agency (CRA) · Income Tax Act RSC 1985

Mileage — provinces (first 5,000 km)	73¢ per kilometre — effective 1 January 2026 (announced 14 Jan 2026)
Mileage — provinces (over 5,000 km)	67¢ per kilometre
Mileage — territories (first 5,000 km)	77¢ per km (Yukon, NWT, Nunavut — 4¢ higher)
Mileage — territories (over 5,000 km)	71¢ per kilometre
Maximum deductible lease cost	$1,100 per month before tax (2026, unchanged)
Max automobile loan interest	$350 per month (2026, unchanged)
Prescribed taxable benefit rate	34¢/km (general); 31¢ (vehicle sales employees)
Record retention	6 years from end of relevant tax year
Primary legislation	Income Tax Act RSC 1985 c.1 (ITA); IT-522R; CRA automobile guidance

NOTE

The 2026 CRA mileage rate represents a 3-cent increase from 2025 (70 cents for provinces). Finance Canada announced the new rates on 14 January 2026, effective from 1 January 2026.

The CRA automobile allowance framework

Canada's approach to business mileage reimbursement is broadly similar to the US system, but with important differences in structure and thresholds. The CRA sets annual prescribed automobile allowance rates — the rates at which employers can reimburse employees for business use of personal vehicles without creating a taxable benefit.

Unlike the US, which uses a single nationwide IRS rate, Canada applies its two-tier structure differently: the higher rate (73 cents) applies to the first 5,000 kilometres driven for business in the year, reflecting the higher fixed costs of initial vehicle use. The lower rate (67 cents) applies to all kilometres beyond 5,000. For employees in the northern territories, an additional 4 cents per kilometre is permitted, reflecting the higher cost of operating a vehicle in remote northern conditions.

For employers, the compliance rules are as follows:

- Reimbursements at or below the CRA prescribed rate are generally fully deductible as business expenses for the employer and non-taxable for the employee
- Reimbursements above the CRA prescribed rate may be considered a taxable automobile benefit and create reporting obligations under T4 slip requirements
- The reimbursement must be solely based on the number of kilometres driven — a flat vehicle allowance unrelated to actual kilometres is treated differently and may be fully or partially taxable
- Employees must maintain a mileage log recording the date, destination, purpose, and distance of each business trip — the burden of proof rests with the employee

GST/HST reclaim on business travel

Canada's Goods and Services Tax (GST) and Harmonised Sales Tax (HST) system adds a layer of complexity to business travel expense management that does not exist in the US (which has no federal VAT) or the UK (which has a simpler VAT reclaim process).

Employees who incur business travel expenses and are reimbursed by their employer create an opportunity for the employer to claim an Input Tax Credit (ITC) for the GST/HST included in the expense — provided the expense was incurred for business purposes and the employee provides adequate documentation. The specific rules vary based on whether the employer is GST/HST registered, the nature of the expense, and whether the expense was incurred in a province with HST (which varies by province).

For multi-entity businesses with Canadian operations, the GST/HST treatment of employee expense reimbursements requires careful configuration in the expense management system — employees need to capture the province where each expense was incurred, and the system needs to apply the correct provincial tax rate (ranging from 5% GST in Alberta to 15% HST in Maritime provinces) to calculate the correct ITC reclaim amount.

KEY ACTION FOR CANADIAN ENTITIES

Confirm that your expense management system is applying the updated 2026 CRA rates (73 cents / 67 cents for provinces) from 1 January 2026. If your expense policy references a specific dollar rate rather than 'the current CRA prescribed rate,' update it immediately. For businesses in multiple Canadian provinces, ensure province-specific GST/HST rates are applied correctly to expense claims for ITC reclaim purposes.

SECTION 7

Australia — ATO rules and 2025–26 rates

Australia

Governing authority: Australian Taxation Office (ATO) · Income Tax Assessment Act 1997 (ITAA 1997)

Mileage rate — 2025/26	88¢/km (2025/26 FY); 91¢/km from 1 Jul 2026 (2026/27 FY, LI 2026/19)
Maximum claim without logbook	5,000 business kilometres per year (cents-per-kilometre method)
Overtime meal allowance	AUD $38.65 per meal (2025/26, TD 2025/4)
Domestic travel allowance	Varies by salary band and city — ATO Taxation Determination TD 2025/4
Record retention	5 years from the date of the income tax return lodgement
Overnight sleeping away	Required for meal and incidental claims — same-day travel does not qualify
International substantiation	Written evidence (receipts) required for overseas trips exceeding 6 nights
Primary legislation	ITAA 1997 Subdivision 900-B; Taxation Determination TD 2025/4; Taxation Ruling TR 2004/6

NOTE

The ATO financial year runs 1 July to 30 June. The cents-per-kilometre rate was 88 cents for 2025/26 and rises to 91 cents for 2026/27 (from 1 July 2026, per LI 2026/19) — a base of 89 cents plus a one-off 2-cent uplift. The 5,000 km cap still applies (maximum claim AUD $4,550 for 2026/27). TD 2025/4 set the 2025/26 reasonable allowance amounts; the 2026/27 determination applies from 1 July 2026.

The 'sleeping away from home' rule

Australia's business travel expense framework has one of the clearest and most strictly applied jurisdictional rules: meal and accommodation expenses are only deductible — and reimbursements only tax-free — when the employee is required to sleep away from home as a result of the business travel. Same-day travel, however long or arduous, does not qualify for meal allowances under ATO rules.

This 'sleeping away from home' test is applied consistently by the ATO and has been confirmed in numerous Tax Office determinations and court cases. Its practical implication is that expense management systems for Australian entities must be configured to require employees to indicate whether overnight accommodation was involved for any meal or subsistence claim. A finance team that pays meal allowances for day trips — even interstate day trips — is creating taxable benefits for employees.

ATO reasonable allowance amounts and TD 2025/4

The ATO annually publishes Taxation Determinations setting out 'reasonable amounts' for travel allowances. Under Subdivision 900-B of the ITAA 1997, employees can claim deductions for travel expenses within the ATO's reasonable amounts without having to keep receipts — provided they received a bona fide allowance from their employer and actually incurred the expense.

TD 2025/4, which applies for the 2025/26 financial year (1 July 2025 to 30 June 2026), sets out:

- Reasonable amounts for overtime meal expenses: AUD $38.65 per meal
- Reasonable amounts for domestic travel expenses — divided into accommodation, meals, and incidentals, varying by Australian capital city and by employee salary band (three bands)
- Reasonable amounts for overseas travel expenses — set by country and region

For employees whose salary exceeds the highest ATO salary threshold ($263,850 for 2025/26), no reasonable amount is set — claims must be substantiated by written evidence regardless of amount.

The cents-per-kilometre method

Australia's cents-per-kilometre method for vehicle expenses is unique in this guide in one important respect: it caps the claimable distance at 5,000 kilometres per year for the simplified method. An employee who drives more than 5,000 business kilometres in a year must use the logbook method (claiming actual vehicle expenses based on the percentage of business use) for the additional distance.

The 88 cents per kilometre rate for 2025/26 covers all vehicle operating costs — fuel, maintenance, insurance, registration, and depreciation. It cannot be used in conjunction with actual vehicle expense claims for the same vehicle in the same year. For high-mileage employees, the logbook method typically produces a higher deduction than the cents-per-kilometre method capped at 5,000 kilometres.

KEY ACTION FOR AUSTRALIAN ENTITIES

Configure expense management systems to require overnight stay documentation for all meal and subsistence claims. Apply ATO TD 2025/4 reasonable allowance rates — not a single flat per diem — and ensure rates vary correctly by destination city and employee salary band. New 2026/27 rates will be published by the ATO in July 2026; update systems immediately when available.

SECTION 8

India — Income Tax Act 2025 and employer obligations

India

Governing authority: Central Board of Direct Taxes (CBDT) · Income Tax Act 2025 (effective 1 April 2026)

Leave Travel Concession — new block	2026–2029 (2 claims per block, per Schedule III, Income Tax Act 2025)
LTC air travel exemption	Economy class Air India fare for shortest route (or actual, whichever lower)
LTC rail travel exemption	AC First Class fare by shortest route
LTC road travel (no public transport)	Capped at ₹30 per kilometre by shortest route (Rule 278, draft IT Rules 2026)
Business travel per diem	Set by employer; exempt under Section 10(14)(i) to the extent of actual business expenditure
Overseas TCS on travel packages	2% TCS from first rupee (Budget 2026 — changed from previous 20% rate)
Record retention	8 years from end of relevant assessment year
Primary legislation	Income Tax Act 2025 (effective 1 Apr 2026); Rule 278, draft IT Rules 2026; Section 10(14)(i)

NOTE

The Income Tax Act 2025 replaced the Income Tax Act 1961 from 1 April 2026. For Assessment Year 2026-27 (income earned to 31 March 2026), the provisions of the 1961 Act still apply. All LTC and travel allowance provisions from 1 April 2026 are governed by the new Act.

India's dual travel expense framework: LTC vs. business travel allowance

India's tax treatment of employee travel expenses operates through two distinct frameworks that serve different purposes and are governed by different provisions:

Leave Travel Concession (LTC) — a tax exemption for travel costs incurred by an employee during personal leave, for travel within India. This is a salary benefit that allows employees to take personal holidays and receive tax-free reimbursement for the transport costs (not hotels or meals). The new block year for LTC claims is 2026–2029, replacing the previous 2022–2025 block. Under the Income Tax Act 2025, LTC provisions are now in Schedule III, Rule 278.

Business travel allowance — reimbursements for travel incurred wholly and exclusively for business purposes (client visits, site inspections, business meetings). Under Section 10(14)(i) of the Income Tax Act 2025 (previously Section 10(14)(i) of the IT Act 1961), allowances received by employees for the performance of official duties are exempt from income tax to the extent of actual expenditure incurred.

The critical distinction is: LTC covers personal holiday travel; business travel allowance covers work-related travel. The two must be clearly separated in payroll and expense systems, as the tax treatment, documentation requirements, and claim processes are different.

Business travel expenses: employer obligations under the new Act

For business travel specifically, the Income Tax Act 2025 continues the principle established under the 1961 Act that employer reimbursements for genuine business travel expenses are not taxable in the hands of the employee, provided:

1. The travel was undertaken wholly and exclusively in the performance of official duties
2. The reimbursement is for actual expenditure incurred — not a flat allowance paid regardless of actual spend
3. Adequate documentation is maintained by the employee and employer

Flat travel allowances paid as a fixed component of salary — regardless of whether actual travel is undertaken — are generally taxable as part of the employee's salary income under the new Act, unless specifically exempt under Section 10(14)(i) read with Rule 2BB of the Income Tax Rules. Under the New Tax Regime (Section 115BAC), most salary-based exemptions including LTA have been removed, though Section 10(14)(i) official duty allowances continue to be available.

The new Income Tax Act 2025: what changed for travel expenses

The Income Tax Act 2025 came into effect from 1 April 2026, replacing the Income Tax Act 1961. For most substantive provisions relating to business travel expenses, the new Act carries forward the principles of the 1961 Act. The main structural changes relevant to travel and expense compliance are:

- **Terminology change:** The Act replaces 'Previous Year' and 'Assessment Year' with 'Tax Year' — meaning income earned in 2025-26 is referred to as Tax Year 2025-26 rather than Assessment Year 2026-27.
- **LTC relocation:** Leave Travel Concession provisions have been moved from Section 10(5) to Schedule III of the new Act, with detailed conditions under draft Rule 278 of the Income-tax Rules 2026.

- **New LTC block:** The block year 2026–2029 has commenced. Employees may carry forward one unclaimed LTC entitlement from the 2022–2025 block, provided it is claimed in 2026.
- **Foreign travel TCS:** Budget 2026 reduced the Tax Collected at Source (TCS) rate on overseas tour packages from 20% to 2% from the first rupee — a significant change for employees travelling internationally on company-booked packages.

Domestic per diem in India

Unlike Germany, the UK, or Australia, India does not have a government-set per diem rate for domestic business travel. The tax-free treatment of daily allowances depends on the employer's policy and whether the allowance is genuinely related to official duties under Section 10(14)(i). Most large Indian employers maintain a Grade-wise daily allowance (DA) structure — different per diem rates for different employee grades and city tiers. Provided these allowances are paid for actual official travel and not as a fixed salary component, they are exempt from tax to the extent of actual expenditure.

The absence of a published government rate creates flexibility for employers but also compliance risk. An expense management system for an Indian entity needs to enforce the employer's grade-wise DA policy and ensure that allowances are only paid for actual travel days — not as a blanket salary supplement.

KEY ACTION FOR INDIAN ENTITIES

Review LTC claims from the 2022–2025 block before 31 March 2026 — one unclaimed LTC can be carried forward to 2026 but must be used in 2026. Update all compliance documentation, expense policies, and payroll configurations to reference the Income Tax Act 2025 from 1 April 2026. Review foreign travel TCS configurations — the rate changed from 20% to 2% under Budget 2026.

SECTION 9

United Arab Emirates — FTA rules and 2026 rates

United Arab Emirates Governing authority: Federal Tax Authority (FTA) · Ministry of Finance	
Corporate tax (from June 2023)	9% on taxable income above AED 375,000 (0% below); 0% on qualifying Free Zone income
Personal income tax	None — the UAE levies no personal income tax on employment income
VAT (standard rate)	5% (from 1 Jan 2018); recoverable on qualifying business travel with a valid supplier TRN
Business travel deduction	Deductible to the extent incurred wholly and exclusively for business; mixed travel apportioned
Entertainment expenses	Deductible up to 50% of the amount incurred (customers, suppliers, business partners)
Per diem / mileage	No government-mandated rates — employers set policy (fixed allowance or actual cost)
Record retention	Minimum 7 years for corporate tax and VAT records
E-invoicing	Phased mandate rolling out in 2026 — TRN-bearing, itemised tax invoices required for VAT recovery
Primary legislation	Federal Decree-Law No. 47 of 2022 (Corporate Tax), Art. 28; Federal Decree-Law No. 8 of 2017 (VAT)

NOTE

Because the UAE imposes no personal income tax, the employee benefit-in-kind concerns that dominate travel-expense compliance elsewhere largely fall away. The compliance focus is on corporate-tax deductibility (the 'wholly and exclusively' test and the 50% entertainment cap) and on VAT recovery, which depends on collecting TRN-bearing, itemised tax invoices.

The UAE's distinctive tax position

The UAE is unusual among the jurisdictions in this guide because it has no personal income tax. There is therefore no concept of a taxable benefit in kind arising when an employer reimburses travel — the payroll-reporting machinery that governs expense compliance in the UK, Germany, or

Australia simply does not apply. Instead, the two compliance questions that matter in the UAE are whether a travel cost is deductible for corporate tax, and whether the VAT on it can be recovered.

Federal corporate tax took effect for financial years beginning on or after 1 June 2023, at a headline rate of 9% on taxable income above AED 375,000. Many Free Zone businesses continue to enjoy a 0% rate on 'qualifying income', subject to conditions. This makes accurate expense categorisation important not because of employee tax, but because deductions reduce the corporate-tax base.

Deductibility: the 'wholly and exclusively' test

Under Article 28 of the Corporate Tax Law, expenditure is deductible where it is incurred wholly and exclusively for the purposes of the business and is not capital in nature. Business travel — transport, accommodation, and meals incurred on a genuine business trip — meets this test. Where a trip mixes business and personal purposes, only the business portion is deductible and the cost must be apportioned on a fair and reasonable basis. Fines, penalties, and clearly personal costs are never deductible.

Entertainment is capped. Expenses for entertaining customers, suppliers, and other business partners — meals, hospitality, and related costs — are deductible only up to 50% of the amount incurred, mirroring the approach in several other jurisdictions.

VAT recovery on business travel

VAT was introduced in the UAE on 1 January 2018 at a standard rate of 5%. Input VAT on business travel — hotels, ground transport, and many other trip costs — is generally recoverable, but only where the business holds a valid tax invoice showing the supplier's Tax Registration Number (TRN), the VAT amount, and an itemised description. As the UAE phases in e-invoicing during 2026, TRN-ready digital invoices become essential; missing or malformed invoices mean lost VAT recovery and potential penalties.

Per diems and mileage: employer discretion

The UAE sets no statutory per diem or mileage rates. Employers are free to design their own travel policy — a fixed daily allowance, actual-cost reimbursement, or a hybrid (per diems for meals, actuals for hotels and transport to protect VAT recovery). Whatever the model, the business should retain documentation proving the trip was genuine and business-related, both to support the corporate-tax deduction and to substantiate VAT claims.

Europe — EU framework and country-by-country reference

Europe is not a single tax jurisdiction but a patchwork of national regimes loosely coordinated by EU law. For a multi-entity business, that means travel-expense compliance in Europe is governed simultaneously by shared EU rules (chiefly for VAT) and by very different national rules for per diems, mileage, and record retention. This section sets out the common EU framework, then provides detail on the largest economies and an at-a-glance reference for every European country.

The shared EU framework

VAT is harmonised in structure, not in rate. All EU member states operate VAT under the common framework of Council Directive 2006/112/EC, but each sets its own standard rate (currently ranging from 17% in Luxembourg to 27% in Hungary). Input VAT on business travel is recoverable under national rules, and businesses incurring VAT in an EU country where they are not established can reclaim it through the EU electronic refund procedure (Directive 2008/9/EC) — or, for non-EU businesses, the 13th Directive procedure.

Per diems and mileage are national. There is no EU-wide per diem or mileage rate. Some countries operate statutory daily allowances (Germany's Verpflegungsmehraufwand, Italy's indennità di trasferta, Poland's dieta); others set only tax-exempt ceilings and leave the amount to the employer. Mileage is treated through fiscal scales (France, Italy) or fixed tax-free rates (Germany €0.30/km, the Netherlands €0.25/km).

Cross-border assignments add a layer. The Posted Workers Directive and bilateral double-taxation treaties determine which country's rules apply when an employee of one EU entity travels to or is posted in another. For frequent intra-EU travel, policy should specify which entity reimburses and how the trip is documented — see Section 11 on cross-border travel.

Retention periods vary widely. Record-retention requirements across Europe commonly run from six to ten years. Germany requires ten (GoBD); the Netherlands seven; France six for tax (ten for commercial documents). A multi-entity business should retain to the longest applicable period.

France

Governing authority: URSSAF (social contributions) · DGFiP – Direction générale des Finances publiques (tax)

Mileage (barème kilométrique 2026)	Fiscal scale by vehicle power — e.g. ~€0.603/km for a 5 CV car up to 5,000 km, degressive above; +20% for electric vehicles
Meal allowance (URSSAF 2026)	€20.70 per meal tax-exempt when travelling; up to €40.20 where a restaurant meal is unavoidable
Accommodation allowance (2026)	Up to €74.30/night in the provinces; ~€94.30/night in Paris and Île-de-France (degressive after 3 months)
'Grand déplacement' threshold	More than 50 km from home and over 1h30 by public transport (daily return home impossible)
VAT (standard rate)	20%
Record retention	6 years for tax records; commercial documents generally 10 years; URSSAF review period 3 years
Primary framework	Fiscal barème (art. 6B, annexe IV CGI); URSSAF exemption limits (arrêté of 20 Dec 2002); BOSS

NOTE — FRANCE

France runs parallel regimes: URSSAF sets the social-contribution exemption limits while the fiscal 'barème kilométrique' governs income-tax treatment. Reimbursing above the URSSAF ceilings without justification is reclassified as salary and becomes subject to social contributions.

Netherlands

Governing authority: Belastingdienst (Tax and Customs Administration)

Mileage allowance (2026)	€0.25/km tax-free — increased retroactively from €0.23 for all of 2026; applies to car, motorcycle, and bicycle regardless of fuel type
Per diem / expenses	Governed by the Work-Related Costs Scheme (WKR); targeted exemptions for business travel and lodging; actual-cost or the 30% ruling for extraterritorial costs
VAT (standard rate)	21%
Company-car benefit (bijtelling)	Taxable addition of ~22% of list value for private use (lower for some electric vehicles)
Record retention	7 years (up to 10 years for certain VAT and property records)
Primary framework	Wet op de loonbelasting 1964; Werkkostenregeling (WKR); Belastingdienst guidance

NOTE — NETHERLANDS

The €0.25/km ceiling is the tax-free maximum; anything above it is taxable wage unless designated within the WKR discretionary scope. A complete mileage record — date, start/end odometer, addresses, and business purpose — is required to substantiate the tax-free allowance.

Germany is covered in Section 5. Germany's statutory per diem (Verpflegungsmehraufwand), €0.30/km mileage, and ten-year GoBD retention are set out in full earlier in this guide.

Other major European economies

Italy	
Governing authority: Agenzia delle Entrate	
Per diem (indennità di trasferta)	Statutory daily allowance; domestic portion tax-exempt up to ~€46/day, foreign travel up to ~€77/day, reduced when meals or lodging are provided (verify)
Mileage	ACI (Automobile Club d'Italia) scale tables by vehicle model and distance
VAT (standard rate)	22%
Record retention	10 years

Spain	
Governing authority: Agencia Estatal de Administración Tributaria (AEAT)	
Per diem (dietas) exempt limits	Subsistence with an overnight stay tax-exempt up to ~€53.34/day (domestic) and ~€91.35/day (abroad); lower without an overnight stay (verify)
Mileage	Tax-exempt at €0.26/km (raised from €0.19) — verify current rate
VAT (IVA standard rate)	21%
Record retention	At least 4 years for tax; 6 years for commercial records

Ireland

Governing authority: Office of the Revenue Commissioners

Subsistence & mileage	Revenue-approved civil-service subsistence and motoring rates apply; mileage banded by engine size and cumulative annual distance
VAT (standard rate)	23%
Record retention	6 years
Primary framework	Taxes Consolidation Act 1997; Revenue civil-service rate schedules

Switzerland (non-EU)

Governing authority: Federal Tax Administration (ESTV/FTA) and cantonal authorities

Per diem / mileage	Governed by an employer expense regulation ('Spesenreglement'), often approved by the cantonal tax authority; a car rate around CHF 0.70/km is common (verify)
VAT (standard rate)	8.1%
Record retention	10 years

NOTE — SWITZERLAND

Switzerland is not an EU member and sets VAT and expense rules independently. Many employers obtain cantonal approval of a written expense regulation, which then governs tax-free reimbursement.

Country-by-country reference

Orientation only — verify before relying. Standard VAT rates and expense-basis notes are compiled from general regulatory sources for at-a-glance orientation. Several European states adjusted VAT rates and travel rules in 2024–2026. Confirm the current figure and rules with each national authority (and qualified local advice) before making compliance decisions.

Country	Tax authority	Std VAT	Business-travel expense basis
Austria	Finanzamt Österreich (BMF)	20%	Statutory daily allowance (Taggeld) plus a fixed km rate

Country	Tax authority	Std VAT	Business-travel expense basis
Belgium	SPF Finances / FOD Financiën	21%	Per-diem and km allowance, indexed annually
Bulgaria	National Revenue Agency (NRA)	20%	Employer-set within statutory exempt limits
Croatia	Porezna uprava	25%	Statutory daily allowance plus km rate
Cyprus	Tax Department	19%	Employer-set within exempt limits
Czechia	Finanční správa	21%	Statutory meal/travel allowance plus km rate
Denmark	Skattestyrelsen	25%	State per-diem (Skatterådet) plus km rate
Estonia	Maksu- ja Tolliamet (MTA)	24%	Statutory daily allowance plus km cap
Finland	Verohallinto	25.5%	Statutory per-diem plus km rate (Vero)
France	DGFiP / URSSAF	20%	Fiscal km scale plus URSSAF exempt allowances
Germany	Finanzamt / BMF	19%	Statutory Verpflegungsmehraufwand plus €0.30/km
Greece	AADE	24%	Employer-set within exempt limits
Hungary	NAV	27%	Statutory allowance plus km rate
Ireland	Revenue Commissioners	23%	Civil-service subsistence and motoring rates
Italy	Agenzia delle Entrate	22%	Statutory trasferta per-diem plus ACI km tables
Latvia	Valsts ieņēmumu dienests (VID)	21%	Statutory daily allowance
Lithuania	Valstybinė mokesčių inspekcija (VMI)	21%	Statutory daily allowance
Luxembourg	Administration des contributions directes	17%	Employer-set within exempt limits
Malta	Commissioner for Revenue (CfR)	18%	Employer-set within exempt limits
Netherlands	Belastingdienst	21%	€0.25/km plus Work-Related Costs Scheme (WKR)
Poland	Krajowa Administracja Skarbowa	23%	Statutory dieta plus km rate
Portugal	Autoridade Tributária (AT)	23%	Statutory ajudas de custo plus km rate
Romania	ANAF	21%	Statutory diurnă plus km rate
Slovakia	Finančná správa	23%	Statutory meal/travel allowance
Slovenia	Finančna uprava (FURS)	22%	Statutory daily allowance
Spain	AEAT	21%	Exempt dietas plus €0.26/km

Country	Tax authority	Std VAT	Business-travel expense basis
Sweden	Skatteverket	25%	Statutory per-diem plus km rate
United Kingdom	HMRC	20%	AMAP mileage plus benchmark scale rates (see Section 4)
Switzerland	ESTV/FTA and cantons	8.1%	Employer expense regulation (Spesenreglement)
Norway	Skatteetaten	25%	State per-diem plus km rate
Iceland	Skatturinn	24%	Statutory per-diem plus km rate

SECTION 11

Cross-border travel: when jurisdictions overlap

One of the most complex areas of business travel expense management for multi-entity businesses is what happens when an employee travels across borders. Which country's expense rules apply? Which entity pays the travel costs? And how do double taxation treaties affect the outcome?

The basic principle: where is the cost incurred?

In general, the tax treatment of a business travel expense is determined by the jurisdiction where the expense is incurred, the jurisdiction of the employing entity, and the tax residency of the employee. For a UK employee travelling to Germany on a short business trip:

- Transportation costs (flights) are typically reimbursed by the UK entity and are deductible for UK tax purposes
- Accommodation costs incurred in Germany are subject to German VAT — and may be subject to German input tax recovery through a separate VAT reclaim process
- Per diem meal allowances while in Germany are governed by HMRC's published overseas scale rates (not the German BMF rates) if paid by the UK employer, or by the German BMF rates if paid by the German entity
- Mileage in a personal vehicle in Germany is governed by German rules (€0.30 per kilometre) if reimbursed by the German entity, or UK rules (55p per mile equivalent) if reimbursed by the UK entity — though employers should take advice on which approach is more tax-efficient

Short-term business visitors and payroll obligations

When an employee of one entity spends time working in another country — even for a short period — this can trigger payroll and social security obligations in the host country. Many countries apply a de minimis threshold (commonly 183 days in a 12-month or calendar year period), below which a visiting employee does not create a tax presence or payroll obligation in the host country. However, the 183-day rule is not universal, and some jurisdictions apply shorter thresholds or apply the rule differently.

For business travel that exceeds a few days in a particular country — particularly if the employee is performing substantive work rather than attending meetings — it is advisable to take local tax advice on whether a payroll registration obligation arises. Failure to register for payroll in a jurisdiction where an obligation exists can create penalties and retrospective tax liabilities that significantly exceed the cost of taking advice upfront.

Double taxation treaties

Most of the countries covered in this guide have extensive networks of double taxation treaties (DTTs) that govern how employment income is taxed when an employee works across borders. These treaties generally prevent double taxation of the same income but require coordination between the employer, the employee, and the tax authorities of both countries.

For multi-entity businesses, DTTs create both an opportunity (avoiding double taxation) and an obligation (correct application of the treaty in the expense management and payroll systems). A common mistake is for a multi-entity business to assume that its home country rules apply to all employees everywhere — when in fact the DTT may require the host country's rules to apply, particularly for assignments that cross the 183-day threshold.

VAT on cross-border expenses

When employees travel internationally and incur VAT-bearing expenses (hotel bills, restaurant meals, car hire), the VAT recovery mechanism varies by jurisdiction:

- **Within the EU (Germany):** VAT on business expenses incurred in Germany by a non-German VAT-registered business may be recoverable through the EU VAT refund mechanism (EU Directive 2008/9/EC). This requires a separate refund claim process — it is not automatic.
- **UK:** Post-Brexit, UK businesses can claim VAT refunds on expenses incurred in EU countries through the 13th Directive mechanism — a slower and more complex process than the EU refund mechanism available before 2021.
- **Non-EU jurisdictions:** VAT reclaim on expenses incurred in Canada (GST/HST), Australia (GST), and India (GST) is available through each country's respective input tax credit mechanism, but requires that the business is registered for GST in that jurisdiction or uses specific reclaim arrangements.

SECTION 12

Building a global travel expense policy

The most common mistake multi-entity businesses make with travel expense management is attempting to apply a single global expense policy across all jurisdictions. A global policy is fine as a framework — it can set the overall approach, approval hierarchies, and expense categories. But the specific rates, documentation requirements, and tax treatments must be jurisdiction-specific.

The two-tier policy structure

The most effective approach for multi-entity businesses is a two-tier policy structure:

1. **Global framework policy:** Sets the principles, approval structure, expense categories, submission timelines, and general compliance standards. This applies to all employees everywhere.
2. **Jurisdiction-specific addenda:** Sets the specific mileage rates, per diem allowances, receipt requirements, and tax compliance rules for each country in which the business operates. Each addendum references the relevant tax authority and current published rates, and is updated whenever rates change.

The minimum standards that every jurisdiction-specific policy must address

Regardless of jurisdiction, each policy addendum must answer the following questions:

- What is the current approved mileage rate for personal vehicle use?
- What per diem rates apply for meals and subsistence during overnight business travel?
- What documentation is required for each category of expense (receipts, mileage logs, etc.)?
- What is the maximum period within which expenses must be submitted after being incurred?
- What happens when actual expenditure exceeds the approved rates? (Is the excess reimbursed? Is it taxable?)
- What are the documentation retention requirements and in what format must records be stored?
- Who approves expenses at each level, and what are the approval thresholds?
- How are cross-border expenses handled when an employee travels to another country?

Rate update governance

One of the most common compliance failures in multi-entity businesses is failing to update expense policies and management systems when regulatory rates change. The 2026 HMRC AMAP increase from 45p to 55p per mile is a recent example: any UK entity that did not update its mileage rate immediately from 6 April 2026 has been under-reimbursing employees and creating potential PAYE compliance issues.

A formal rate update governance process should include:

1. Monitoring of rate announcements from each jurisdiction's tax authority (IRS, HMRC, BMF, CRA, ATO, CBDT)
2. A defined update process for the expense management system when rates change
3. Communication to employees when rates change, including the effective date
4. A retrospective review of expenses submitted since the new rate took effect but before the system was updated

SECTION 13

Technology and automation for multi-entity compliance

The complexity described in this guide — six jurisdictions, six different mileage rates, five different per diem structures, six different record retention periods, and an array of cross-border considerations — is simply not manageable at scale through manual processes. For multi-entity businesses with employees travelling regularly, the question is not whether to use technology for expense management, but which technology and how to configure it correctly.

What a compliant expense management system must do

Requirement	Description	Common pitfall
Jurisdiction-aware mileage rates	Apply the correct rate automatically based on the country where the employee is based or where the travel occurred	Applying home-country rate to host-country travel (e.g. UK rate for Germany travel)
Per diem by destination	Apply jurisdiction-specific per diem rates that vary by destination city, trip duration, and employee grade	Single flat global per diem that creates taxable benefits in some jurisdictions
Digital receipt compliance	Meet the specific digital record requirements of each jurisdiction (GoBD for Germany, HMRC for UK, IRS for US)	Storing receipts in a format that satisfies one country's rules but not another's
Retention period enforcement	Enforce the longest applicable retention period or manage jurisdiction-specific retention schedules	Deleting records after 3 years (US minimum) when German entities require 10 years
Three-month rule tracking	Flag or block per diem payments automatically when an employee has been at a single location for 3+ months (Germany)	Continuing to pay German per diems past the three-month threshold
MTD digital audit trail	Maintain a digital VAT audit trail for UK entities in a format compatible with Making Tax Digital	Manual expense processes that cannot produce MTD-compliant records
Cross-entity visibility	Allow group finance to view consolidated T&E spend across all entities with entity-level reporting	Siloed expense data that requires manual consolidation for group reporting
Policy pre-enforcement	Flag policy violations before submission, not after approval and reimbursement	Catching out-of-policy claims only during post-hoc finance review

Automation that reduces compliance risk

The most significant compliance risk reduction in multi-entity expense management comes from removing human judgment from rate application. When mileage rates, per diem allowances, and receipt requirements are enforced automatically by the system — rather than remembered correctly by each employee — the risk of non-compliance falls dramatically.

Key automation capabilities that directly reduce compliance risk:

- **GPS-verified mileage:** Automatic tracking of business journeys via mobile app, with the correct per-kilometre rate applied by jurisdiction. Eliminates estimation, rounding, and the risk of inflated claims.
- **AI receipt scanning with VAT extraction:** Automatic extraction of VAT amounts from receipts by jurisdiction, correctly tagged for VAT reclaim purposes. Particularly important for UK MTD compliance and EU VAT reclaim.
- **Automated rate updates:** Systems that reference live regulatory rate databases and update automatically when the IRS, HMRC, BMF, CRA, ATO, or CBDT publishes new rates. Eliminates the manual rate update process and the compliance gap between rate announcement and system update.
- **Pre-submission policy checking:** Validating expenses against jurisdiction-specific policy rules before the employee submits — not after the finance team reviews. Prevents non-compliant expenses from entering the approval workflow in the first place.
- **Three-month rule alerts:** Automated monitoring of employee assignment duration at single locations in Germany, with alerts when the threshold approaches and automatic suspension of per diem payments when it is crossed.

SECTION 14

Country-by-country quick reference — 2026

A consolidated reference across the jurisdictions covered in this guide. The matrix below covers the six primary jurisdictions; the companion table beneath it adds the United Arab Emirates and the countries of Europe. US and Australian mileage rates reflect their 2026 mid-year changes. Always verify current rates with the relevant authority before applying.

Requirement	USA	UK	Germany	Canada	Australia	India
Mileage rate (2026)	72.5→76¢/mile (IRS)	55p/mile (HMRC)	€0.30/km (BMF)	73¢/km (CRA)	88→91¢/km (ATO)	Actuals only
Per diem authority	IRS/GSA	HMRC scale rates	BMF Verpflegungs mehraufwand	CRA / Treasury Board	ATO TD 2025/4	CBDT / Employer
Receipt retention	3 yrs from filing	6 years	10 yrs (GoBD)	6 years	5 years	8 yrs (Income Tax)
Digital receipts OK?	Yes (IRS)	Yes (HMRC)	Yes (GoBD-compliant)	Yes (CRA)	Yes (ATO)	Yes (if legible)
Pre-trip approval required?	No (policy-based)	No (policy-based)	No (policy-based)	No (policy-based)	No (policy-based)	No (policy-based)
VAT reclaim on expenses?	N/A (no federal VAT)	Yes (HMRC)	Yes (Finanzamt)	Yes (GST/HST)	Yes (GST)	Yes (GST / IT Act)
Governing tax legislation	IRC §162	ITEPA 2003	EStG §4(5)	ITA 1985	ITAA 1997	IT Act 1961/2025

Additional jurisdictions — United Arab Emirates and Europe

VAT rates and retention periods below are for orientation and were compiled from general regulatory sources; several European states changed VAT rates and rules in 2024–2026, and entries marked 'verify' should be confirmed with the national authority. See Sections 9 and 10 for detail.

Country	VAT	Mileage / per-diem basis	Receipt retention
UAE	5%	Employer-set (fixed allowance or actual cost)	7 years
Austria	20%	Statutory Taggeld + km rate	6–10 yrs (verify)
Belgium	21%	Per-diem + indexed km allowance	6–10 yrs (verify)
Bulgaria	20%	Employer-set within exempt limits	6–10 yrs (verify)
Croatia	25%	Statutory daily allowance + km rate	6–10 yrs (verify)
Cyprus	19%	Employer-set within exempt limits	6–10 yrs (verify)
Czechia	21%	Statutory meal/travel allowance + km	6–10 yrs (verify)
Denmark	25%	State per-diem + km rate	5 yrs (verify)

Country	VAT	Mileage / per-diem basis	Receipt retention
Estonia	24%	Statutory daily allowance + km cap	7 yrs (verify)
Finland	25.5%	Statutory per-diem + km rate	6 yrs (verify)
France	20%	Fiscal km scale + URSSAF exempt limits	6–10 years
Germany	19%	Verpflegungsmehraufwand + €0.30/km	10 yrs (GoBD)
Greece	24%	Employer-set within exempt limits	6–10 yrs (verify)
Hungary	27%	Statutory allowance + km rate	6–10 yrs (verify)
Ireland	23%	Civil-service subsistence & motoring rates	6 years
Italy	22%	Trasferta per-diem + ACI km tables	10 years
Latvia	21%	Statutory daily allowance	6–10 yrs (verify)
Lithuania	21%	Statutory daily allowance	6–10 yrs (verify)
Luxembourg	17%	Employer-set within exempt limits	10 yrs (verify)
Malta	18%	Employer-set within exempt limits	6–10 yrs (verify)
Netherlands	21%	€0.25/km + Work-Related Costs Scheme	7 years
Poland	23%	Statutory dieta + km rate	5 yrs (verify)
Portugal	23%	Ajudas de custo + km rate	10 yrs (verify)
Romania	21%	Diurnă + km rate	6–10 yrs (verify)
Slovakia	23%	Statutory meal/travel allowance	6–10 yrs (verify)
Slovenia	22%	Statutory daily allowance	6–10 yrs (verify)
Spain	21%	Exempt dietas + €0.26/km	4–6 years
Sweden	25%	Statutory per-diem + km rate	7 yrs (verify)
United Kingdom	20%	AMAP mileage + benchmark scale rates	6 years
Switzerland	8.1%	Employer expense regulation (Spesenreglement)	10 years
Norway	25%	State per-diem + km rate	5 yrs (verify)
Iceland	24%	Statutory per-diem + km rate	7 yrs (verify)

Rate comparison: mileage / per kilometre 2026

Country	Authority	Rate	Currency	Basis
USA	IRS (Notice 2026-10)	72.5 → 76¢	USD	Per mile
UK	HMRC AMAP	55p	GBP	Per mile (first 10,000)
Germany	BMF Kilometerpauschale	€0.30	EUR	Per kilometre
Canada	CRA (Finance Canada)	73¢	CAD	Per km (first 5,000)
Australia	ATO (2025/26 → 2026/27)	88 → 91¢	AUD	Per km (first 5,000)
India	IT Act 2025	Actuals	INR	No fixed rate

Record retention requirements by jurisdiction — 2026

Country	Period	Authority	Notes
USA	3 years minimum	IRS (from filing date)	Longer if income underreported by 25%+; fraud: unlimited
UK	6 years	HMRC (from end of tax year)	Digital or paper; HMRC can inspect going back 6 years
Germany	10 years (commercial)	GoBD / HGB §257	6 years for business letters; strict digital storage rules apply
Canada	6 years	CRA (ITA s.230)	From end of tax year to which records relate
Australia	5 years	ATO (ITAA 1997)	From date of income tax return lodgement
India	8 years	CBDT / IT Act 2025	From end of relevant tax year; returns can be reopened up to 8 years

ABOUT THIS GUIDE

Sources and further reading

All rates and regulatory references in this guide are based on the following primary sources, verified as of June 2026:

- **USA:** IRS Notice 2026-10 (standard mileage rates); IRS Publication 463 (Travel, Gift, and Car Expenses); IRS regulations §1.62-2 (accountable plans); GSA per diem portal (gsa.gov/perdiem)
- **UK:** HMRC EIM guidance (Employee Income Manual, EIM30200 onwards); HMRC AMAP announcement May 2026; HMRC MTD guidance; ATT guidance note on AMAP rate increase
- **Germany:** BMF letter 5 December 2025 (international per diem rates for 2026); BMF guidance on Reisekostenrecht; GoBD (BMF letter 28 November 2019); EStG §4(5), §9
- **Canada:** Finance Canada announcement 14 January 2026 (CRA automobile rates); CRA IT Interpretation Bulletin IT-522R; Income Tax Act RSC 1985
- **Australia:** ATO Taxation Determination TD 2025/4; ATO Taxation Ruling TR 2004/6; ITAA 1997 Subdivision 900-B
- **India:** Income Tax Act 2025 (effective 1 April 2026); Draft Income-tax Rules 2026 Rule 278; CBDT circulars on Section 10(14)(i); Budget 2026 TCS amendments