##### **Introduction**

An expense reimbursement process allows you to reimburse your workers for situations where they have used their own funds to cover business related items.  
  
Expense reimbursement rules, taxation laws and claims process vary greatly under each country’s employment legislation and company policies. It is thus very important that you familiarize yourself with the expense process and rules that apply under Papaya and the Local Employer to ensure that your workers have their expense claims reimbursed in a timely manner.  
  
The guidelines in this document are to ensure you have all the information you need to submit your workers expense reimbursement claims, avoiding delays due to incorrect filing. Our information is based on local laws of each country and the filing process applied under Papaya and the Local Employer.

All approved expenses will be paid as NET to the employee and grossed up if they are not tax-free.

The below rules apply to locally based and paid workers.

##### **Expense Policy Summary**

All expenses reimbursement claims should be submitted in accordance with the Papaya process:

1. Familiarize your worker on how to report their expenses through Expensify or a manual expense report (to be agreed between the worker and manager). It is important that you determine with the worker an internal process and expense policy so that they know the method and deadline for submitting expense claims to their Line Manager and how – via Expensify or Papaya expense report template.
2. Review submitted expense reports and approve expense claims, ensuring all required supporting documents have been included e.g. receipts, invoices, by the agreed cutoff date.
3. Papaya will share the submitted report with the Local Employer for processing and reimbursement.
4. Expense reimbursements will be processed within the monthly payroll run and will be reflected in the worker’s pay slip.

##### **Expense Reimbursement Rules**

There are many different types of expenses with different requirements and tax rules that must be followed to ensure workers are reimbursed correctly and without delay.

|  |  |
| --- | --- |
| Supporting Documents | * Receipts and invoices must be submitted with expenses. * Online copies are sufficient, a hard copy is not required. When working with Papaya’s Partner EoS the hard copy original invoices and receipts need to be sent to the company’s office address as this will be required for their tax and audit process. * Invoices/receipts should include:   – Vendor name  – Purchase date  – Amount and currency  – Details of the item for which reimbursement  \*Address is not compulsory   * These documents are important to provide for filing purposes and to ensure the applicable tax exemption is applied. * The workers name and details should generally be used on invoices where required. On expenses over IDR 5 million the supporting documents must be in the company’s name with a proper tax invoice. * Any personal information not required for reimbursement purposes should be removed before it is submitted. * Workers set up under Papaya’s Partner EoS, expenses should be submitted via their expenses template (see attached below this table). This should be submitted before the 15th of each month along with the VAT invoices.\* |
| Business Expenses (Non-Travel) | * Business expenses related to workers completing their job might be tax exempt. Other expenses are subject to varying tax rules including PPh 21 Tax Rate for Employees for taxable employment income. * Only purely business related elements of an expense will be tax free, anything additional will be subject to tax. * Tax exemptions will only be applied providing sufficient proof is shared e.g. tax receipts, invoices etc |
| Mileage | * Mileage reimbursement rates and rules for workers who use their private vehicle for work purposes are not stipulated in the Labour Code. * Reimbursement of mileage, fuel, parking and car expenses are done at the discretion of each employer. |
| Business Travel (Domestic) | * Domestic business travel expenses follow the same process are reimbursement of non travel expenses. * There are no set government per diem rates and employers can reimburse against receipts and invoices. * Any expense or travel allowance submitted without a receipt or invoice will be taxable. |
| Business Travel (International) | * International business travel expenses follow the same process are reimbursement of non travel expenses. * There are no set government per diem rates and employers can reimburse against receipts and invoices. * Any expense or travel allowance submitted without a receipt or invoice will be taxable. |

\*When working under Papaya’s Partner **EoS**, expenses should be submitted using the excel template attached below

[Expense Reimbursement Form.xlsx](https://www.kb.papayaglobal.com/wp-content/uploads/2022/12/Expense-Reimbursement-Form.xlsx)