DRAFT INTERPRETATION NOTE: NO. 14 (Issue 3)

DATE:

ACT : INCOME TAX ACT NO. 58 OF 1962 (the Act)
SECTION : SECTIONS 8(1)(a); 8(1)(b) and 8(1)(c) AND PARAGRAPH 1 OF THE FOURTH SCHEDULE
SUBJECT : ALLOWANCES, ADVANCES AND REIMBURSEMENTS

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Preamble
In this Note unless the context indicates otherwise –
• “paragraph” means a paragraph of the Fourth Schedule to the Act;
• “section” means a section of the Act; and
• any word or expression bears the meaning ascribed to it in the Act.

1. Purpose
This Note provides clarity on the tax treatment of allowances, advances and reimbursements granted to employees.

The Note updates and replaces Issue 2 which was published on 8 January 2008 and incorporates relevant legislation changes up to and including the Taxation Laws Amendment Act No. 24 of 2011.

2. Background
In line with the 2002 Budget Review proposal to simplify the system of employment income taxation, the provisions relating to allowances, advances and reimbursements were previously consolidated in section 8(1). Section 23(m) was also previously enacted to limit the deductions available to employees and office holders.

Since Issue 2 of this Note, substantial amendments have been made to the travel allowance system. These include the removal of the “deemed kilometre” method of calculating the allowable deduction as well as amendments to the employees’ tax withholding requirements on allowances and advances.

The update to this Note includes these amendments and also clarifies what constitutes business travel and private travel.
3. The nature of allowances, advances and reimbursements

3.1 Definition of allowances, advances and reimbursements for the purposes of section 8(1)

The distinction between an allowance, an advance and a reimbursement for purposes of sections 8(1)(a), (b) and (c) of the Act is set out in 3.1.1 – 3.1.3.

3.1.1 Allowance

An allowance is an amount of money granted by an employer to an employee in circumstances where the employer is certain that the employee will incur business-related expenditure on behalf of the employer, but where the employee is not obliged to prove or account for the business-related expenditure to the employer. The amount of the allowance is based on the anticipated business-related expenditure.

**Example 1 – Allowance**

*Facts:*
ABC Ltd requires Ms X to travel for business purposes three or four times a month. ABC Ltd anticipates that Ms X will incur R1 000 per month on business-related expenditure whilst travelling and pays her an allowance of R1 000 per month to cover the expenditure. Ms X is not required to prove or account for actual business-related expenditure to ABC Ltd.

*Result:*
Ms X receives an allowance of R1 000 per month for purposes of section 8(1).

3.1.2 Advance

An advance is an amount of money granted by an employer to an employee in circumstances where the employer is certain that the employee will incur business-related expenses on behalf of the employer, and where the employee is obliged to prove or account for the business-related expenditure to the employer. The amount of the advance is based on the anticipated business-related expenditure. The employer recovers the difference from the employee where the actual expenses incurred are less than the advance granted and vice versa.

**Example 2 – Advance**

*Facts:*
Ms A works for ABC Ltd. The company has asked her to visit a key client to conduct a client satisfaction survey and, after completing the survey, to entertain the client by way of a business lunch. Ms A is paid an advance of R500 by ABC Ltd to cover the cost of the lunch. Ms A must submit receipts and invoices to the company accountant when she returns to the office and must return any portion of the advance not spent as instructed. ABC Ltd does not think the lunch will cost more than R500, however if the client orders indulgently ABC Limited will make good any shortfall. Ms A is able to provide a receipt and an invoice totalling R400 and she returns the remaining R100 to the company.

*Result:*
Ms A receives an advance of R500 for purposes of section 8(1).
3.1.3 Reimbursement

A reimbursement of business-related expenditure occurs when an employee has incurred business-related expenses on behalf of an employer out of his or her own pocket (that is, without having had the benefit of an allowance or an advance) and is subsequently reimbursed for the exact expenditure by the employer after having proved and accounted for the expenditure to the employer.

Example 3 – Reimbursement

Facts:
Ms A (who works in East London) is required to conduct a 2 day training session at the company’s Grahamstown branch. On arrival Ms A discovers that the Grahamstown branch does not have all of the equipment required in order to adequately deliver the training. Ms A’s manager asked her to purchase the required items out of her own pocket and to submit a claim when she returns to East London. Ms A spent R200 on the items and retained the receipts which prove she spent R200 on business-related expenditure. The employer subsequently reimburses Ms A the full R200.

Result:
Ms A receives a reimbursement for purposes of section 8(1).

3.2 General observations on the nature of allowances, advances and reimbursements

The nature of allowances, advances and reimbursements are frequently misunderstood, as are the reasons for granting recipients such amounts. In this regard the following must be noted:

- Any allowance, advance or reimbursement is a reflection of business-related expenditure or anticipated business-related expenditure of the employer. A payment to an employee under the disguise of an allowance but actually for services rendered or to be rendered is subject to tax under the normal provisions of “gross income” and is not treated under the provisions of section 8(1)(a) as an allowance. The label of a payment does not necessarily correctly reflect the true nature of the payment.

- The judgment in ITC 1523\(^1\) confirmed that when the word “allowance” is used in an employee-employer relationship, it means a grant of something additional to ordinary wages. The taxpayer had received a salary and sought to claim a deemed subsistence expenditure deduction against his salary. The court held that he had not received an allowance as he had not received anything extra and he was not automatically entitled to the deduction provided for in section 8(1).

- A typical misconception is that the quantum of an allowance or advance does not have to reflect the anticipated business expense. This misconception is sometimes caused by the incorrect understanding that an allowance can, without reference to the actual expenditure anticipated, be based on the amounts of expenditure which are deemed to have been incurred by the Act under specified circumstances and that the employee will automatically be entitled to a tax deduction against that “allowance”. The misconception means that employees

\(^1\) (1990) 54 SATC 194.
sometimes receive allowances that are much greater than the true anticipated business expense.

4. The law

For ease of reference, the relevant sections of the Act are quoted in Annexure A.

5. Application of the law

5.1 Inclusion in taxable income – allowances and advances

Section 8(1)(a)(i) –
- deals with all allowances and advances paid by a “principal” to a “recipient” (for example, travel, subsistence, public office, cell phone and housing allowances); and
- provides that all such allowances and advances must be included in the recipient’s taxable income to the extent that they are not expended –
  - for travelling on business;² or
  - for accommodation, meals and incidental costs while such office holder or employee is obliged to spend at least one night away from his or her usual place of residence as a result of business or official purposes;³ or
  - by reason of the duties attendant upon public office.

Section 8(1)(a)(ii) provides that in limited circumstances a reimbursement or advance must not be included in taxable income as otherwise required by section 8(1)(a)(i) – see 5.2.

5.1.1 The terms “principal” and “recipient”

For purposes of section 8(1)(a) the term “principal” includes –
- the employer of the recipient of an allowance; or
- the authority, company, body or other organisation in relation to which any office is held; or
- any associated institution as defined in the Seventh Schedule to the Act in relation to that employer, authority, company, body or organisation.

The term “recipient” within the context of section 8(1) means the person who has been paid or granted an allowance, advance or reimbursement by a principal.

² See 5.4 for details of allowable deductions.
³ See 5.3 for details of allowable deductions.
5.2 Exclusion from taxable income – reimbursements and advances

Section 8(1)(a)(ii) excludes reimbursements or advances from taxable income, provided –

- the reimbursement or advance was or must be expended by the recipient on instruction of the principal in the furtherance of the principal's trade;
- the recipient must produce proof to the principal that the amounts were wholly and actually expended for this purpose;
- the recipient must account to the principal for the expenditure; and
- where this expenditure was incurred to acquire any asset, the ownership in that asset must vest in the principal.

This is consistent with the definitions in 3.1.2 and 3.1.3.

“Travel reimbursements” where an employer reimburses an employee for the actual business kilometres travelled at an employer-agreed rate per kilometre are an “exception” to this rule. Accordingly, the provisions of section 8(1)(a)(i) (see 5.1) and section 8(1)(b) (see 5.4) must still be applied to travel reimbursements when determining the amount, if any, which must be included in the recipient’s taxable income. The inclusion in taxable income will be nil if the amount of the allowable deduction (see 5.4 for further detail) is equal to the amount of the reimbursement, but if the amount of the allowable deduction is less than the amount of the reimbursement, then a net inclusion in taxable income will be required (see Example 12 in 5.4.4).

5.3 Deductions from subsistence allowances

5.3.1 General

In order for a recipient to be entitled to deduct subsistence-related expenses from the subsistence allowance granted by the principal, the recipient must by reason of the duties of his or her office or employment be obliged to spend at least one night away from his or her usual place of residence in the Republic.

A recipient who meets these requirements is allowed to deduct the amount actually expended on accommodation, meals and other incidentals during that period. Section 8(1)(c) specifies the methods a recipient may use to calculate the amount which is deemed to have been actually expended on accommodation, meals and other incidentals. The two methods available are an actual method or a deemed method (see 5.3.2 and 5.3.3).

By reasons of the duties of his or her office or employment

The reason the recipient is away from home must be related to their office or employment.
Example 4 – By reason of employment or office

Facts:
At the request of his employer, A attended a 2-day conference in a wine-making region. The conference started on a Thursday. A’s employer paid A’s accommodation for Thursday night and gave him a subsistence allowance for 2 days. Instead of driving home after the conference A decided, at his own expense, to extend his stay and spend the weekend exploring the area for potential wedding locations and tasting local wines.

Result:
A will be entitled to deduct the subsistence-related expenses for the period related to the conference from the allowance he received from his employer. He will not be entitled to deduct the subsistence-related expenses related to the period after the conference from the allowance as the reason for spending that additional time away from home is personal and unrelated to his work.

Obliged to spend at least one night away from his or her usual place of residence in the Republic

The word “night” is not defined in the Act and, in terms of the rules of interpretation of statutes, must be given its ordinary grammatical meaning. The Concise Oxford English Dictionary\(^4\) defines “night” as “the time between sunset and sunrise”. The Collins English Dictionary\(^5\) defines the word as “the period of darkness each 24 hours between sunset and sunrise”.

Therefore, in order to qualify to deduct subsistence expenses under section 8(1)(a)(1)(bb), the recipient of a subsistence allowance must be away from his or her usual place of residence in the Republic for at least one full period from sunset of one day to sunrise of the next.

In ITC 1668\(^6\) employees who lived relatively far from their place of employment were paid an accommodation allowance, for example, an employee who worked in Vanderbijlpark but whose family lived approximately 360km\(^7\) away in Bloemfontein received an allowance. Van Dijkhorst J drew a distinction between the situation where an employee chooses to live so far from his or her place of employment that he or she needs to find accommodation closer to his or her place of employment versus the situation where performing the duties of his or her job require him or her to spend night/s away from home (for example, working overtime or working on a project in a location which is not his or her normal office location). In the first situation the new accommodation would become his or her usual place of residence and no deductions would be available under section 8(1)(a)(i)(bb) and (1)(c). In the latter situation his work duties necessitate that on a temporary basis the employee spend time away from home and, assuming all the other requirements are met, the employee would be entitled to a deduction.

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5.3.2 Actual method

Under the actual method the amount the recipient is deemed to have actually expended is equal to –

• the amount he or she proves to the Commissioner was actually incurred;
• for accommodation, meals and other incidentals;
• excluding any amount of expenditure borne by the employer (otherwise than by way of the allowance or advance); but
• limited to the amount of the allowance or advance granted to meet these expenses.\(^8\)

In order to be able to prove the amount of expenditure the recipient will need to obtain and retain supporting documentation (for example, invoices and receipts) for the expenditure incurred. The supporting documentation must be kept for five years from the date upon which the income tax return, which included the claim for the deduction, was received by SARS. The documentation is not submitted with the income tax return but the recipient must be able to produce such documentation upon request by SARS.

Situations in which an employer will be considered to have borne the expenditure include where –

• the employer pays the expense directly; and
• the recipient pays the expense but is subsequently reimbursed by the employer.

5.3.3 Deemed method

Under the deemed method the amount the recipient is deemed to have actually expended is equal to –

• an amount determined by the Commissioner for the relevant year of assessment by way of notice in the Gazette;\(^9\)
• for meals and other incidental costs, or incidental costs only;
• for each day or part of a day in the period during which he or she is absent from his or her usual place of residence;
• excluding any amount of expenditure borne by the employer (otherwise than by way of the allowance or advance) for which the allowance was paid or granted for that day or part of that day;\(^10\)
• excluding any amount of expenditure where the employee has proven his actual expenditure to the Commissioner and claimed a deduction for meals or incidental costs equal to his or her actual costs for that day or part of that day; and
• limited to the amount of the allowance or advance granted to meet these expenses.\(^11\)

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\(^8\) That is, the amount of the deduction may never exceed the amount of the allowance.

\(^9\) The relevant notices are available on the SARS website, [www.sars.gov.za](http://www.sars.gov.za).

\(^10\) The deemed subsistence amounts will be reduced by the amount the employer has borne.

\(^11\) That is, the amount of the deduction may never exceed the amount of the allowance.
The amount stipulated in the Gazette is a daily amount. Accordingly, in calculating the amount of deemed expenditure in terms of the points listed above the recipient must multiply the daily amount by the number of days or part of a day that he or she is away on business.\(^\text{12}\) Taxpayers must review the effective date of the particular notice to ensure they apply the correct amounts to the correct tax years.

The Gazetted amounts are for meals and other incidentals for local and foreign travel, or incidentals only for local travel, and do not cover accommodation for either local or foreign travel. As a result to the extent a recipient receives an allowance or an advance for accommodation, he or she must apply the actual method to determine the amount that will be allowed to be deducted from that allowance, or relevant portion of the allowance, for accommodation. There is no “meals only” deemed expenditure amount. Accordingly a recipient, who receives such an allowance, would also have to apply the actual method to calculate the allowable deduction (see 5.3.2).

In practice accommodation service providers often levy a single charge for bed and breakfast. In these circumstances, the cost of breakfast may be regarded as part of the cost of accommodation.

**Day**

The word “day”, which is not defined in the Act, is defined in the Concise Oxford English Dictionary\(^\text{13}\) to mean –

“1. a twenty-four-hour period as a unit of time, reckoned from one midnight to the next and corresponding to a rotation of the earth on its axis; the time between sunrise and sunset”.

In the Collins English Dictionary,\(^\text{14}\) the word is defined to mean –

“1. the period of time, the calendar day, of 24 hours duration reckoned from one midnight to the next. 2. the period of light between sunrise and sunset, as distinguished from the night”.

It is clear from the context of section 8(1)(c)(ii) that the word “day” must be given the wider meaning of the full period of 24 hours from one midnight to the next.

A “part” means a constituent portion or division of a whole, which is distinct from that whole.\(^\text{15}\) A part of a day could be an hour, a half-hour or even a minute. The deemed expenditure is not apportioned if the recipient is only away for part of the day.

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\(^{12}\) Not forgetting that a prerequisite to any deduction is the requirement that he or she spends at least one night away from his or her usual place of residence – see 5.3.1.

\(^{13}\) Above 6.

\(^{14}\) Above 7.

\(^{15}\) Above 6.
5.3.4 Examples

Example 5 – Subsistence allowance and amounts included in taxable income

Facts:
During the 2012 year of assessment Mr Y attended a business seminar in Cape Town on behalf of his employer. Mr Y was away from his normal home in Johannesburg for 5 nights and 6 days. His employer granted him an allowance of R7 000 for accommodation and R2 500 in respect of meals and incidental costs. He was not required to refund any excess if his actual expenditure was less than the allowances he received and similarly his employer would not reimburse him should his actual expenditure exceed the allowances granted to him.

Mr Y did not keep any supporting documentation and he was unable to prove any of the expenditure incurred on accommodation, meals or incidental costs.

Result:
The full allowance of R7 000 in respect of accommodation must be included in Mr Y’s taxable income as he is unable to apply the actual method (see 5.3.2) and the deemed method (see 5.3.3) is not available for accommodation.

In relation to the allowance of R2 500 for meals and incidental costs, Mr Y will be able to apply the deemed method to determine the amount he can deduct from the allowance. An amount of R1 716 (R286 per day as per the relevant Gazette x 6 days) is deemed to have been spent on meals and incidental costs. The balance of R784 (R2 500 – R1 716) must be included in Mr Y’s taxable income.

Example 6 – Calculating the subsistence deduction where the employee’s expenditure exceeds the allowance granted

Facts:
Ms A was granted an allowance of R5 000 for accommodation and R1 800 for meals and incidental costs during the 2012 year of assessment in order to conduct business-related activities on behalf of her principal. Ms A was away from her usual place of residence for 5 nights and 6 days. Ms A spent R 5 500 on accommodation and retained the supporting documentation. Ms A was unable to prove any costs for meals or incidentals.

Result:
The actual method may be applied to determine the deduction available in respect of accommodation, the deduction is limited to R5 000 even though Ms A expended R5 500. Accordingly, the taxable portion of the allowance which must be included in taxable income is Rnil (R5 000 – R5 000). The additional R500 accommodation costs (R5 500 – R5 000) may not be deducted from the meals and incidental subsistence allowance of R1 800.

Under the deemed method Ms A is deemed to have incurred R1 716 (R286 per day as per the relevant Gazette x 6 days) of meals and incidental costs for business purposes. Accordingly, the taxable portion of the allowance which must be included in taxable income is R84 (R1 800 – R1 716).
Example 7 – Reducing the deemed subsistence expenses where the employer bears a portion of the cost

Facts:

During the 2012 year of assessment Mr B was required to travel within South Africa for business purposes. Mr B spent 5 nights away from home and returned home on the 6th day. His employer paid his hotel accommodation costs and breakfast costs. Guests at the hotel were not obliged to eat breakfast at the hotel but on the days they did the hotel would add the cost of the breakfast ordered to their hotel bill. Mr B settled the hotel bill (accommodation cost R4 250 and breakfast R429) using his personal credit card and his employer subsequently reimbursed him.

The employer also paid Mr B an allowance of R350 per day to enable Mr B to pay for other meals and incidental costs. Mr B received a total allowance of R2 100.

Mr B did not keep any supporting documentation for his expenditure on meals and incidental costs.

Result:

The reimbursement of R4 679 (R4 250 + R429) is not included in Mr B’s taxable income.

The total amount deemed to have been actually expended on meals and incidental costs is R1 716 (R286 per day as per the relevant Gazette x 6 days) less the breakfast expenditure of R429 borne by the employer by way of reimbursement. That is, R1 287.

Accordingly, the taxable portion of the allowance which must be included in taxable income is R813 (R2 100 – R1 287)

Example 8 – Bed and breakfast accommodation where there is a single charge for bed and breakfast

Facts:

During the 2012 year of assessment Mr B was required to travel within South Africa for business purposes. He spent 5 nights away from home and returned home on the 6th day. His employer paid his hotel accommodation. The hotel he stayed at provides bed and breakfast accommodation and levies a single inclusive charge irrespective of whether or not guests eat breakfast. Mr B settled the hotel bill totalling R4 800 using his personal credit card and his employer subsequently reimbursed him.

The employer also paid Mr B an allowance of R350 per day to enable Mr B to pay for other meals and incidental costs. Mr B received a total allowance of R2 100. Mr B did not keep any supporting documentation for his expenditure on meals and incidental costs.
Result:
The reimbursement of R4 800 is not included in Mr B’s taxable income.

The total amount deemed to have been actually expended on meals and incidental costs is R1 716 (R286 per day as per the relevant Gazette x 6 days). The Gazetted amount does not need to be reduced for the cost of breakfast because with bed and breakfast accommodation the full charge levied by the service provider is considered to be a cost of accommodation.

Accordingly, the taxable portion of the allowance which must be included in taxable income is R384 (R2 100 – R1 716).

5.4 Deductions from travelling allowances and advances

5.4.1 General

This Note discusses the situation where an allowance or advance is granted by a principal to a recipient for the use of a private motor vehicle for the principal’s business purposes, commonly known as a “travel allowance”. The allowance or advance must be included in the recipient’s taxable income to the extent that it is not expended on travelling on business (see 5.1).

In the context of travel, an allowance or advance includes both a travel allowance and a travel reimbursement16 (see 5.2).

A recipient who receives a travel allowance and a travel reimbursement must add the amount of the travel reimbursement to the amount of the allowance and calculate the allowable deduction for the number of business kilometres travelled.

A recipient who only receives a travel reimbursement must still go through the process of determining the allowable deduction because, depending on the facts, the rate at which the recipient was actually reimbursed may exceed the allowable deduction. The allowable deduction is determined by applying the actual cost, deemed rate per kilometre method or the specified rate per kilometre (see 5.4.3 and 5.4.4).

The amount of the allowable deduction which may be deducted from the travel allowance, advance or reimbursement has two components, namely, the business kilometres travelled (see 5.4.2) and the expenditure per kilometre. Expenditure per kilometre may be determined using actual costs (see 5.4.3) or according to the deemed rate per kilometre as determined by the Minister of Finance by notice in the Gazette (see 5.4.4).

\[
\text{Amount to be included in income} = \text{amount of the allowance, advance or reimbursement received} - (\text{business kilometres travelled} \times \text{expenditure per kilometre})
\]

The amount of the allowable deduction is always limited to the amount of the allowance.

16 That is, actual business kilometres travelled x an employer agreed rate per kilometre.
The motor vehicle the recipient uses is often owned by the recipient but this is not always the case, for example, it could be a “company car” which the employer has provided to an employee. In circumstance where the allowance or advance which is granted to the recipient is for a motor vehicle that the recipient has been granted the right to use in terms of paragraph 7 of the Seventh Schedule to the Act (that is, a “company car”) the allowable deduction is Rnil.17

Section 8(1)(b)(iv) was inserted into the Act in 1990 to address schemes designed to inappropriately benefit from the lower rate of tax effectively levied on fringe benefits. It provides that where an employee, the employee’s spouse or the employee’s child has directly or indirectly let a vehicle to the employer or an employer’s associated institution, the sum of the rental and expenses paid by the employer for the vehicle are treated as an allowance for the employee and not as rental income for the lessor (who may or may not be the employer) and the employee is deemed not to have received a fringe benefit from the employer under Schedule 7 of the Act (right of use of an employer-provided asset).

Paragraph 5.4 of this Note discusses the situation where an allowance or advance is granted by a principal to a recipient for the use of a motor vehicle for business purposes. In circumstances where the mode of transportation is not a motor vehicle (for example, a train), the allowance will still need to be included in taxable income but the recipient will not be entitled to a deduction for the expenditure incurred (for example, train tickets).

5.4.2 Kilometres

With effect from 1 March 2010 the deemed kilometre method was deleted from the Act. Taxpayers wishing to claim the cost of business travel must base their claim on the actual business kilometres travelled and are required to prove the business kilometres travelled to the satisfaction of the Commissioner.

In order to be able to do so recipients must keep accurate written records of their business travel and include, at a minimum, the following information:

- The odometer reading on the first day of the tax year.
- The odometer reading on the last day of the tax year.
- For all business travel –
  - the date of the travel;
  - the kilometres travelled; and
  - business travel details (where and reason for trip).

Written records of this information are often referred to as a logbook. It is not necessary to record details of private travel (for example, that the recipient went to the movies on “x” date and the distance travelled was “y” kilometres) or daily opening and closing odometer readings. A logbook which taxpayers may use is available on the SARS website (www.sars.gov.za).

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17 Effective years of assessment commencing on or after 1 March 2011.
The accurate determination of what constitutes business travel is critically important and is determined by looking at the purpose of the trip and assessing whether it is for business purposes or private purposes.

In this regard, section 8(1)(b)(i) provides that travelling between a recipient’s place of residence and place of employment or business is private travel. The location of a recipient’s place of employment or place of business is a factual enquiry. In relation to an employee’s place of employment, it is the place at which the employee must render his or her services as agreed with the employer.

Examples of private travel include, where –

- a tax consultant employed by a law firm in Johannesburg travels from home to the law firm’s office, the travel between his or her home and the office;
- an assistant who is employed to work as a shop assistant in a V&A Waterfront store in Cape Town (the employer has stores situated all over South Africa, including other stores in the Cape Town area) travels from a friend’s house to the V&A Waterfront store, the travel between the friend’s house and the store; and
- an assistant who is employed to work as a shop assistant in his employer’s V&A Waterfront store in Cape Town for two days a week and the Canal Walk Store in Cape Town for three days a week (the employer has stores situated all over South Africa, including other stores in the Cape Town area) travels from home to a store, the travel between home and the Canal Walk Store, or the V&A Waterfront store as appropriate.

Examples of business travel include, where –

- an employee whose place of employment is in Johannesburg leaves the office at lunch time to attend a business conference in Krugersdorp, the travel between the employee’s office and the conference venue in Krugersdorp;
- a consultant stops to see a client en route to his or her place of employment, the travel between home and the client’s premises and the travel after the meeting from the client’s premises to the office;
- a sales assistant who normally works at his employer’s store in the V&A Waterfront, Cape Town travels directly from home to his employer’s store in Pretoria to assist with an annual stock count, the travel between home in Cape Town and Pretoria;
- an employee located in Kimberley is required to assist a client in Upington over a five-day period, the travel from Kimberley to Upington;¹⁸ and
- a computer programmer, who is allowed to work from home on a permanent basis (that is, he or she is not required to work from his or her employer’s office premises, the home office is the place of employment) travels to a client’s premises to discuss system requirements and functionality, the travel from his home office to the clients’ premises.

Note: The examples listed above are merely guidelines to explain the principles involved. Each case must be examined and assessed based on its own unique set of facts.

¹⁸ The employee will also incur additional business travel while in Upington, for example, travelling from the guesthouse to the client’s premises and travelling to the shops to get supplies.
5.4.3 Expenditure per kilometre – actual costs

In order to be able to use actual costs in determining the amount of the allowable deduction, recipients will need to perform an acceptable calculation based on accurate data. An acceptable “expenditure per kilometre” calculation will contain two elements, namely, total kilometres travelled and the total expenditure incurred by the recipient. The calculated rate per kilometre would then be multiplied by the business kilometres travelled (see 5.4.2) to determine the allowable deduction.

Recipients must retain supporting documentation in order to prove, if requested, the accuracy of the calculation and the data used.

The recipient’s use of the motor vehicle to travel must have given rise to the expenditure. In ITC 1731 a lease termination payment was held to be related to the termination of the lease and the acquisition of the ownership of the vehicle and not to have been an expense incurred as a result of travelling. It accordingly did not fall within the provisions of section 8(1)(a) and (b).

Examples of the type of expenditure which may be included are wear-and-tear or lease payments, fuel, oil, repairs and maintenance, car licence, insurance and finance charges.

The expenditure related to finance charges and depreciation are based on actual costs subject to limitations as set out in section 8(1)(b)(iiiA). Section 8(1)(b)(iiiA) provides –

• that in relation to a leased vehicle, the lease payments included may not exceed the fixed cost element determined in the Gazette for the particular category of vehicle (see 5.4.4); and

• in all other cases –
  ➢ wear-and-tear must be determined over a seven-year period from the original date of acquisition by the recipient;
  ➢ the cost of the vehicle must be limited to R480 000; and
  ➢ the finance charges incurred for any debt incurred for the purchase must be limited to an amount which would have been incurred had the original debt been R480 000.

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19 Calculated rate per kilometre = total expenditure / total kilometres travelled.
20 Calculated rate per kilometre = total expenditure / total kilometres travelled.
21 64 SATC 395.
22 This value is effective from years of assessment commencing on or after 1 March 2011.
23 This value is effective from years of assessment commencing on or after 1 March 2011.
Example 9 – Travelling deductions where record of actual expenses was kept

**Facts:**
Ms S received a travel allowance of R96 000 during the 2012 year of assessment. She travelled a total of 23 881 kilometres during the year, of which 7 338 kilometres was for business travel. Ms S purchased her motor vehicle on 1 March 2008 and it has a value of R353 248. She incurred the following travelling expenses and has kept proof thereof:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel and oil</td>
<td>R 26 910</td>
</tr>
<tr>
<td>Maintenance and repairs</td>
<td>R 4 422</td>
</tr>
<tr>
<td>Insurance and licence fees</td>
<td>R 15 327</td>
</tr>
<tr>
<td>Wear-and-tear (R353 248 / 7 years)</td>
<td>R 50 464</td>
</tr>
<tr>
<td>Finance charges</td>
<td>R 32 880</td>
</tr>
<tr>
<td><strong>Total costs</strong></td>
<td><strong>R 130 003</strong></td>
</tr>
</tbody>
</table>

**Result:**
Travel allowance received: R 96 000

The deduction for business travel will be calculated as follows:

\[
\text{(Total costs / total kilometres) } \times \text{ business kilometres} = \left( \frac{R130\ 003}{23\ 881} \right) \times 7\ 338 = R39\ 946
\]

Ms S is entitled to the full deduction of R39 946 against her travel allowance and must include R56 054 (R96 000 – R39 946) in her taxable income.

---

**5.4.4 Expenditure per kilometre – deemed rate per kilometre**

The deemed rate per kilometre, which is determined by the Minister of Finance by notice in the Gazette, has the following three components:

- **A fixed component** – the rand value per the cost scale table (explained below) must be divided by the total kilometres (private and business) travelled in the tax year and must also be apportioned if the vehicle was only used for business purposes for part of the year.
- **A fuel cost component** – this component may only be included if the recipient bears the full cost of fuel.
- **A maintenance cost component** – this component may only be included if the recipient bears the full cost of maintenance.

The three components are included in a cost scale table and the recipient must select the appropriate figures based on the value of the vehicle. The value of the vehicle is generally the cash value of the vehicle including VAT but excluding interest.

The cost scale table which is applicable to the 2011/2012 tax year, that is, from 1 March 2011 to 29 February 2012, is included in Annexure B. The tables which are applicable to other tax years (including the 2012/2013 tax year) are available on the SARS website (www.sars.gov.za). As these tables change periodically, taxpayers ought to review the effective date of the particular notice to ensure the correct costs are applied to the correct tax years.
As an alternative to calculating the deemed rate according to the cost scale table, the notice provides that taxpayers may choose to use a specified rate of R3.05 per kilometre (in the case of the 2011/2012 tax year)\textsuperscript{24} in the following circumstances:

- the business kilometres travelled in the vehicle/s used do not exceed 8000 kilometres in total during the particular year of assessment; and
- the recipient received no other compensation in the form of a travel allowance or reimbursement.

\textbf{Example 10 – Travelling deduction where no record of actual expenses was kept}

\textit{Facts:}

Mr J received a travel allowance of R36 000 for the year of assessment ending 29 February 2012. His opening odometer reading on 1 March 2011 was 17 005 and his closing odometer reading on 29 February 2012 was 48 091. He kept an accurate logbook detailing all of his business trips, 14 115 kilometres were travelled for business purposes. No records of actual costs relating to the motor vehicle were kept. Mr J pays all the fuel and maintenance costs. The value of his motor vehicle is R180 000 and he wishes to claim a travel deduction for the 2012 year of assessment.

\textit{Result:}

\begin{itemize}
  \item Travel allowance received \hspace{1cm} R36 000
  \item The business portion of the expenses incurred in travelling on business will be determined as follows:
  \begin{itemize}
    \item Opening kilometres: (01/03/2011) \hspace{1cm} 17 005
    \item Closing kilometres: (28/02/2012) \hspace{1cm} 48 091
    \item Total kilometres travelled \hspace{1cm} 31 086
  \end{itemize}
  \item The fixed cost for the vehicle amounting to R180 000 is R52 594.
  \item The fixed cost amount must be divided by the total distance travelled (both private and business):
    \begin{itemize}
      \item R52 594 / 31 086 \times 100/1 = 169.1c
      \item Add Fuel cost per kilometre = 71.3c
      \item Add Maintenance cost per kilometre = 31.9c
      \item Total cost per kilometre = 272.3c
    \end{itemize}
  \item 14 115 business kilometres \times 272.3c \times 1/100 = R38 435
\end{itemize}

The travel deduction of R38 435 is limited to the travelling allowance received, being R36 000. The excess of R2 435 is disregarded. Rnil is included in taxable income.

\textsuperscript{24} This rate also changes periodically.
Example 11 – Reimbursive travel claim where no record of actual expenses was kept

Facts:

Mr BA used his private car in December 2011 when he went on a road show to promote one of his employer’s new products. Before the start of the road show his employer agreed to reimburse him at a rate of R4.25 per kilometre. He kept a logbook so that he could calculate the total kilometres travelled but did not keep other supporting documentation for the expenses he incurred. The road show was the only time he used his private car to travel for work purposes. He travelled 3,538 kilometres during the road show.

Result:

Mr BA could use the cost scale table or the specified rate to determine the amount of the deduction he will be entitled to deduct from the allowance received. He has elected to use the specified rate.

The business portion of the expenses incurred in travelling on business will accordingly be determined as follows:

<table>
<thead>
<tr>
<th>Kilometres travelled</th>
<th>R</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,538</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Specified rate per the Gazette</th>
<th>R3.05</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Total amount of deemed expenditure (3,538 x R3.05)</th>
<th>10,790.90</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Reimbursive travel claim received (3,538 x R4.25)</th>
<th>15,036.50</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Amount included in taxable income (R15,036.50 – R10,790.90)</th>
<th>4,245.60</th>
</tr>
</thead>
</table>

Example 12 – Travelling deduction where no record of actual expenses was kept and the employee receives a travel allowance and a reimbursive travel claim

Facts:

Mr J received a travel allowance of R36,000 for the year of assessment ending 29 February 2012. His employer also reimburses him at a rate of R4.25 per kilometre. His opening odometer reading on 1 March 2011 was 17,005 and his closing odometer reading on 29 February 2012 was 48,091. He kept an accurate logbook detailing all of his business trips, 8,200 kilometres were travelled for business purposes. No records of actual costs relating to his the motor vehicle were kept. The value of his motor vehicle is R180,000 and he wishes to claim a travel deduction for the 2012 year of assessment.
Result:
The business portion of the expenses incurred in travelling on business will be determined as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel allowance received</td>
<td>R 36 000</td>
</tr>
<tr>
<td>Reimbursive claim (8 200 x R4.25)</td>
<td>R 34 850</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>R 70 850</strong></td>
</tr>
<tr>
<td>Opening kilometres: (01/03/2011)</td>
<td>17 005</td>
</tr>
<tr>
<td>Closing kilometres: (28/02/2012)</td>
<td>48 091</td>
</tr>
<tr>
<td><strong>Total kilometres travelled</strong></td>
<td><strong>31 086</strong></td>
</tr>
</tbody>
</table>

The fixed cost for the vehicle amounting to R180 000 is R52 594.

The fixed cost amount must be divided by the total distance travelled (both private and business).

\[
\frac{52 594}{31 086 \text{ km}} \times \frac{100}{1} = 169.1c \\
\text{Add Fuel cost per kilometre} = 71.3c \\
\text{Add Maintenance cost per kilometre} = 31.9c \\
\text{Total cost per kilometre} = 272.3c \\
8 200 \text{ business kilometres} \times 272.3c \times \frac{1}{100} = 22 328.60 \\
\text{Amount included in taxable income (R70 850.00 – R22 328.60)} = 48 521.40
\]

6. Employees’ tax

6.1 General

All allowances or advances, except for those discussed in 6.2 and 6.3, required to be included in taxable income in terms of section 8(1)(a)(i) must be included in remuneration for the purposes of employees’ tax.

Reimbursement of actual expenditure is not subject to employees’ tax.

6.2 Subsistence allowances

Subsistence allowances are generally not subject to employees’ tax. However, a subsistence allowance or advance paid or granted to an employee during any month, where that employee had not spent the anticipated time away from his or her usual place of residence on business by the end of the month following the month in which the allowance or advance was paid or granted, will be subject to employees’ tax if the employee has not refunded such amount to the employer. This ensures that subsistence allowances or advances are not used as a form of salary structuring by employers and do not result in employees receiving a tax-free allowance which is not provided for by legislation.

The amount of the allowance must be included in remuneration in the month following the month in which the allowance or advance was paid if the employee did not spend the time away from home that was anticipated.

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25 The employees’ tax consequences are also different for the holder of public office allowances – these are not discussed in this Note.
6.3 Travel allowance and reimbursive travel claims

6.3.1 Travel allowance

The definition of the term "remuneration" in the Fourth Schedule to the Act was amended with effect from 1 March 2010 to include 80% of the travel allowance or advance as remuneration. However, in the event that an employer is satisfied that at least 80% of the use of the motor vehicle for a year of assessment will be for business purposes, only 20% of the travel allowance or advance is included as remuneration and is subject to employees' tax.\(^\text{26}\)

This does not mean that only a portion (80% or 20%, as the case may be) is subject to tax. The full allowance or advance is potentially taxable if the taxpayer is unable to claim a sufficient deduction for business travel when submitting his/her annual tax return. It is only for the purposes of employees' tax that 80% or 20%, as the case may be, is included in remuneration.

Employers must be satisfied that at least 80% of the use of the vehicle is for business purposes when assessing whether 80% or 20% of the travel allowance or advance should be included in "remuneration". The word "satisfied" suggests that the employer must actively look into the facts of each employee's circumstances and objectively weigh up and apply his or her mind to whether or not the employee should qualify.

Employers must satisfy themselves that employees will use their vehicles for at least 80% business use. This can be done by –

- regularly reviewing employees' logbooks which detail business and private travel; and
- taking into consideration changes in the role or function of the employee.

Example 13 – Determination of the travelling allowance inclusion rate by the employer

Facts:
Ms M is paid a travel allowance of R5 000 per month by her employer, JKL (Pty) Ltd. In terms of her employment duties Ms M is required to provide services to all of JKL (Pty) Ltd's clients who are based in Gauteng. During the previous full year of assessment Ms M maintained a detailed logbook which disclosed she had travelled a total of 61 015 km, of which 53 092 km were business travel. Ms M and the financial director of JKL (Pty) Ltd agree that her functions will remain much the same during the current year of assessment.

Result:
Determination of expected percentage business travel:
\[
\frac{53 092 \text{ km}}{61 015 \text{ km}} = 87\%
\]

\(^{26}\) Effective years of assessment commencing on or after 1 March 2011.
87% of Ms M’s travel in the previous year of assessment was conducted for business purposes. In March 2011 based on the logbook for the previous tax year and the fact that Ms M’s job profile and responsibilities are not expected to change, JKL (Pty) Ltd is likely to be satisfied that at least 80% of the use of Ms M’s motor vehicle for the current year of assessment will be for business purposes.

Accordingly, only 20% of the travel allowance, that is, R1 000 (R5 000 x 20%) may be included in Ms M’s remuneration. The full allowance of R5 000, less any allowable deduction, will need to be included in Ms M’s taxable income when she submits her tax return.

The method set out above is not the only method that an employer can use to assess whether an employee will travel more than 80% for business purposes. There may be other acceptable methods that employers can use to satisfy themselves of the 80% requirement based on the particular employee’s circumstances. SARS will, if applicable, consider whether other methods applied by an employee demonstrate that the employer did in fact properly apply their mind to the particular case. For example, with new employees or employees who change job positions, a prior year logbook may not necessarily be appropriate.

If employees’ tax has been withheld on 20% of a recipient’s travel allowance and circumstances change such that the employer realises that the employee will no longer use the vehicle more than 80% for business purposes for the year of assessment, from the month in which the circumstances change, employees tax must be withheld on 80% of a recipient’s travel allowance. The adjustment does not need to be made retrospectively, the change must merely be made from the month during which the employer reasonably became aware of the change in the employee’s circumstances.

6.3.2 Reimbursive travel claim

Reimbursive travel claims are not subject to employees’ tax. They must be included in taxable income, subject to the deduction of any allowable deductions, when the recipient submits his or her tax return.

7. Conclusion

Section 8(1)(a)(i) –

- deals with all allowances and advances paid by a “principal” to a “recipient” (for example, travel, subsistence, public office, cell phone and housing allowances); and
- provides that all such allowances and advances must be included in the recipient’s taxable income to the extent that it was not expended as specified in section 8.

Section 8 only permits a deduction for expenditure incurred in relation to travelling on business, expenditure incurred for accommodation, meals and incidental costs while such office holder or employee is obliged to spend at least one night away from his usual place of residence as a result of business or official purposes and expenditure incurred by reason of the duties attendant upon public office. The method of calculating the amount of the allowable deduction is specified in section 8. This Note discussed the methods of calculating the allowable deduction which, in the case of
the travel allowance, included actual business kilometres and an actual rate per kilometre or a deemed rate per kilometre as determined by the Minister of Finance in the Gazette. The allowable deduction for subsistence expenses may, depending on the circumstances, be based on a deemed rate per the Gazette or on actual expenditure.

Employers are required to calculate and withhold employees’ tax on a monthly basis. With effect from 1 March 2011 employers must include 80 per cent of the travel allowance in remuneration. However, in the event that an employer is satisfied that at least 80 per cent of the use of the motor vehicle for a year of assessment will be for business purposes, only 20% of the travel allowance or advance is included as remuneration and is subject to employees’ tax.

Subsistence allowances are generally not subject to employees’ tax. If an employee receives a subsistence allowance but does not spend the anticipated time away from home, the amount of the subsistence allowance must be included in remuneration in the month following the month in which the allowance was paid to the employee.
Annexure A – The law

8. Certain amounts to be included in income or taxable income.—(1)(a)(i) There shall be included in the taxable income of any person (hereinafter referred to as the “recipient”) for any year of assessment any amount which has been paid or granted during that year by his or her principal as an allowance or advance, excluding any portion of any allowance or advance actually expended by that recipient—

(aa) on travelling on business, as contemplated in paragraph (b), unless an allowance or advance has been granted by an employer in respect of the use of a motor vehicle as contemplated in paragraph 7 of the Seventh Schedule;

(bb) on any accommodation, meals and other incidental costs, as contemplated in paragraph (c), while such recipient is by reason of the duties of his or her office or employment obliged to spend at least one night away from his or her usual place of residence in the Republic; or

(cc) by reason of the duties attendant upon his or her office, as contemplated in paragraph (d).

(ii) There shall not be included in the taxable income of a person in terms of the provisions of paragraph (a)(i), any amount paid or granted by a principal in reimbursement of, or as an advance for, any expenditure incurred or to be incurred by the recipient—

(aa) on the instruction of his or her principal in the furtherance of the trade of that principal; and

(bb) where that recipient must produce proof to that principal that such expenditure was wholly incurred as aforesaid and must account to that principal for that expenditure:

Provided that where that expenditure was incurred to acquire any asset, the ownership in that asset must vest in that principal.

(iii) For the purposes of this paragraph, “principal” in relation to a recipient includes his or her employer or the authority, company, body or other organisation in relation to which any office is held, or any associated institution, as defined in the Seventh Schedule, in relation to such employer, authority, company, body or organisation.

(iv) The provisions of this paragraph shall not apply in respect of any allowance or advance received by or accrued to a person contemplated in section 9 (1)(e) stationed outside the Republic which is attributable to that person’s services rendered outside the Republic.

(b) For the purposes of paragraph (a)(i)(aa)—

(i) any allowance or advance in respect of transport expenses shall, to the extent to which such allowance or advance has been expended by the recipient on private travelling (including travelling between his place of residence and his place of employment or business or any other travelling done for his private or domestic purposes), be deemed not to have been actually expended on travelling on business;

(ii) subject to the provisions of subparagraph (iii), where such allowance or advance has been paid to the recipient in order that it may be utilized for defraying expenditure in respect of any motor vehicle used by the recipient, the portion of the allowance expended by the recipient during the year of assessment for business purposes shall, unless an acceptable calculation based on accurate data is furnished by the recipient, be deemed to be an amount calculated by applying the rate per kilometre determined in the manner prescribed by the Minister of Finance by notice in the Gazette for the category of vehicle used, on a distance travelled during the said year for business purposes (other than private travelling as contemplated in subparagraph (i));
(iii) where such allowance or advance is based on the actual distance travelled by the recipient in using a motor vehicle on business (excluding the said private travelling), or such actual distance is proved to the satisfaction of the Commissioner to have been travelled by the recipient, the amount expended by the recipient on such business travelling shall, unless the contrary appears, be deemed to be an amount determined on such actual distance at the rate per kilometre fixed by the Minister of Finance by notice in the Gazette for the category of vehicle used;

(iiiA) where the portion of the allowance or advance which is claimed by the recipient to be actually expended is calculated based on accurate data furnished by the recipient in respect of any vehicle—

(aa) in the case of a vehicle that is being leased, the total amount of payments in respect of that lease may not in any year of assessment exceed an amount of the fixed cost determined by the Minister in the notice contemplated in subparagraph (ii), for the category of vehicle used;

(bb) in any other case—

(A) the wear and tear of that vehicle must be determined over a period of seven years from the date of original acquisition by that recipient and the cost of the vehicle must for this purpose be limited to R480 000, or such other amount determined by the Minister by notice in the Gazette; and

(B) the finance charges in respect of any debt incurred in respect of the purchase of that vehicle must be limited to an amount which would have been incurred had the original debt been R480 000, or such other amount determined by the Minister in terms of subitem (A);

(iv) where any motor vehicle which is owned or leased by an employee, his spouse or his child, whether directly or indirectly by virtue of an interest in a company or trust or otherwise, has been let to the employer or any associated institution in relation to the employer, the sum of the rental paid by the employer or associated institution in respect of the vehicle, shall be deemed to be an allowance paid to the employee in respect of transport expenses, and in such case the said rental shall for the purposes of this Act (excluding this paragraph) be deemed not to have been received by or to have accrued to the lessor of such motor vehicle.

(c) A recipient shall, for the purposes of paragraph (a)(i)(bb), be deemed to have actually expended,—

(i) where that recipient proves to the Commissioner the amount of the expenses incurred by him or her in respect of accommodation, meals or other incidental costs (other than any amount of expenditure borne by the employer otherwise than by way of payment or granting of the allowance), the amount so actually incurred but limited to the amount of the allowance or advance paid or granted to meet those expenses; or

(ii) for each day or part of a day in the period during which that recipient is absent from his or her usual place of residence, such amount in respect of meals and other incidental costs, or incidental costs only, as the Commissioner may determine for a country or region for the relevant year of assessment by way of notice in the Gazette, but limited to the amount of the allowance paid or granted to meet those expenses: Provided that this subparagraph does not apply to the extent that—

(aa) the employer has borne the expenses (otherwise than by way of granting the allowance or advance) in respect of which the allowance was paid or granted for that day or part of that day; or

(bb) the recipient has proved to the Commissioner any amount of actual expenditure in respect of meals or incidental costs for that day or part of that day, as contemplated in subparagraph (i).
Definition of “remuneration” in paragraph 1 of the Fourth Schedule to the Act

“remuneration” means any amount of income which is paid or is payable to any person by way of any salary, leave pay, wage, overtime pay, bonus, gratuity, commission, fee, emolument, pension, superannuation allowance, retiring allowance or stipend, whether in cash or otherwise and whether or not in respect of services rendered, including—

(cA) 80 per cent of the amount of any allowance or advance in respect of transport expenses referred to in section 8(1)(b), other than any such allowance or advance contemplated in section 8(1)(b)(iii) which is based on the actual distance travelled by the recipient, and which is calculated at a rate per kilometre which does not exceed the appropriate rate per kilometre fixed by the Minister of Finance under section 8(1)(b)(iii): Provided that where the employer is satisfied that at least 80 per cent of the use of the motor vehicle for a year of assessment will be for business purposes, then only 20 per cent of the amount of such allowance or advance must be included;
Annexure B – Table of rate per kilometre

1. Definition

In this Schedule, “value” in relation to a motor vehicle used by the recipient of an allowance as contemplated in section 8(1)(b)(ii) and (iii) of the Income Tax Act, 1962, means—

(a) where that motor vehicle (not being a motor vehicle in respect of which paragraph (b)(ii) of this definition applies) was acquired by that recipient under a bona fide agreement of sale or exchange concluded by parties dealing at arm's length, the original cost thereof to him/her, including any sales tax or value-added tax but excluding any finance charge or interest payable by him/her in respect of the acquisition thereof;

(b) where that motor vehicle—

(i) is held by that recipient under a lease contemplated in paragraph (b) of the definition of "instalment credit agreement" in section 1 of the Value-Added Tax Act, 1991; or

(ii) was held by him/her under such a lease and the ownership thereof was acquired by him/her on the termination of the lease, the cash value thereof as contemplated in the definition of "cash value" in section 1 of the Value-Added Tax Act; or

(c) in any other case, the market value of that motor vehicle at the time when that recipient first obtained the vehicle or the right of use thereof, plus an amount equal to the sales tax or value added tax which would have been payable in respect of the purchase of the vehicle had it been purchased by the recipient at that time at a price equal to that market value.

2. Determination of rate per kilometre

The rate per kilometre referred to in section 8(1)(b)(ii) and (iii) must, subject to the provisions of paragraph 4, be determined in accordance with the cost scale set out in paragraph 3, and must be the sum of—

(a) the fixed cost divided by the total distance in kilometres (for both private and business purposes) shown to have been travelled in the vehicle during the year of assessment: Provided that, where the vehicle has been used for business purposes during a period in that year which is less than the full period of that year, the fixed cost must be an amount which bears to the fixed cost the same ratio as the period of use for business purposes bears to 365 days;

(b) where the recipient of the allowance has borne the full cost of the fuel used in the vehicle, the fuel cost; and

(c) where that recipient has borne the full cost of maintaining the vehicle (including the cost of repairs, servicing, lubrication and tyres), the maintenance cost.
### 3. Cost scale

<table>
<thead>
<tr>
<th>Where the value of the vehicle –</th>
<th>Fixed cost R</th>
<th>Fuel cost c/km</th>
<th>Maintenance cost c/km</th>
</tr>
</thead>
<tbody>
<tr>
<td>does not exceed R60 000</td>
<td>19 492</td>
<td>64.6</td>
<td>26.4</td>
</tr>
<tr>
<td>exceeds R60 000, but does not exceed R120 000</td>
<td>38 726</td>
<td>68.0</td>
<td>29.2</td>
</tr>
<tr>
<td>exceeds R120 000, but does not exceed R180 000</td>
<td>52 594</td>
<td>71.3</td>
<td>31.9</td>
</tr>
<tr>
<td>exceeds R180 000, but does not exceed R240 000</td>
<td>66 440</td>
<td>77.7</td>
<td>35.0</td>
</tr>
<tr>
<td>exceeds R240 000, but does not exceed R300 000</td>
<td>79 185</td>
<td>87.0</td>
<td>44.7</td>
</tr>
<tr>
<td>exceeds R300 000, but does not exceed R360 000</td>
<td>91 873</td>
<td>93.9</td>
<td>54.2</td>
</tr>
<tr>
<td>exceeds R360 000, but does not exceed R420 000</td>
<td>105 809</td>
<td>100.9</td>
<td>65.8</td>
</tr>
<tr>
<td>exceeds R420 000, but does not exceed R480 000</td>
<td>119 683</td>
<td>113.1</td>
<td>67.6</td>
</tr>
<tr>
<td>exceeds R480 000</td>
<td>119 683</td>
<td>113.1</td>
<td>67.6</td>
</tr>
</tbody>
</table>

### 4. Simplified method for distances less than 8 000 kilometres.

Where—

(a) the provisions of section 8(1)(b)(iii) are applicable in respect of the recipient of an allowance or advance;

(b) the distance travelled in the vehicle for business purposes during the year of assessment does not exceed 8 000 kilometres, or where more than one vehicle has been used during the year of assessment the total distance travelled in those vehicles for business purposes does not exceed 8 000 kilometres; and

(c) no other compensation in the form of a further allowance or reimbursement is payable by the employer to that recipient,

that rate per kilometre is, at the option of the recipient, equal to 305 cents per kilometre.

### 5. Effective date.

The rate per kilometre determined in terms of this Schedule applies in respect of years of assessment commencing on or after 1 March 2011.