

Tax Alert

31 March 2009

Changes to subsistence allowances

This Tax Alert highlights the changes to the prescribed subsistence allowance amounts provided by employers to employees.

As of 1 March 2009, the amounts granted to employees as a subsistence allowance, which shall be deemed to have been actually expended by a person in respect of meals and incidental costs, will change considerably.

The subsistence amount relating to local travel is increased to an amount of R80.00 (instead of R73.50) per day in respect of allowances granted to defray incidental costs only and R260.00 (as opposed to R240) per day in respect of allowances granted to defray incidental costs and the costs of meals.

Subsistence amounts relating to international travel, paid to defray the costs of meals and incidental costs have undergone a significant change, which might have administratively burdensome implications for employers. Deemed amounts have been determined at a different rate for each country, as opposed to the single rate of US\$215 per day for all travel outside SA.

While no employees tax needs to be deducted from subsistence allowances, irrespective of the rates used, the reporting of this benefit on year end IRP 5 certificates, hinges on the rates.

We recommend that employers compare their company policy as regards subsistence allowances to the new SARS rates to determine the correct coding applicable to the allowances.

Some of the daily rates applicable to certain countries are:

Australia	AU\$175 per day
France	€149 per day
Germany	€107 per day
Italy	€120 per day

Netherlands	€127 per day
New Zealand	NZ\$ 252 per day
Switzerland	Sf230
UK	£107
USA	US\$157

The rates as applicable to each country have been listed in the *Government Gazette* number 31915, dated 27 February 2009.

Code 3705 should be used for local travel in cases where the deemed amount are not exceeded (non taxable subsistence) and amounts which exceed the deemed amount should be reflected on IRP5s under code 3704 (taxable subsistence allowance).

Code 3716 should be used for foreign travel where the deemed amounts are not exceeded (non taxable subsistence) and amounts which exceed the deemed amount should be reflected on IRP5s under code 3715 (taxable subsistence allowance).

For further assistance in this regard, please contact:

Johannesburg Elriette Butler (011) 797 6861 or
Cinzia de Risi: (011) 797 5241

Pretoria Bennie Botha 012-429-0292
bennie.botha@za.pwc.com

Cape Town Barry Knoetze (021) 529 2742

Durban Anton Lockem (031) 271 7454

Port Elizabeth Ian Olls 041-391-4474
ian.olls@za.pwc.com

East London Susan Minnie 043 707 9600
susan.minnie@za.pwc.com

The Tax Alert is designed to keep you abreast of developments and is not intended to be a comprehensive statement of the law. It should not be relied upon as a substitute for specific advice in considering the tax effects of particular transactions. No liability is accepted for errors or opinions contained herein.