

Tax Alert

28 March 2012

Employees' tax changes: subsistence allowances and travel costs

The recent Budget and the advent of the 2012/2013 tax year have brought about some important new changes of which employers should be aware.

Subsistence Allowances

A subsistence allowance may be granted by an employer to cover any incidental costs and/or personal subsistence, if the employee is required to spend at least one night away from his/her usual place of residence in South Africa for business purposes.

With effect from 1 March 2012, the amount of a subsistence allowance deemed to have been expended by a recipient travelling in South Africa in terms of Section 8(1)(c) of the Income Tax Act 58 of 1962 will be as follows:

- For meals and incidental costs, an amount of R303 per day is deemed to have been expended;
- For incidental costs only, an amount of R93 for each day which falls within the period is deemed to have been expended.

The daily amounts deemed to be expended for travel outside South Africa have also changed, depending on the destination country. Details of these amounts are published on the SARS website.

Travel Costs

With effect from 1 March 2012, the rate per kilometre referred to in Section 8(1)(b)(ii) and (iii) must be determined in accordance with the following cost scale:

| Value of vehicle (including VAT) | Fixed cost (R p.a.) | Fuel cost (c/km) | Maintenance cost (c/km) |
|----------------------------------|---------------------|------------------|-------------------------|
| R60,000 or less | 19,492 | 73.7 | 25.7 |
| R60,001 - R120,000 | 38,726 | 77.6 | 29.0 |
| R120,001 - R180,000 | 52,594 | 81.5 | 32.3 |
| R180,001 - R240,000 | 66,440 | 89.6 | 36.9 |
| R240,001 - R300,000 | 79,185 | 102.7 | 45.2 |
| R300,001 - R360,000 | 91,873 | 117.1 | 53.7 |
| R360,001 - R420,000 | 105,809 | 119.3 | 65.2 |
| exceeds R420,001 | 119,683 | 133.6 | 68.3 |



Employees' tax changes: subsistence allowances and travel costs (cont)

Please note:

- 80% of the travel allowance must be included in the employee's remuneration for the purposes of calculating employees' tax. The percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of the motor vehicle for the tax year will be for business purposes.
 - The actual distance travelled during a tax year and the distance travelled for business purposes substantiated by a log book are used to determine the costs which may be claimed against a travel allowance.
- mileage according to a fixed rate, currently 316 cents per kilometre. In order for the reimbursement of travel expenses to be exempt, the following two requirements must be met:
- the distance travelled for business purposes does not exceed 8,000 kilometres per annum; and
 - the employee is not in receipt of any other allowance or reimbursement in respect of the vehicle(s) in question.

Alternatively, if the following requirements are met, the employer may elect to calculate the cost of the business

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For more information, please contact

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