

# Travel Allowances

Many employers pay travel allowances to their employees as part of their remuneration package. If the employer is aware that the employee uses his/her motor vehicle only for private purposes (including travelling between home and place of work), payment of a travel allowance would be considered to be tax fraud with severe criminal and financial consequences.

With effect from 1 March 2010, 80% of business travel allowances are subject to PAYE. Before this date, only 60% was subject to PAYE.

On assessment, the full allowance is taxable and actual or deemed expenditure can be claimed as a deduction up to the amount of allowance received.

Also with effect from 1 March 2010, all business travel must be recorded in a log book. In the previous year the first 18000 km travelled was deemed to be for private use and only up to the next 14000 km was deemed to be for business use.

From 1 March 2010, if you do not maintain a log book no amount may be deducted against an allowance received. A standard format of a log book is available for download from the SARS website [www.sars.gov.za](http://www.sars.gov.za)

It is obviously essential that you record your closing kilometre reading at the end of Sunday 28 February 2010.

The table below sets out the rates per kilometre which may be used in determining the allowable deduction for business travel where no records of actual costs are kept. Of course, it

may be far more tax effective to keep records of actual costs instead of using the published table. Wear and tear must be calculated over 7 years on a cost not exceeding R400 00. Any interest or finance charges must also be limited to an amount calculated as if the original debt did not exceed R400 000.



Value of the vehicle (Including VAT) (R)	Fixed cost (R p.a.)	Fuel cost (c/km)	Maintenance cost (c/km)
0 - 40 000	14 672	58.6	21.7
40 001 - 80 000	29 106	58.6	21.7
80 001 - 120 000	39 928	62.5	24.2
120 001 - 160 000	50 749	68.6	28.0
160 001 - 200 000	63 424	68.8	41.1
200 001 - 240 000	76 041	81.5	46.4
240 001 - 280 000	86 211	81.5	46.4
280 001 - 320 000	96 260	85.7	49.4
320 001 - 360 000	106 367	94.6	56.2
360 001 - 400 000	116 012	110.3	75.2
Exceeding 400 000	116 012	110.3	75.2

The fixed cost must be reduced on a pro-rata basis if the vehicle is used for business purposes for less than a full year.

**Alternatively:**

Where the distance travelled for business purposes does not exceed 8 000 km per annum, no tax is payable on an allowance paid by an employer to an employee, up to the rate of 292 cents per kilometre regarding of the value of the vehicle.

The alternative is not available if other compensation in the form of an allowance or reimbursement is received.

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