



TAX INDABA

2018

WELCOME

Travel Reimbursement

Application of the Amendments

and

Employment Tax Incentive

Special Economic Zones

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Travel Reimbursement Principles



- ▶ **IT Act options for employers to ‘compensate’ for Business Travel –**
 1. Company car *[Company owned or rented vehicle]*
 2. Travel Allowance *[Privately owned or rented vehicle]*
 3. Travel Reimbursement *[Privately owned or rented vehicle]*

- ▶ **Business travel in a vehicle that is not company or privately owned**

- ▶ **Travel Reimbursement principles –** *[Section 8(1)(b)(iii)]*
 1. Employee uses a privately-owned vehicle for business travel
 2. Employer reimburses the employee’s claim for business travel (spreadsheet)
 3. Calculated by multiplying the number of business kilometers by a **rate per km**

- ▶ **‘Business travel’ is defined reflexively and used by the –**
 1. Employee: To record business kilometres for assessment (ITR12)
 2. Employer: To control costs, and administer the compensation compliantly

Travel Reimbursement 'Rate per Km' Regulation 1 March 2018



► **Regulation: Provides two Rate per km options acceptable to SARS –**

1. Paragraph 3: 'Cost Scale' rate per km
2. Paragraph 4: 'Prescribed' rate per km (the 'Simplified Method')

1. Paragraph 3: Provides the SARS 'Cost Scale' table -

- 'Cost Scale' rate per km = Fixed Cost/Total Km + Fuel rate + Maintenance rate
- The 'Cost Scale' rate used by the employer in the payroll is: an Estimated rate
- The 'Cost Scale' rate used by SARS on assessment is: the Final rate

2. Paragraph 4: Provides the 'Simplified Method' -

- Specifies a '*Prescribed*' rate per km of R3,61 for 2019 (was R3,55 for 2018)
- Specifies that the 'Prescribed' rate per km may not be used if:
 - It is not a Travel reimbursement as contemplated by section 8(1)(b)(iii), or
 - A Travel allowance is paid in addition to the travel reimbursement
- The '12 000 business km' requirement has been removed

Travel Reimbursement Remuneration Definition Change 1 March 2018



- ▶ **Definition of Remuneration (up to 28 February 2018) –**
 - 80% (or 20%) of the travel reimbursement is remuneration ...
- ▶ **Definition of Remuneration (from 1 March 2018) –**
 - The portion of the travel reimbursement amount that is calculated at a rate per km that exceeds the 'prescribed' rate per km, is remuneration

There can still be a Remuneration portion of the Travel Reimbursement

Travel Reimbursement Tax Certificate Codes 1 March 2018



CODE	DESCRIPTION	TAX	STATUS
3702	<p>Travel Reimbursement: Income portion</p> <p>Use if: A code 3701 travel allowance is paid, <u>OR</u> The rate/km used to reimburse exceeds the prescribed rate/km</p> <p>Value: Portion of the Reimbursement up to the Prescribed rate per km</p>	IT	Revised
3722	<p>Travel Reimbursement: Remuneration portion</p> <p>Use if: The rate/km used to reimburse exceeds the prescribed rate/km</p> <p>Value: Portion of the Reimbursement above the Prescribed rate/km</p>	PAYE	New
3703	<p>Travel Reimbursement: Business expense (deemed)</p> <p>Use if: Code 3702 and code 3722 are not used</p> <p>Value: Total reimbursement amount</p>	EXCL	Revised

To allocate these codes correctly, Payroll must have the rate/km used

Travel Reimbursement Payroll Calculations Examples



TRAVEL REIMBURSEMENT SCENARIOS FOR IRP5 REPORTING USING: R3.61							
TRAVEL REIMBURSEMENT EMPLOYER CALCULATIONS			TRAVEL ALLOW	REMUNERATION?		INCOME?	
KM PA	R/KM	TOTAL		NO	YES	YES	
A	B	C	D	E	F	G	
1	20 000	2.61	52 200	0	52 200	0	0
2	20 000	3.61	72 200	0	72 200	0	0
3	20 000	4.61	92 200	0	0	20 000	72 200
4	20 000	2.61	52 200	10 000	0	0	52 200
5	20 000	3.61	72 200	10 000	0	0	72 200
6	20 000	4.61	92 200	10 000	0	20 000	72 200

Travel Reimbursement SARS Assessment Calculations Examples



SCENARIOS FOR THE TAXATION OF TRAVEL REIMBURSEMENTS AND ALLOWANCES FOR 2019 USING: R3.61											
EMPLOYER ADMINISTRATION			TAX CERTIFICATE CODES				SARS ASSESSMENT CALCULATION				
TRAVEL REIMBURSEMENT EMPLOYER CALCULATIONS			TRAVEL ALLOW	REMUNERATION?		INCOME?	TOTAL TRAVEL INCOME LESS DEDUCTION				
KM PA	R/KM	TOTAL		NO	YES	YES	COST SCALE R/KM	DEDUCTION		TAXABLE INCOME	
			3703	3722	3702	CALC'D		ALLOWED			
A	B	C	D	E	F	G	H	I	J	K	
1	20 000	2.61	52 200	0	52 200	0	0	2.00	72 200	52 200	0
2	20 000	3.61	72 200	0	72 200	0	0	3.61	72 200	72 200	0
3	20 000	4.61	92 200	0	0	20 000	72 200	4.00	80 000	80 000	12 200
4	20 000	2.61	52 200	10 000	0	0	52 200	2.00	40 000	40 000	22 200
5	20 000	3.61	72 200	10 000	0	0	72 200	3.61	72 200	72 200	10 000
6	20 000	4.61	92 200	10 000	0	20 000	72 200	6.00	120 000	102 200	0

If the Cost Scale rate of the vehicle determined by SARS on assessment is:

- Less than R3,61 then SARS will use R3,61
- Greater than R3,61 then SARS will use the vehicle's Cost Scale rate

Travel Reimbursement Final Comments



1. **To simplify administration, employers should consider –**
 - Paying travel reimbursements as a policy
 - Using spreadsheets for the employee's reimbursement claims (= logbook)
 - Not paying travel allowances in addition to travel reimbursements
2. **To avoid remuneration and its associated costs, employers must –**
 - Use a rate per km that is less than or equal to the prescribed rate
3. **To avoid income tax on assessment for the employee, employers must –**
 - Use a rate per km that is less than or equal to the prescribed rate, OR
 - Use a rate per km that is less than the vehicle's estimated cost scale rate
4. **Employees must keep a logbook if the Employer –**
 - Pays a travel allowance in addition to the travel reimbursement, OR
 - Uses a reimbursement rate per km greater than the prescribed rate

Employment Tax Incentive

New Requirements

1 August 2018

Employment Tax Incentive Principles



▶ **Employment Tax Incentive Act -**

- Started January 2014, and will end on 28 February 2019 (current legislation)
- Amendment proposes to extend ETI by 5 years until 29 February 2024:
 - Subject to input from social partners and discussion in NEDLAC

▶ **The tax incentive encourages employers to employ ‘young’ people -**

- Employer’s PAYE liability reduced by the ETI total that is calculated by payrolls
- Employers claim monthly by using the fields provided for ETI on the EMP201

▶ **The tax incentive is available to –**

- ‘*Eligible*’ employers who hire ‘*Qualifying*’ employees

▶ **‘Eligible’ employers -**

- All companies in the private sector that are registered for PAYE

Employment Tax Incentive Qualifying Employees



- ▶ **To 'Qualify' in terms of section 6 of the ETI Act, employees must –**
 1. Have been employed on or after 1 October 2013
 2. Not be a connected person in relation to the employer
 3. Not be a domestic worker
 4. Be in possession of an RSA ID, an asylum seeker permit, or a refugee ID
 5. Be paid (BCEA) wages that comply with minimum wage requirements
 6. Be paid (Fourth Schedule) remuneration less than R6,000 in a month
 7. **Not be less than 18 years old and not more than 29 years old in a month**

- ▶ **The 'age qualification' test falls away if the employer -**
 - Has a fixed place of business located within a special economic zone (SEZ),
 - Designated by notice by the Minister of Finance in the Gazette, and
 - The employee renders services to that employer mainly within that SEZ

Employment Tax Incentive Special Economic Zones



▶ On 6 July 2018, the Minister of Finance published Gazette 41759 that designated six SEZ's in terms of section 6(a)(ii) of the ETI Act

▶ The six designated SEZ's are:

- | | |
|--|-------|
| 1. Coega (Port Elizabeth area) | [COE] |
| 2. Dube Tradeport (KZN) | [DTP] |
| 3. Industrial Development Zone (East London) | [EAL] |
| 4. Maluti-a-Phofung (Bethlehem area) | [MAP] |
| 5. Richards Bay (KZN) | [RIB] |
| 6. Saldanha Bay (Western Cape) | [SLB] |

▶ The SEZ designation came into effect on **1 August 2018** -

- SARS and payrolls had to provide for the new SEZ requirements in August for the 2018 mid-year tax certificate submissions ...

Employment Tax Incentive

Interpretation of Section 6(a)(ii)



► **The ‘Age qualification’ test falls away if -**

1. The employer operates through a *fixed place of business*, and
2. That fixed place of business falls within a designated SEZ, and
3. The employee renders services to the employer *mainly* within that SEZ

► **PAGSA requested and received an interpretation from SARS on -**

1. “Fixed place of Business” -

- If a branch office (irrespective of PAYE registration) operates through a fixed place of business within a designated SEZ, the first two tests are met
- An employee’s residential home does not constitute a fixed place of business

2. “Renders services mainly within that SEZ” -

- ‘Mainly’ is interpreted to mean ‘more than 50%’ (measured monthly)
- The ‘more than 50%’ services must be rendered physically within the designated SEZ where the employer has a fixed place of business

Employment Tax Incentive Tax Certificate Codes



- ▶ **Code 2083:** SEZ code value where the Employer's business is located
 - What if the company has more than one branch within a designated SEZ?
[Tip: For 2019, allocate any one of the employer's designated SEZ codes]
- ▶ **Code 3264:** SEZ code value where the employee 'mainly' works
 - Works 'mainly' at different SEZ branches during the 6-month cycle, or
 - Works 'mainly' at a SEZ branch in one month but not in other months?
[Tip: For 2019, allocate any one of the SEZ codes where the employee worked]
- ▶ **Tax certificate codes will be revised for 2019/20**



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THANK YOU