

BINDING GENERAL RULING (INCOME TAX): NO. 23

DATE: 26 March 2014

ACT : INCOME TAX ACT NO. 58 OF 1962
SECTION : SECTION 8(1)(b)(ii) and (iii)
SUBJECT : TRAVEL ALLOWANCE – FUEL COST TO AN EMPLOYEE WHO RECEIVES A PETROL OR GARAGE CARD

Preamble

For the purposes of this ruling –

- “**BGR**” means a binding general ruling issued in terms of section 89 of the Tax Administration Act No. 28 of 2011;
- “**recipient**” means a person who has been paid or granted a travel allowance or advance by a principal;
- “**section**” means a section of the Act;
- “**the Act**” means the Income Tax Act No. 58 of 1962; and
- any word or expression bears the meaning ascribed to it in the Act.

1. Purpose

To formalise through a BGR an established practice contained in the second bullet of paragraph 5.4.4 of Interpretation Note 14 (Issue 3) dated 20 March 2013 “Allowances, Advances and Reimbursements”, under the heading “Expenditure per kilometre – deemed rate per kilometre”.

2. Background

The recipient of an allowance or advance granted in respect of the use of a private motor vehicle for business purposes may claim a deduction¹ against that allowance, on assessment for normal tax. The allowable deduction is determined by applying the actual cost, the deemed rate per kilometre method or the specified rate per kilometre.²

Recipients who use the deemed rate per kilometre method must calculate the deduction in the manner prescribed by the Minister of Finance by notice in the *Government Gazette* (the Notice).³

¹ The amounts expended are taken into account by reducing the inclusion in taxable income. In this BGR these reductions are referred to as ‘deductions’.

² Paragraph 5.4.1 of Interpretation Note No. 14 explains these concepts in more detail.

³ The table prescribed by the Minister changes periodically. Currently the regulation is set out in GN 129 in *Government Gazette* 37375, dated 26 February 2014, effective from 1 March 2014.

Paragraph 2(b) of the Notice sets out the circumstances under which a recipient may claim the “fuel cost” element of the rate per kilometre. Under this requirement, in order to claim the fuel cost, the recipient of the allowance must have –

“...borne the full cost of the fuel used in the vehicle...”.

Recipients who use their private vehicles for business purposes may in certain instances be provided with petrol or garage cards by their principals. The amount expended on these cards is included in the recipient’s travel allowance, and the appropriate portion thereof (80% or 20%, as the case may be) is subject to the deduction of employees’ tax.

There is uncertainty as to whether the recipients in these circumstances have “borne the full cost of the fuel” within the meaning in the Notice.

3. Ruling

Recipients who are provided with principal-owned petrol or garage cards are regarded as having “borne the full cost of the fuel”⁴ if the full amount expended on that card during the year of assessment is included in the recipient’s travel allowance and is taxed as remuneration.

In these circumstances, a recipient will be entitled to claim the “fuel cost” element as a deduction against the travel allowance.

This ruling constitutes a BGR issued under section 89 of the Tax Administration Act No. 28 of 2011.

4. Period for which this ruling is valid

This BGR applies with effect from 1 April 2014 and will apply for an indefinite period.

**Group Executive: Interpretation and Rulings
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⁴ As contemplated in paragraph 2(b) of the Notice.