South African Revenue Service

BINDING GENERAL RULING (INCOME TAX) 42

DATE: 22 March 2017

ACT : INCOME TAX ACT 58 OF 1962
SECTION : PARAGRAPH 10(2)(*b*) OF THE SEVENTH SCHEDULE
SUBJECT : NO-VALUE PROVISION IN RESPECT OF TRANSPORT SERVICES

Preamble

For the purposes of this ruling –

- **"BGR"** means a binding general ruling issued under section 89 of the Tax Administration Act 28 of 2011;
- **"employee"** means "employee" as defined in paragraph 1;
- **"employer"** means "employer" as defined in paragraph 1;
- **"paragraph"** means a paragraph of the Seventh Schedule to the Act;
- **"the Act"** means the Income Tax Act 58 of 1962; and
- any other word or expression bears the meaning ascribed to it in the Act.

1. Purpose

This BGR provides clarity on the no-value provision in respect of transport services rendered by an employer to employees in general for transport services provided from their homes to place of employment and *vice versa*.

2. Background

Employers often provide employees with transport services from their homes to their place of employment either for no consideration or for a consideration which is lower than the actual cost of the service provided. Such transport service is a taxable benefit in the hands of the employee, but may attract no value where certain requirements have been met. There is uncertainty as to the application of the no-value provision as provided for in paragraph 10(2)(*b*).

3. Discussion

Paragraph 2(*e*) provides that a taxable benefit is deemed to have been granted by an employer to an employee if any service has, at the expense of the employer, been rendered to the employee for his or her private or domestic purposes. The cash equivalent of the value of the taxable benefit is calculated under paragraph 10(1), and the no-value provisions are provided for under paragraph 10(2).

Paragraph 10(2)(*b*) provides that the taxable benefit will attract no value where any transport service is rendered by any employer to his employees in general for the conveyance of such employees from their homes to the place of their employment and *vice versa*.

The word “homes” is very specific and denotes a specific dwelling in which the employee resides or inhabits. The question that arises is whether, from an interpretive perspective, the word “homes” should be restricted to the exact position of an employee’s specific dwelling. An employee could, for example, live in a block of flats, on a farm, or in a rural area with little or no accessible roads. The employee may be required to walk to the nearest accessible road to obtain the transport service which could, for example, be kilometres away from his or her dwelling.

Taking the above into consideration, an employer may arrange for employees living within a certain radius to be collected from or dropped off at a common area or central point between the employees’ homes and place of employment. An employer may also provide transport services for only part of the trip between the employees’ homes and place of employment.

4. Ruling

Transport services provided to employees to and from any collection or drop-off point *en route* to or from the employees’ homes and place of employment is accepted to fall within the provisions of paragraph 10(2)(*b*). No value will, therefore, be placed on these transport services.

This ruling constitutes a BGR issued under section 89 of the Tax Administration Act 28 of 2011.

5. Period for which this ruling is valid

This BGR applies from date of issue until it is withdrawn, amended or the relevant legislation is amended.

Executive: Legal Advisory
Legal Counsel
SOUTH AFRICAN REVENUE SERVICE