

BINDING PRIVATE RULING: BPR 262

DATE: 30 January 2017

ACT : INCOME TAX ACT 58 OF 1962 (the Act)
SECTION PARAGRAPHS 2(e) AND 10(1)(b) AND (2)(b) OF THE SEVENTH SCHEDULE
SUBJECT : EMPLOYER-PROVIDED TRANSPORT SERVICE

1. Summary

This ruling determines the value to be placed on a taxable benefit that will be granted by an employer to its employees by rendering a transport service to them to convey them from a certain point to their place of work and back.

2. Relevant tax laws

This is a binding private ruling issued in accordance with section 78(1) and published in accordance with section 87(2) of the Tax Administration Act 28 of 2011.

In this ruling references to paragraphs are to paragraphs of the Seventh Schedule to the Act applicable as at 16 January 2017. Unless the context indicates otherwise any word or expression in this ruling bears the meaning ascribed to it in the Act.

This is a ruling on the interpretation and application of –

- paragraph 2(e); and
- paragraph 10(1)(b) and (2)(b).

3. Parties to the proposed transaction

The Applicant: A company incorporated in and a resident of South Africa

The Employees: The employees of the Applicant

4. Description of the proposed transaction

The Applicant proposes to implement a transport scheme to assist the Employees to travel to and from work safely and more efficiently. Due to the nature of the Applicant's business, the Employees are required to commence and end their normal working days at times when public transport is either not available or very limited.

For purposes of implementing the scheme, the following two types of transport service concepts are proposed:

- The Shuttle Service Concept – A shuttle service will connect each of the Applicant’s business units to a public transport interchange nearest to the relevant business unit. This service will be available where the nearest interchange is situated more than 500 metres walking distance from the business unit where the Employee works. The Employees will make use of public transport services to travel from their homes to this nearest transport interchange and back, but will use the shuttle service between the transport interchange and the relevant business unit. This service is intended to serve the Employees who work shifts during normal business hours.
- The Direct Service Concept – A dedicated transport service will be provided between a specifically identified central point (collector’s point) in a residential area where an Employee resides and the business unit where the Employee works. The Employees will be required to organise their own transport from their homes to the collection points and back. This service will only be available where the nearest available public transport is situated more than 500 metres walking distance from the business unit where the Employee works. In addition, this service will only be available to Employees whose work is core to the operation of the Applicant and who works shifts that are difficult to align with existing public transport services.

The collector’s points will be fairly distributed in the Applicant’s discretion and the routes designed in a circular format to allow maximum coverage of the particular area, taking into account its size and density.

The Applicant will engage with independent shuttle transport service providers to pick up the Employees from their various public transport interchanges or collector’s points and drop them off at their places of work, and to pick them up from their places of work at the end of their shifts and drop them off at their particular public transport interchanges or collector’s points.

The independent shuttle transport service provider will invoice the Applicant directly at agreed intervals for the transport services provided. The Applicant will carry the costs of the shuttle services delivered. The Employees will not be required to pay any consideration for the services to be provided.

5. Conditions and assumptions

This binding private ruling is not subject to any additional conditions and assumptions.

6. Ruling

The ruling made in connection with the proposed transaction is as follows:

- No value will be placed on the taxable benefit to be granted by the Applicant to its employees by rendering a transport service to them to convey them from a public transport interchange or a collector’s point to their place of work and back.

7. Period for which this ruling is valid

This binding private ruling is valid for a period of five years from 16 January 2017.

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