



GUIDE FOR EMPLOYERS IN RESPECT OF ALLOWANCES (2025 TAX YEAR)

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1 PURPOSE

- The purpose of this document is to assist employers in understanding their obligations relating to allowances paid or payable to their employees.

2 SCOPE

- This basic guide explains the methods to be applied by the employers in respect of allowances paid or payable to employees and includes the legislation requirements as well as examples.

3 ALLOWANCES

3.1 SUBSISTENCE ALLOWANCE

Reference to the Act Section 8(1)(a) read together with section 8(1)(c) of the Income Tax Act No. 58 of 1962 (the Income Tax Act).

Meaning A subsistence allowance is any allowance given to an employee or a holder of any office for expenses incurred or to be incurred in respect of personal subsistence and incidental costs (for example, drinks, lunch, parking).

Amounts deemed to be expended Section 8(1)(c) of the Income Tax Act prescribes that the employee shall be deemed to have actually expended a certain amount (daily expenses in respect of meals and/or incidentals costs) where the employee is absent from his/her usual place of residence.

Where the accommodation to which the allowance or advance relates is **in the Republic**, an amount equal to the following is deemed to be expended for each day or part of a day in the period during which the employee is absent from his/her usual place of residence —

- Only incidental costs – R169
- Meals and Incidental costs – R548

Section 8(1)(a)(ii) of the Income Tax Act states that where the recipient is by reason of the duties of his or her office or employment **obliged to spend a part of a day away** from his or her usual place of work or employment and provides proof of such expenditure to the employer, a reimbursement or advance for such expenditure actually incurred by the recipient is excluded from taxable income if the recipient is allowed by his or her principal to incur expenditure on meals and other incidental costs for that part of a day and the amount of the expenditure **does not exceed an amount of R169**.

Example If an employer allows an employee to incur expenditure on meals when obliged to spend a part of a day away from his/her usual place of work/employment by reason of the employee's employment, and reimburses the employee upon the submission of proof of expenditure, such reimbursement up to an amount announced by notice in the Gazette (R169 per day for the 2025 YoA), is not taxable and must therefore not be declared on the IRP5/IT3(a). However, where the reimbursement exceeds the lower of the amount announced or the amount for which proof of expenditure was submitted by the employee, the excess is fully taxable and therefore liable to PAYE and must be declared under income code 3713 on the IRP5/IT3(a).

Employer borne expenses Where the accommodation to which the allowance or advance relates is **outside the Republic**, an amount equal to prescribed amount applicable to the relevant country is deemed to be expended for each day or part of a day in the period during which the

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employee is absent from his/her usual place of residence in accordance with the table for the country in which that accommodation is located, please refer to Subsistence Allowance - Foreign travel - external annexure.

Please note

The rates are for guidance purposes only. The rates for each tax year will be published by notice in the Government Gazette.

The amounts laid down in respect of travelling abroad will only apply to employees who are ordinarily resident in the Republic in respect of continuous periods spent outside the Republic.

The amounts that shall be deemed to be expended do not apply to the extent that the employer has borne the expenses (otherwise than by way of payment or granting of an allowance or advance) in respect of which the allowance was paid for each day or part of a day.

A subsistence allowance is intended for abnormal circumstances and therefore an allowance of this nature cannot form part of the remuneration package of an employee. It is an amount paid by an employer to the employee **IN ADDITION** to the employee's normal remuneration.

For more information in this regard, please refer to Interpretation Note No.14 on the SARS website, www.sars.gov.za under Interpretation Notes/Income Tax.

If a subsistence allowance or advance is paid to an employee on or after 1 February 2006, the allowance or advance is deemed to become payable to the employee in the following month in respect of services rendered where such an allowance or advance was paid to the employee during any month in respect of a night away from his/her usual place of residence and that employee has not by the last day of the following month either spent the night away or refunded that amount to the employer.

Employees' tax

Employees' tax must not be deducted from the subsistence allowance, regardless of whether the deemed amounts and/or prescribed periods are exceeded.

3.2 TRAVEL ALLOWANCE

Reference to the Act

Section 8(1)(b)

Meaning

A travel allowance is any allowance paid or advance given to an employee in respect of travelling expenses for business purposes.

Any allowance or advance in respect of travelling expenses not to have been expended on business travelling to the extent that it has been spent on private travelling (this includes travelling between the employee's place of residence and his/her place of employment or any other travelling done for his or her private or domestic purposes), shall be deemed not to have been actually expended on travelling for business.

The following two situations are envisaged, namely —

- A **travel allowance** given to an employee to finance transport (for example, a set rate or amount per pay period).
- A **reimbursement** given to an employee based on actual business travel.

The definition of variable remuneration was extended to include any amount paid or granted in reimbursement of any expenditure. Therefore, any allowance or advance paid as variable remuneration in terms of section 7B must be included in the tax year that the allowance or

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advance is paid to the employee and NOT when it was incurred.

Travel allowance

The employees' tax deducted in respect of the travel allowance must be reflected as Pay-As-You-Earn (PAYE).

The **total travel allowance** (100%) must be reflected on the IRP5 certificate under code 3701.

80% of the travel allowance paid to an employee is subject to the deduction of employees' tax. Where the employer is satisfied that at least 80% of the use of the motor vehicle for a year of assessment will be for business purposes, then only 20% of the allowance is subject to the deduction of employees' tax effective from 1 March 2011. Note that this determination must be done on a monthly basis. If an employer withheld employees' tax on only 20% of an employee's travel allowance and circumstances change such that the employer realizes that the employee will no longer use the vehicle at least 80% for business purposes during the year of assessment, from the month in which the circumstances change, employees' tax must be withheld on the 80% of employee's travel allowance.

Where a travel allowance is paid in addition to a reimbursive allowance (see discussion below) or vice versa, **both the amounts will be combined on assessment by SARS. These combined allowances will be treated as a taxable travel allowance.** The employee should claim a travel deduction on his/her personal income tax return.

Vehicle let to the employer

Where an employee, his/her spouse or child owns or leases a motor vehicle (whether directly or indirectly by virtue of an interest in a company, trust or otherwise) and such vehicle is let to the employer or associated institution in relation to the employer, the sum of the rental paid by the employer together with any expenditure in respect of the vehicle which was borne by the employer, is deemed to be a travel allowance. This deemed travel allowance must be declared as such and the employee will be entitled to claim expenses incurred for business travel as a deduction on assessment.

Note: The rental received by the employee must not be declared as rental income but as a travel allowance. Although the employee obtains the right of use of the vehicle from his/her employer, he/she is not subject to tax on the benefit arising from the private use of such motor vehicle.

Reimbursive travel allowance

A reimbursive travel allowance is where an allowance or advance is based on the actual distance travelled for business purposes (that is excluding private use).

Prescribed rate per kilometre

The rate per kilometre is fixed by the Minister of Finance and currently is —

- R4.84 per kilometre (from 1 March 2024).

Pre 1 March 2018 (2018 and prior tax years) -

An allowance or advance which is based on the actual distance travelled for business purposes (reimbursive travel) is not subject to employees' tax but the full amount must be reflected on the IRP5 certificate —

- **Under code 3703** where the reimbursive allowance does not exceed 12 000 kilometres AND the prescribed rate per kilometre AND no other compensation is paid to the employee.
- **Under code 3702** where the reimbursive allowance **exceeds** 12 000 kilometres **OR** the prescribed rate per kilometres **OR** any other compensation is paid to the employee.

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The table hereunder displays the relevant source codes under which the amounts must be reflected on the IRP5/IT3(a) certificate for **2018 and prior the tax years**.

Scenario	Must PAYE be deducted?	Code
A fixed travelling allowance is paid	Yes	3701
Fuel and expenses paid by the employer (e.g. petrol, garage and maintenance cards).	Yes	3701
Reimbursed at not more than the prescribed rate per kilometre and travelled not more than 12 000 kilometres. No other travel allowance is received	No	3703
Reimbursed at a rate exceeding the prescribed rate per kilometre	No	3702

From 1 March 2018 –

- **Where** the reimbursive allowance does not exceed the prescribed rate per kilometre AND no other compensation is paid to the employee, the amount is not subject to employees' tax but the **full amount** must be reflected on the IRP5 certificate **under code 3703**.
- Where the reimbursive allowance does not exceed the prescribed rate per kilometre **however other compensation is paid** to the employee (travel allowance code 3701), the amount is **not subject to employees' tax** but the **full amount** must be reflected on the IRP5 certificate **under code 3702**.
- Where the reimbursive allowance **exceeds the prescribed rate per kilometre** (irrespective of the kilometres travelled), the full amount above the prescribed rate is subject to employees' tax.

Example:

Prescribed rate is R4.84 and employer pays R5.84 and the employee travelled 1, 000 km.

Therefore –

Code 3702 = R4 840 (R4.84 x 1000 km) (not subject to employees' tax)

Code 3722 = R1 000 (R1.00 x 1000 km) (subject to employees' tax).

- Where the reimbursive allowance **exceeds the prescribed rate per kilometre** (irrespective of the kilometres travelled) and **other compensation was paid** (travel allowance), the full amount above the prescribed rate is subject to employees' tax.

Example:

Prescribed rate is R4.84 and employer pay R5.84 and the employee travelled 1, 000 km. Travel allowance of R10 000 was paid.

Therefore –

Code 3702 = R4 840 (R4.84 x 1000) (not subject to employees' tax))

Code 3722 = R1 000 (R1.00 x 1000) (subject to employees' tax))

Code 3701 = R10 000

NOTE: On assessment of the individual's (employee's) personal income tax return, SARS will combine the codes 3702 + 3722 + 3701 and the employee can be entitled to claim expenses incurred for business travel as a deduction on assessment against all values (R4 840 + R1000 + R10 000 = R15 840).

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The table hereunder displays the relevant source codes under which the amounts must be reflected on the IRP5/IT3(a) certificate **from 1 March 2018**.

Scenario	Must PAYE be deducted?	Code
A fixed travelling allowance is paid	Yes	3701
Fuel and expenses paid by the employer (e.g. petrol, garage and maintenance cards).	Yes	3701
Reimbursed at not more than the prescribed rate per kilometer and no other compensation paid (travel allowance)	No	3703
Reimbursed at a rate exceeding the prescribed rate per kilometre (irrespective of kilometres travelled) and no other compensation was paid.		
Two codes will be applicable – Portion on or below the prescribed rate	No	3702
Portion above the prescribed rate	Yes	3722
Reimbursed at a rate exceeding the prescribed rate per kilometre (irrespective of kilometres travelled) and other compensation was paid (travel allowance).		
Three codes will be applicable – Portion on or below the prescribed rate	No	3702
Portion above the prescribed rate	Yes	3722
Travel Allowance	Yes	3701

3.3 ALLOWANCE TO A HOLDER OF A PUBLIC OFFICE

Reference to the Act Section 8(1)(d) and 8(1)(f)

Meaning Any allowance granted to the holder of a public office to enable him/her to defray expenditure incurred by him/her in connection with his/her office, to have been expended by him/her to the extent that he/she has actually incurred expenses for the purposes of his/her office in respect of —

- Secretarial or duplicating services, stationery, postage or telephone calls;
- The hire and maintenance of office accommodation;
- Travelling;
- Hospitality extended at any official or civic function which the holder of the office is by reason of the nature of such office normally expected to arrange;
- Subsistence and incidental costs incurred.

Where it is expected from the following office holders:

- The President, Deputy President, a Minister, a Deputy Minister, a member of the National Assembly, a permanent delegate to the National Council of Provinces, a Premier, a member of an Executive Council or a member of a provincial legislature,
- Any member of a municipal council, a traditional leader, a member of provincial House of Traditional Leaders and a member of the Council of Traditional Leaders; and
- Any person occupying the office of president, chairman or chief executive

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officer of any non-profitmaking organisation which is organised on a national or regional basis to represents persons with common interests.

Portion of salary deemed to be a public office allowance

To defray any expenditure out of his/her salary, an amount equal to a portion of such salary is deemed to be an allowance to the holder of a public office. This is prescribed by the provisions in section 8(1) (f) and the amount is determined by the National Assembly or the President.

Where the employee has held a public office for less than 12 months, the portion of his/her salary which is deemed to be an allowance to a holder of a public office in terms of section 8(1)(f), must be apportioned to determine the amount relevant for the actual period for which the office was held. A part of a month shall be reckoned as a full month.

Employees' tax

Only a 50% portion of the allowance is subject to the deduction of employees' tax.

IRP5/IT3(a) details

The full allowance (100%) must be reflected under code 3708; and

All the other income components must be reflected under the relevant codes (e.g. salary, overtime, bonus, etc.).

Example

Holder of a public office not in standard employment: A holder of a public office receives an allowance of R4 000 per month to enable him to defray expenditure in respect of his office.

The portion of the allowance which is subject to the deduction of employees' tax is 50% and must be taxed at a rate of 25% as the holder of the public office is not in standard employment.

Employees' tax deductible on R2 000 (R4 000 x 50%) at the rate of 25%	R500.00
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Holder of a public office in standard employment: A holder of a public office is employed as a permanent employee of the department where he holds the public office. His total salary is R200,000 per annum and the portion of his salary which is deemed to be a public office allowance in terms of section 8(1)(f) is R120,000 per annum.

The portion of the allowance which is subject to the deduction of Employees' Tax is 50% and must be taxed according to the tax tables as the holder of the public office is in standard employment.

Salary (R200 000 less R120 000)	80 000
Add: Public office allowance subject to employees' tax (R120 000 x 50%)	<u>60 000</u>
Total remuneration subject to the deduction of employees' tax	<u>140 000</u>

4 REFERENCES

4.1 LEGISLATION

TYPE OF REFERENCE	REFERENCE
Legislation and Rules administered by SARS:	Income Tax Act No. 58 of 1962: Section 8(1)
Other Legislation:	None

4.2 CROSS REFERENCES

DOCUMENT #	DOCUMENT TITLE
PAYE-AE-06-G08	Guide for Completion and Submission of Employees' Tax Certificates
PAYE-AE-06-G06	Guide for Codes Applicable to Employees' Tax Certificates
PAYE-GEN-01-G01	Guide for Employers in respect of Tax Deduction Tables
PAYE-GEN-01-G01-A01	Weekly Tax Deduction Tables
PAYE-GEN-01-G01-A02	Fortnightly Tax Deduction Tables
PAYE-GEN-01-G01-A03	Monthly Tax Deduction Tables
PAYE-GEN-01-G01-A04	Annual Tax Deduction Tables
PAYE-GEN-01-G03-A01	Rate per Kilometre Schedule
PAYE-GEN-01-G03-A02	Subsistence Allowance in respect of Foreign Travel
PAYE-GEN-01-G19	Guide for Employer in respect of Employees' Tax for 2025

5 DEFINITIONS AND ACRONYMS

Link for centralised definitions, acronyms, and abbreviations: [Glossary A-M | South African Revenue Service \(sars.gov.za\)](https://www.sars.gov.za/glossary)

DISCLAIMER

The information contained in this guide is intended as guidance only and is not considered to be a legal reference, nor is it a binding ruling. The information does not take the place of legislation and readers who are in doubt regarding any aspect of the information displayed in the guide should refer to the relevant legislation or seek a formal opinion from a suitably qualified individual.

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- Visit the SARS website at www.sars.gov.za
- Visit your nearest SARS branch
- Contact your own tax advisor/tax practitioner
- If calling from within South Africa, contact the SARS Contact Centre on 0800 00 SARS (7277)
- If calling from outside South Africa, contact the SARS Contact Centre on +27 11 602 2093 (only between 8am and 4pm South African time).