

## **Implications of 2011/2012 Taxes on your business**

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### **Subsistence allowance**

Definition: Subsistence allowance recognizes the fact that when you are away from home on business, that there are expenses that you incur but you cannot claim for on your tax return. The intention of a subsistence allowance is to reimburse you for such costs. A subsistence allowance that is paid at the correct rates is tax-free. However there are a number of but:

1. You can only qualify for the receipt of a tax-free subsistence allowance if you spend at least one night away from home on business.
2. You may claim an amount of R286 per day that you are away from home on local travel (in South Africa). This rate of R286 per day is intended to cover meals and incidental costs.
3. If your employer covers the cost of meals on local travel, then you may claim a daily subsistence allowance of R88 to cover incidental costs incurred.
4. There are different rates to cover meals and/or incidental costs for overseas travel. Each country has its own rate.
5. The subsistence allowance may never be taken as a salary sacrifice. It must be paid out as additional to salary. It does not form part of your basic salary.
6. Subsistence allowance must be shown on your IRP 5 certificate.
7. Should you not wish to use the daily subsistence rates mentioned above, then you must submit proof of the actual costs incurred by yourself to your employer. He may then reimburse your for such costs incurred. Such costs may include accommodation, meals and incidental costs.

### **Employee loans**

Where a loan is obtained by an employee from his or her employer in terms of which no interest is payable or where the interest payable is less than the "official rate of interest", the difference between the amount which would have been payable if the loan was granted at the official rate and the amount actually paid by the employee, is taxed as a fringe benefit.

The official rate from the 1 March 2011 is 6.5%.