



DEPARTMENT OF TRANSPORT
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Reference : T6/17/P

**TO: ALL HEADS OF DEPARTMENT
ALL MEMBERS OF THE MOTOR TRANSPORT ADVISORY COMMITTEE
ALL DEPARTMENTAL TRANSPORT OFFICERS**

**MTS CIRCULAR NO 65 OF 2004: SUBSIDISED MOTOR TRANSPORT SCHEME: TAXATION ON
SUBSIDISED MOTOR TRANSPORT**

1. As you are aware, in terms of the Income Tax Act, 1962 as from 1 April 2004, 30% of the total of the components of the Subsidised Motor Transport Scheme (capital remuneration, maintenance, fuel allowance and insurance premium) must be subject to PAYE. [As from 1 March 2005, the rate of 30% must be increased to the rate stipulated in paragraph c of the definition of "remuneration" in paragraph 1 of the Fourth Schedule to the Act (currently 50%)]. This directive is indicated on the attached document from the South African Revenue Service (SARS) marked as Annexure B.

2. The above directive has raised a number of concerns, especially the fuel allowance being subjected to P.A.Y.E. Upon liaison with the National Department of Transport (NDOT), it has been confirmed that subsidised vehicle owners will be taxed on the following as determined by SARS:

- 30% of the capital value of the vehicle (capital remuneration)
- 30% of the insurance as paid
- 30% of the maintenance allowance

It is important to note that the remuneration on fuel will not be taxed.

3. The above was also discussed at the presentation on Scheme A at the Departmental Transport Officers forum held on 17 August 2004, whereby the representative from the National Department of Transport confirmed that there will be no tax payable on the fuel allowance. Correspondence has been received from NDOT confirming such and is attached hereto as Annexure 1 for your ease of reference.

4. I also attach, as Annexure 2, for your ease of reference, the SARS Interpretation Note No 14 which explains Sections 8(1)(a) and 8(1)(c) of the Income Tax Act, 1962 which deals with allowances, advances and reimbursements.

5. Kindly bring the content of this circular to the attention of all officials dealing with subsidised motor transport and subsidised vehicle owners within your Department.

For Head: Transport

h: policies/circs/circs/2004/MTS Circular 65 of 2004. Taxation on subsidised vehicles

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