

South African Payroll Association  
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### ***What payroll managers and employees need to know about travel allowances***

A Travel allowance should only be granted to employees who travel for business purposes and it is granted to finance a portion of an employee's business travel cost. Many payroll professionals, however, struggle to come to grips with the South African Revenue Service's (SARS) travel allowance reporting /declaration, and employees feel the pinch at assessment for not maintaining accurate records of their business travels, says Sumeshan Nair, Executive Committee Member at the South African Payroll Association (SAPA).

#### ***Travel allowance versus Reimbursive travel***

A fixed travel allowance and /or company petrol card should only be issued to employees who are required to do substantial business travel. It is recommended that companies assess travel allowances issued to employees on an annual basis to ensure that the allowance paid is in line with business kilometers travelled. There are various factors which influence this calculation and employers are advised to consult SARS guidelines in this regard. Should the business travel be incidental then companies should use the Reimbursive travel option.

"While travel allowance is reported against the IRP5 code 3701, Reimbursive travel is reported against IRP5 code 3703 if reimbursements are below the SARS recommended rate and IRP5 code 3702 codes if reimbursements are made at a rate higher than the SARS recommended rate. Note, only the portion above the SARS recommended rate should be allocated against IRP5 code 3702.

Reporting travel allowance and reimbursements correctly to SARS is crucial as it could have a negative impact on employees and result in employees having to pay into SARS on assessment," says Nair.

"Companies have the ability to tax a certain portion of the travel allowance paid to employees, a process which is facilitated by most payroll systems. Most employers choose to tax 80% of the travel allowance paid to employees as a precaution and in the best interests of both the company and the employee" says Nair.

#### ***Requirements to claim deductions***

Employees need to meet a number of requirements in order to claim travel allowance deduction from SARS. Some of these requirements include maintaining a log book, recording the total distance travelled for business and personal use and proof of travel expenses should be retained. On assessment employees can claim against costs related to wear and tear of their vehicle, maintenance and repairs, vehicle license costs, insurance costs, and finance charges.

"It is important to note that an employee cannot claim travel allowance deductions if they are using a company car for business purposes. Travel between an employee's home and place of work is regarded as private travel, for which they also cannot claim travel expenses from SARS," says Nair.

Nair advises that it is not an employer's responsibility to ensure an employee maintains their log book but rather it is in the best interest of everyone who receives a travel allowance to do so, should they want to claim deductions for business travel expenses on their income tax assessment.

"Employees need to keep their logbooks up to date and ensure their submissions to SARS are 100% factual. SARS has a log book template available on their website which is available to all. I recommend employees download this for use as it indicates all details required by SARS for the purpose of claiming a deduction. Employees should keep this on hand at all times so that they get into the habit of updating it as they travel for

business. Without a logbook, employees will not be able to claim any deductions and results in employees being required to pay in to SARS on assessment,” concludes Nair.

**ENDS**

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**MEDIA CONTACT:** Rosa-Mari Le Roux, 060 995 6277, [rosa-mari@thatpoint.co.za](mailto:rosa-mari@thatpoint.co.za), [www.atthatpoint.co.za](http://www.atthatpoint.co.za)

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