

# FRINGE BENEFITS

Anything an employee receives from an employer in excess of their remuneration due to being an employee

## Allowances

- **Travel Allowance** - Fixed amount monthly. Can deduct Business Km x Deemed rate per Km or Business Km x Actual Expenditure per Km
- **Reimbursive Allowance** - Based on actual Km's travelled. Amounts in excess of SARS rate is taxable.
- 80% = included for **employee tax** purposes / 20% is > 80 % is business travel.
- **Subsistence Allowance** - Amount paid for 1 night away from usual residence. Can deduct actual expenses.

## Assets acquired < Actual Value

- Excluding money, residential accommodation, marketable securities, equity instruments, meals and refreshments, qualifying equity shares
- **General Rule** - Value of asset - Consideration by Employee (VAT claimed, exclude and vice versa)
- **Asset acquired to dispose to employee** - Cost to employer.
- **Asset Prev Used by Employer** - MV on acquisition date
- **Trading Stock** - Lower of cost and MV
- **Long service . Bravery Awards** - Value - lessor of Cost and R5000

## Subsidies / release i.r.o Debt

- **Subsidy** - The amount of subsidy paid.
- **Release** - Amount paid to release the employee from the obligation to pay debt
- **No Value in terms of release:**
- Professional membership debt | Professional indemnity Insurance | Study Loans | Government Pension Fund Debt

## Residential Accommodation

- Free Residential Accommodation or for less than rental value.
- **General Rule** - Rental Value - Rental Consideration
- **Owned by Employer** -  $(A - B) \times C/100 \times D/12 < A$  = Remuneration Proxy | B = 87,300 but R0 if employee controls company / right to option to purchase accommodation | C = 17 or 18 ( 4 rooms and is furnished / power or fuel supplied or 19 (4 rooms, furnished and power / fuel supplied | D = Months Entitled to accommodation)
- **Accommodation Rented** - Lower of formula and expenditure incurred by employer
- **2 units provided** - Highest Rental Value is used for calculation

# TOP TIP

Think about the Value the **employee** is obtaining from the **benefit granted**.

**Pro Tip: For Exams** always **FLAG** your sections as the **formula** is in the **Income Tax Act**.

## Low interest Debt

- Employee receives a loan at **no or low interest**
- **General Rule** - Amount Owning x official rate - **interest paid**.
- **Deemed loan** - Employee lives in **employer-owned house**, who can **purchase** the house at a future date and is **paying rent** which is a % of the future purchase price.
- **Excluding** - Debt < R3,000 | Debt for studies | Debt < R450,000 to acquire an **immovable property** for residence and **MV** of property < R450,000 and the remuneration proxy < R250,000 and the employee is not a **connected person**.

## Other Fringe Benefits

- **Holiday Accommodation** - Rental Value per day.
- **Free / Cheap Services** - Lowest fare (**travel outside RSA**) / cost to employer
- **Excluding** - Travel to spouse, general house, business, improved performance
- **Meals, refreshments** - Cost to Employer
- **Excluding** - Refreshments used by all employee at premises during **work / special hours**

## Contributions

- The amount paid by employe for **medical services, medical contributions, provident and pension fund contributions and insurance premiums**
- **No Values Medical Contributions**- Age, ill-health retired employees / dependents (even after death)
- **No Values Medical Services** - Min Benefits as listed by Health Minister | Services in terms of law | Services to employees mentioned above | employee > 65 | To improve performance.

## Right of Motor Vehicle

- **Determined Value** - Retail Market Value (Excluding Finance Charges)
- **Depreciation Rule** - Reduce 15% on **reducing balance method**. (Vehicle in use before)
- **Value of Private Use** - 3.5% < No Maintenance Plan > | 3.25% < Maintenance plan > x determined value x months of entitlement
- **Operating Lease Vehicles** - Benefit is the sum (Actual Cost and Fuel)
- **Can Be Reduced as follows:**
- Cost of licence, insurance and maintenance x Private Km / Total KM
- Cost of Fuel x Private Km / Total Km