

1 RIGHT OF USE OF AN ASSET

- **Employer rents the asset:** The employer rents a caravan from a third party and makes it available to his employee for a holiday. The employer pays R100 per day for 10 days, which amounts to R1 000 rent paid by the employer.
 - The R1 000 is subject to employees' tax and the employer must deduct the employees' tax from the employee at the same intervals at which the employee is remunerated for the relevant period of use.
- **Employer owns the asset:** The employer owns a caravan which he makes available to his employee for a holiday for 10 days. Although the employer paid R60 000 on the date he bought the caravan, the market value of the caravan was R40 000 on the date he made it available for use by the employee. The following formula must be applied to determine the value of the benefit which is subject to employees' tax:
 - 15% per year (pro-rata to the period it was used by the employee) on the lesser of —
 - cost of the asset to the employer; or
 - market value of the asset on the commencement date of the period of use.
 - The taxable value of the benefit is R164.38 (15% x R40 000 ÷ 365 x 10 days) and the employer must deduct employees' tax from the employee at the same intervals at which the employee is remunerated for the relevant period of use.

2 RIGHT OF USE OF A MOTOR VEHICLE

- **Reducing the determined value:** A vehicle with a cost of R55 000 (exclusive of value-added tax and finance charges) was acquired by the employer on 1 January 2005. Employee A uses the vehicle for 30 months from 1 January 2005 where after the right of use is granted to employee B.
 - With regard to employee A, the determined value for the period he has the use of the vehicle is R55 000.
 - With regard to employee B, the determined value of the vehicle is calculated as follows:

Cost price (01/01/2005)	
Less: depreciation allowance for period 01/01/2005 to 31/12/2005 (R55 000 x 15%).....	
Less: depreciation allowance for period 01/01/2006 to 31/12/2006 (R55 000 x 15%).....	
Determined value (on 01/07/2007)	

 - The depreciation allowance can only be granted for each completed period of 12 months.

- **Determining the taxable benefit**

- **Employer bears costs of fuel and maintenance:** The employer allocates the use of a motor vehicle with a determined value of R60 000 to the employee. The employer bears all the costs in respect of fuel and maintenance. The taxable value of the benefit is R1 080 per month (R60 000 x 2,5%).
- **Employer bears only the costs of maintenance:** The employer allocates the use of a motor vehicle with a determined value of R120 000 to the employee. The employee bears all the costs in respect of fuel but the employer bears the costs in respect of maintenance. The taxable value of the benefit is R2 040 per month [R120 000 x (2,5% — 0,22%)].
- **Employee bears all the costs of fuel and maintenance:** The employer allocates the use of a motor vehicle with a determined value of R80 000 to the employee. The employee bears all the costs in respect of fuel and maintenance. The taxable value of the benefit is R880 per month [R80 000 x (2,5% — 0,22% — 0,18%)].

- **Employee pays compensation for use of the vehicle:** The employer allocates the use of a motor vehicle with a determined value of R120 000 to the employee. The employee pays R200 per month compensation to the employer for the private use and bears all the costs in respect of fuel but the employer bear the costs of maintenance. The taxable value of the benefit is R1 840 per month $[[R120\ 000 \times (2,5\% - 0,22\%)] - R200]$.
- **Employee receives a travel allowance in respect of the relevant vehicle:** The employer allocates the use of a motor vehicle with a determined value of R130 000 to the employee. The employee receives a travel allowance of R1 000 per month and bears all the costs in respect of fuel and maintenance. The taxable value of the benefit is R5 200 per month $(R130\ 000 \times 4\%)$.
- **Employee has the use of more than one vehicle:** The employer allocates the use of a motor vehicle with a determined value of R125 000 to the employee. The employee also has the use of a second motor vehicle with a determine value of R110 000. The taxable value of the benefit is R6 650 $[(R125\ 000 \times 2,5\%) + (R110\ 000 \times 4\%)]$.

3 MEALS, REFRESHMENTS AND MEAL AND REFRESHMENT VOUCHERS

- The employer pays R20 a meal for his employees at a dining place close to where his business is situated. He provides each employee with 20 coupons (at R8 per coupon) per month for which the employees must pay R160. One meal can be enjoyed at the dining place for each coupon.

- The taxable value of the benefit is calculated as follows:

Cost to the employer	R400 (20 coupons x R20 each)
Less: cost to the employee	<u>R160</u> (20 coupons x R8 each)
Taxable monthly benefit	<u>R240</u>

4 ACCOMMODATION

- **Employer owns the accommodation:**

 - The employee was in the employer's employ for the full previous tax year. His salary was R7 800 per month.
 - The employer owns accommodation and supplies the employee with unfurnished accommodation that consists of at least four rooms. The employee uses the accommodation for the full year and pays R500 rent per month. All other expenses in respect of the accommodation are borne by the employer.
 - The following formula must be applied to determine the value of the benefit which is subject to employees' tax:

Less: rental paid
by employee for
the
accommodation

- **Employer rents the accommodation:** The employee rents a flat for R2 000 per month. The employer decides to pay half of the employee's rent instead of an annual salary increase. To simplify the administration involved, the employer deducts R1 000 every month from the employee's salary and pays the R2 000 to the landlord.

- The taxable value of the benefit is calculated as follows:

Amount paid by employer	R2 000
Less: employee's own contribution	<u>R1 000</u>
Taxable monthly benefit	<u>R1 000</u>

5 FREE OR CHEAP SERVICES

- An employee works as a manager for a company. Considering that the employee lives in a remote area, the employer rents armed guards at a security company for R1 000 per month to guard the employee's property. The employer deducts R600 per month from the employee's salary for supplying this service.
- The taxable value of the benefit is calculated as follows:

Amount paid by employer
Less: employee's own contribution
Taxable monthly benefit

6 SUBSIDIES IN RESPECT OF LOAN INTEREST

- The employee obtains a loan from a financial institution and is required to pay interest thereon at a rate of 5%. The reason for the low interest rate is that his employer has arranged to recompense the financial institution for the loss of interest on the difference between 6% and the normal rate of interest charged, for example 11%.
 - As the interest paid by the employee and the payment made by the employer, exceeds the official interest rate of 10%, the payment is deemed to be a subsidy which is subject to tax under the provisions of Paragraph 12 of the Schedule.
 - If the interest paid by the employee together with the payment made by the employer does not exceed the amount of interest which would have been paid had interest been charged at the official rate of interest, the benefit is regarded to be a low interest loan which will be subject to tax under the provisions of Paragraph 11 of the Schedule.
- The employee obtains a loan from an associated institution and is required to pay interest thereon at a rate of 4%. His employer has arranged to recompense the associated institution for the loss of interest, but only to a maximum of 9%.
 - The two amounts of interest paid do not exceed the official interest rate (8%) and the benefit is, therefore, not a subsidy equal to the payment by the employer, but rather a low interest loan of which the value will be equivalent to $9\% - 4\% = 5\%$.

7 MEDICAL FUND CONTRIBUTIONS PAID BY AN EMPLOYER

- The employer pays R2 200 of the total monthly medical fund contribution of R3 594. The employer deducts the difference of R1 394 from the employee's monthly remuneration. The number of beneficiaries which are covered by the medical scheme in respect of the relevant employee's membership is 5 (employee self and 4 dependants).
- The taxable value of the benefit is calculated as follows:

Employer's contribution
Less: paragraph 12A prescribed amount
Taxable monthly benefit