Dear Mr. Govender

INCOME TAX: REVISED POLICY FOR SUBSISTENCE ALLOWANCES

It has come to the attention of this office that various Departments in the Public Sector require clarity on the new tax legislation for subsistence allowances in order to formulate their Travel and Subsistence policies. Kindly forward the contents of this letter to all Departments in the Public Sector to assist them accordingly.


However, these amendments were reviewed in the Revenue Laws Amendment Act, 2002, also with effect from 01 March 2002, to accommodate the effect of inflation, and to ease the administration burden associated with these allowances. A copy of this Act, its Bill and the Explanatory
Memorandum for the Bill are also available on the SARS website mentioned above.

The new amendments still exclude the accommodation component from the amounts but now deem increased subsistence amounts (fixed by the Minister of Finance by Gazette) to have been expended by an employee when determining the taxability of the allowance.

Generally, a subsistence allowance under the current dispensation is tax-free:

- where an employee in his or her tax return submits proof of the subsistence expenditure; or
- where the allowance is granted for **incidental costs only** for business trips in South Africa and does not exceed R 53 per day (this is the new category, relating to circumstances where the allowance is paid for incidental costs only); or
- where the allowance is granted for **meals and incidental costs** for business trips in South Africa and does not exceed R 173 per day (previously R 65 per day); or
- where the allowance is granted for **meals and incidental costs** for business trips **outside** South Africa and does not exceed $190 per day (previously $120 per day).

It will not be practical to make the $190 amount available in all other currencies in view of the number of other currencies and the regular fluctuations that they go through in a year of assessment. Where the subsistence allowance for business trips outside South Africa is not paid in US Dollar, it is suggested that the currency be converted to US Dollar by using the applicable exchange rate at the time when the subsistence expenditure is incurred and then comparing the converted amount to the $190 yardstick to determine the tax implications. This exchange rate can be obtained from the South African Reserve Bank.
Sincerely

V. Pillay

for COMMISSIONER FOR THE SOUTH AFRICAN REVENUE SERVICE