



UNIVERSITY of the
WESTERN CAPE

UNIVERSITY OF THE WESTERN CAPE (UWC)

POLICY FOR TRAVEL ALLOWANCES

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POLICY FOR TRAVEL ALLOWANCES

Introduction

Generally, staff travels to and from the University for Work is the personal responsibility of each staff. But a travel allowance may be considered in a situation where an employee requires the use of his/her personal vehicle for the performance of duty or in the execution of business for the university.

Types of travel allowance

The three types of travel allowances designed to meet the employees traveling expenses for official trips are as follows:

- 1) The allocation allowance - This is also known as salary sacrifice towards official or business trips. In terms of this allowance, an employee allocates an amount from his pensionable earnings for the purposes of travel allowance. The maximum amount that an employee may allocate from his pensionable earnings towards his/her travel allowance is 25%, and in practice it is acceptable to the South African Revenue Services.

The following conditions will apply in the case of this allowance:

- a) The allowance will be allocated monthly from an employee's pensionable earnings in order to cater for the cost of depreciation/ financing of his/her or her vehicle.
- b) The employee is responsible for the cost of repair, maintenance, licensing and comprehensive insurance of his/her vehicle.
- c) The onus is on the employee to ensure that his/her vehicle is comprehensively insured and that the insurance company is requested to make the relevant endorsement to the policy for business use.
- d) The amount determined as a travel allowance by the university may be revised annually upon request by the employee at the time of his/her next increase.

But the actual benefit to the employee would be the tax advantage which culminates in reduced tax liability.

- 2) **The add-on allowance** is an exemption to the university's current stand on travel allowance. However, the University Council may wish to review this policy in the future. Under this provision, an employee receives an amount in addition to his/her pensionable earnings¹¹. This type of allowance would only be awarded to employees who are expected to have a high frequency of re-imbursive traveling claims. Therefore, a fixed allowance would be awarded to remove the administrative burden that could emanate from processing these claims.

The example below illustrates the difference between allocation and an Add-on travel allowances.

Practical Illustration:			
A) Allocation from notch salary		B) Add-on to notch salary	
Pensionable earnings/notch salary	<u>R3000</u>	Pensionable earnings/notch salary	R3000
Less Allocation to allowance	<u>R 200</u>		
Basic salary	<u>R2800</u>	Basic salary	R3000
Add Travel – taxable 50%	<u>R 100</u>	Travel – taxable 50%	R 100
Taxable earnings	<u>R2900</u>	Taxable earnings	R3100

Add Travel – non taxable 50%	<u>R 100</u>	Travel – non taxable 50%	R 100
Effective earnings	<u>R3000</u>	Effective earnings	R3200

It is expected that either of the above benefit should have been included in an employee's contract of employment or as an addendum, if it is deemed necessary by his /her Head of Department.

3) **Re-imbursive Travel Allowance** - An employee may be reimbursed for travel expenses incurred, where he/she is required to undertake an official trip to execute university's business. For the purposes of calculating this allowance, the engine capacity, the number of business kilometres travelled by an employee, and the rate per kilometer are taken into consideration.

The specified engine capacity and current rates per kilometer are as stated below:

ENGINE CAPACITY	RATE PER KILOMETRE
1300	53.9 cents
1600	61.2 cents
1800	75.7 cents
Above 2000	85.2 cents

However, the three types of travel allowances are mutually exclusive. An employee may not receive re-imbursive allowance in addition to either the allocation or add-on travel allowance. But under special circumstances, for instance, where the employee travels at a higher frequency than was anticipated whilst determining his/her add-on allowance, the University may authorize a reimbursement of the extraordinary travel costs. Also, a switch from one of the above traveling allowances to the other is only permissible if there is a change to an employee's contract of employment and after this has been authorized by his/her Head of Department and the Human Resource Director.

Tax treatment of travel allowances

With respect to the allocation of a travel allowance, only 50% of the allowance is taxable. The remaining 50% is tax deductible. An employee may want to take advantage of the benefit from the reduced tax liability. But the full amount of the travel allowance must be disclosed under **code 3701** on the **IRP5** certificates. This is the case even where the rest of the employee's remuneration is only subject to **SITE**. As stated above, there is tax advantage with respect to re-imbursive travel allowance, as the employee is not liable to tax for the reimbursement of travel expenses. This type of travel allowances is regarded by the **SARS** as part of an employer's overhead rather than benefit to the employee.

In contrast to the above, 100% of the add-on travel allowance is subject to tax. Accordingly, this section has been included for information purposes in order to assist the Human Resources Department in addressing queries from the employees.

For tax purposes, an employee may claim a deduction of the business travel expenditure incurred from the travel allowance received. There are essentially four ways in which the amount of business travel expenditure may be determined:

- 1) Using actual business kilometres travelled and an actual cost per kilometre. An accurate logbook will be required to be submitted with the employee's tax return.

- 2) Using actual business kilometres travelled and a deemed cost per kilometre. An accurate logbook will be required to be submitted with the employee's tax return.
- 3) Using deemed business kilometres travelled and an actual cost per kilometre.
- 4) Using deemed figures for both the business kilometres travelled and the cost per kilometre.

It is important to note that in all cases employees are required to furnish details of accurate odometer readings as on the first and last day of the relevant tax year.

Which method should an employee apply?

The employee has the choice of which method to apply. For example, if an employee has kept accurate records of the business kilometres travelled and accurate records of expenses incurred he/she can base his/her deduction on actual figures. If he/she hasn't kept accurate records, then it is practically impossible for him/her to base his/her deduction on actual figures and hence will have to use deemed business kilometres and deemed costs per kilometre. However, an employee who has maintained accurate records may still choose to use the deemed business kilometres and deemed costs per kilometre figures. When records of business travel have not been kept, the first 14000 kilometres are deemed to be private.

An employee should refer to the schedules and detailed information contained in the 'Income Tax Information Brochure', which accompanies his/her return when calculating his/her travels expenses deduction. The brochure is specific to each tax year and provides the necessary assistance to a taxpayer when calculating his/her travels deduction. For example, it provides the table to be used when the employee has chosen to use a deemed cost per kilometre as well as instructions on how to determine the number of deemed business kilometres travelled.

The table below provides some guidance on which method to use, but the ultimate choice rests with the employee:

Accurate records of expenses kept?	Accurate logbook oor business travel submitted?	Which method to apply?
YES	YES	Method 1: <u>actual business kilometres</u> X actual expenses of total kilometres travelled.
YES	NO	Method 2: <u>deemed business kilometres</u> (max. 18000km) X actual expenses of total kilometres travelled.
NO	YES	Method 3: actual business kilometres X deemed cost per kilometre rate
NO	NO	Method 4: deemed business kilometres (max. 18000km) X deemed cost per kilometre rate

5.) Certificate specifications

The certificate must depict the University's name and emblem, formal degree appellation, name of student and date of graduation. Information on the curriculum e.g. majors will not appear on the certificate.

6.) Other Specifications:

(a) Accredited Programmes

Paper:

A4

Paper Type:

Paper grain:	150	
Paper colour:		
Emblem:	Corporate Logo	
Border:	Gold (Patone 124 cvu)	
University name:	Blue (Patone 281 cvu)	Pic 36
Appellation:	Blue	Pic 20
Font:	Basterville	
Watermark:	Emblem embedded in the paper. University logo (gold) embossed in bottom left hand corner.	
Certificate number:	Printed on certificate and stored on IT system	

(b) Short Courses

Two modes of short courses have been identified. Mode one linked to accredited programmes where some type of assessment is a requirement and mode two where only attendance is required.

Mode One should be a Certificate of Achievement.

Mode Two should be a Certificate of Attendance.

Specifications:

Paper:	A4	
Paper Type:		
Paper grain:	150	
Paper colour:		
Emblem:	Corporate Logo	
Border:	Blue (Patone 281 cvu)	
University name:	Blue (Patone 281 cvu)	Pic 36
Appellation:	Blue	Pic 20
Name of Student:	Black	Pic 20
Font:	Basterville	
Watermark:	Emblem embedded in the paper	
Certificate number:	Printed on certificate and stored on IT system	