Dear Sir / Madam

CALL FOR COMMENT: DRAFT INTERPRETATION NOTE PARAGRAPH 7 OF THE SEVENTH SCHEDULE: RIGHT OF USE OF MOTOR VEHICLE

We refer to your call for comment regarding the above-mentioned. Set out below please find SAICA’s comments, which have been provided by members of our National Tax Committee.

The Interpretation Note restates the law and adds examples to illustrate points.

In terms of paragraph 4.2.2 "Where an employee has, in addition to the right of use of a motor vehicle, been granted a travelling allowance in respect of another motor vehicle the value of private use of such vehicle will be determined at the rate of 4%".

This clause can be clarified further. In terms of the Act where an employee has the right to use a company car in addition to receiving a travel allowance, the private use shall be 4% per month of the determined value instead of 2.5%. This paragraph quoted may create the impression that the 4% applies to the motor vehicle in relation to which the travel allowance was granted as the use of the word "such vehicle" may be interpreted to refer to the vehicle in respect of which the travel allowance was granted.

We suggest the following wording:

"Where an employee has, in addition to the right of use of a motor vehicle (i.e. the "company car"), been granted a traveling allowance in respect of another motor vehicle, the value of private use of the company car will be determined at the rate of 4%"

Paragraph 4.2.3 example 3. The example should make mention that the total kilometers travelled was 10,000 kilometers.
Paragraph 4.4.2 refers to paragraph 4.5 and indicates that paragraph 4.5 deals with the acquisition of an asset benefit provisions. Paragraph 4.5 deals with the right of use of motor vehicle plus a travelling allowance in respect of that vehicle. This reference seems to be incorrect.

The interpretation note does not cover the following situations:

- Where an employee makes a contribution to the purchase price of the company car;
- The proviso contained in par 7(2) “provided that where the employee receives an allowance or advance contemplated in section 8(1)(b), such value of the private use of such vehicle shall not be reduced by any such consideration”

Please do not hesitate to contact me should you require further information.

Yours faithfully

M Hassan CA(SA)

PROJECT DIRECTOR: TAX

The South African Institute of Chartered Accountants