Navigating travel in African emplo

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Last month Sharon Tayfield took an in-depth look at some of the routes that employers can take with regards to travel allowances and how the use of a company car is dealt with from a payroll perspective in South Africa. This month she explores the regions north of South Africa and takes a look at four other African countries

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Uganda

Tax legislation in Uganda states that any reimbursements for expenses incurred by the employee on official company business on behalf of the employer should not be included in the taxable income of the employee.

So, unlike South Africa, where there are restrictions and limitations in place for travel reimbursements, the only requirement is that the employee needs to have been on official business for the employer.

As a general rule in Uganda, fringe benefits are taxed at the fair market value of the benefit, less any amount paid by the employee for the benefit. Where the benefit is the use of a motor vehicle, wholly or partly for private use, the tax legislation contains a formula for calculating the benefit:

(20% *A * (B/C)) - D
Where:

A = the market value of the motor vehicle at the time it was first provided for the private use of the employee.

B = the number of days in the year during which the motor vehicle was used or was available for private use by the employee for all or part of the day.

C = the number of days in the year of income/ assessment.

D = any payment made by the employee for the benefit.

Travel allowances, on the other hand, are included in employment income which is subject to PAYE in the normal manner. There is, therefore, no real tax advantage to having a travel allowance.

The above approaches are fairly easy to implement and control and the employer only needs to ensure that the correct formula is used for the calculation of the benefit of the use of the motor vehicle and that costs are only reimbursed for business related travel, to remain compliant.

Mauritius

Mauritius is one of the few countries where the bus fare between the employee's residence and place of work is not subjected to tax/PAYE, provided the amount paid to the employee is by virtue of the terms and conditions of their employment contract. Therefore, many employees will ask employers to provide such a clause in their letter of appointment to ensure they can make use of this tax-free benefit.

The lesser of any petrol or travel allowance paid or 25 per cent of the monthly basic salary (up to a maximum of 10 200 rupees) paid to an employee for using their private car registered in their name for attending the duties of his employment, is also exempt from PAYE.

Most employers in Mauritius will therefore provide their employees with these benefits as a result of the reasonable tax legislation.

Swaziland

Swaziland uses the same tax formula as Uganda when it comes to the taxable benefit from the private use of a motor vehicle - **(20% * A * (B/C)) –D**. A, B, C and D have the same definitions as the letters in the formula for Uganda.

The cost of a motor vehicle is defined as being the quoted manufacturer price or what the purchaser paid (including VAT/sales tax and any other add-ons such as air conditioner, alarm, radio). The cost does not include finance charges.

When a second hand car is involved in the legislation, the values shown in the Auto Dealer's Guide should be used as the market value (A in the formula). When an employee has the use of more than one motor vehicle, each motor vehicle should be separately evaluated and the values obtained included in the taxable earnings for the purpose of calculating PAYE.

In Swaziland where an employee receives a travel allowance for using their personal motor vehicle on the employer's business, a formula is used to determine the amount to be included in taxable income:

$$\mathbf{A} = \mathbf{B} - \frac{(\mathbf{C} \times \mathbf{D})}{\mathbf{E}}$$

In this formula:

- **A** = the amount to be included in taxable income.
- **B** = the motor vehicle allowance received (The motor vehicle allowance includes all cash allowances plus the market value of any other free benefit related to the travel allowance - for example free fuel).
- **C** = the actual expenditure on fixed and running costs (net of any recoupments) where accurate records are kept, or is the deemed fixed and running costs where accurate records are not kept. (The tax legislation contains deemed running costs for various engine capacities and is updated from time to time. Deemed fixed costs are also contained in the legislation. The deemed fixed costs are 25% of the original cost of the motor vehicle in each year.)
- **D** = the business mileage recorded in a logbook or number record. Where accurate records are not kept then the deemed business is set at 6000 km.
- **E** = the total mileage where accurate records are kept; or a deemed total mileage of 24 000 km where accurate records are not kept.

There are certain exemptions, which are covered in the tax legislation and employers would need to ensure that these exceptions are taken into consideration to ensure compliance.

Botswana

Any travelling allowance, to the extent that it does not represent moneys wholly, exclusively and necessarily expended for the purposes of the employment, is included in taxable income.

The Botswana tax regulations table values assigned to the use of a motor vehicle are based on the cost of the motor vehicle. An additional adjustment is added if fuel costs are covered by the employer.

At the top end of the scale, we find a motor vehicle costing over 200,001 PULA would be assigned a value of 10,000 Pula, plus 15 per cent of any value in excess of 200 000,Pula. If the employer provides fuel as well as the use of the motor vehicle, the employee will be charged an additional 5,000 Pula.

Tax regulations vary between countries within Africa and employers are advised to assess the benefits of incorporating these benefits before establishing remuneration policies in each region. It is an area which multinationals who have global bench-marking in place for remuneration need to consider, as a benefit in one region may be far more tax efficient than the same benefit in another region.