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GOVERNMENT NOTICE  
GOEWERMENSKENNISGEWING

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**SOUTH AFRICAN REVENUE SERVICE**

**No. 177**

**24 February 2006**

**FIXING OF RATE PER KILOMETRE IN RESPECT OF MOTOR VEHICLES FOR  
THE PURPOSES OF SECTION 8(1)(b)(ii) AND (iii) OF THE INCOME TAX ACT,  
1962**

Under section 8(1)(b)(ii) and (iii) of the Income Tax Act, 1962 (Act No. 58 of 1962), I, Trevor Andrew Manuel, Minister of Finance, hereby determine that the rate per kilometre referred to in that section must be an amount determined in accordance with the Schedule hereto.

**T. A. MANUEL**  
Minister of Finance

## SCHEDULE

**1. Definition**

In this Schedule, “value” in relation to a motor vehicle used by the recipient of an allowance as contemplated in section 8(1)(b)(ii) and (iii) of the Income Tax Act, 1962, means—

- (a) where that motor vehicle (not being a motor vehicle in respect of which paragraph (b)(ii) of this definition applies) was acquired by that recipient under a *bona fide* agreement of sale or exchange concluded by parties dealing at arm's length, the original cost thereof to him/her, including any sales tax or value-added tax but excluding any finance charge or interest payable by him/her in respect of the acquisition thereof;  
or
- (b) where that motor vehicle—
  - (i) is held by that recipient under a lease contemplated in paragraph (b) of the definition of “instalment credit agreement” in section 1 of the Value-Added Tax Act, 1991; or
  - (ii) was held by him/her under such a lease and the ownership thereof was acquired by him/her on the termination of the lease,  
the cash value thereof as contemplated in the definition of “cash value” in section 1 of the Value-Added Tax Act; or
- (c) in any other case, the market value of that motor vehicle at the time when that recipient first obtained the vehicle or the right of use thereof, plus an amount equal to the sales tax or value added tax which would have been payable in respect of the purchase of the vehicle had it been purchased by the recipient at that time at a price equal to that market value.

**2. Determination of rate per kilometre**

The rate per kilometre referred to in section 8(1)(b)(ii) and (iii) must, subject to the provisions of paragraph 4, be determined in accordance with the cost scale set out in paragraph 3, and must be the sum of—

- (a) the fixed cost divided by the total distance in kilometres (for both private and business purposes) shown to have been travelled in the vehicle during the year of assessment: Provided that where the vehicle has been used for business purposes during a period in that year which is less than the full period of that year, the fixed cost must be an amount which bears to the fixed cost the same ratio as the period of use for business purposes bears to 365 days;
- (b) where the recipient of the allowance has borne the full cost of the fuel used in the vehicle, the fuel cost; and
- (c) where that recipient has borne the full cost of maintaining the vehicle (including the cost of repairs, servicing, lubrication and tyres), the maintenance cost.

### 3. Cost scale

Where the value of the vehicle—	Fixed cost	Fuel Cost	Maintenance cost
does not exceed R40 000	15 364	47.3	22.5
exceeds R40 000 but does not exceed R60 000	20 910	49.4	26.2
exceeds R60 000 but does not exceed R80 000	25 979	49.4	26.2
exceeds R80 000 but does not exceed R100 000	31 513	54.8	30.5
exceeds R100 000 but does not exceed R120 000	36 978	54.8	30.5
exceeds R120 000 but does not exceed R140 000	41 771	54.8	30.5
exceeds R140 000 but does not exceed R160 000	47 512	57.2	39.8
exceeds R160 000 but does not exceed R180 000	52 629	57.2	39.8
exceeds R180 000 but does not exceed R200 000	58 334	65.9	43.8
exceeds R200 000 but does not exceed R220 000	64 591	65.9	43.8
exceeds R220 000 but does not exceed R240 000	69 072	65.9	43.8
exceeds R240 000 but does not exceed R260 000	74 777	65.9	43.8
exceeds R260 000 but does not exceed R280 000	79 918	69.3	52.5
exceeds R280 000 but does not exceed R300 000	85 440	69.3	52.5
exceeds R300 000 but does not exceed R320 000	88 793	69.3	52.5
exceeds R320 000 but does not exceed R340 000	95 218	69.3	52.5
exceeds R340 000 but does not exceed R360 000	100 011	77.1	68.0
exceeds R360 000	100 011	77.1	68.0

### 4. Simplified method for distances less than 8 000 kilometres

Where—

- (a) the provisions of section 8(1)(b)(iii) are applicable in respect of the recipient of an allowance or advance;
  - (b) the distance travelled in the vehicle for business purposes during the year of assessment does not exceed 8 000 kilometres, or where more than one vehicle has been used during the year of assessment the total distance travelled in those vehicles for business purposes does not exceed 8 000 kilometres; and
  - (c) no other compensation in the form of a further allowance or reimbursement is payable by the employer to that recipient,
- that rate per kilometre is, at the option of the recipient, equal to **246** cents per kilometre.

### 5. Effective date

The rate per kilometre determined in terms of this Schedule applies in respect of years of assessment commencing on or after 1 March 2006.