

FREE TRANSPORTATION BENEFIT IS TAXABLE: By Jonathan Hore

It often happens that employers provide free or subsidised transportation to employees from home to place of work. This may be done for various reasons such as convenience to get to work or the absence of transportation services in a particular area. Whilst this is a welcome gesture, there is always the tax side of every transaction and this arrangement is not spared. I want to demonstrate in this article that employer-provided transportation triggers tax, specifically PAYE. In this article, words importing the masculine shall be deemed to include the feminine.

THE BENEFIT

Employees are potentially taxable on the value of any advantage that is provided by an employer. Section 32 of the Income Tax Act states that, 'the employment income of any person for any tax year shall include ... the value of any other benefit or advantage granted to an employee in respect of his or her employment.' Notice here that the Act brings to tax the value of any 'benefit' or 'advantage' that is enjoyed by an employee due to an arrangement or facility put in place by an employer. Practically, taxable benefits include housing, free motoring benefit, meal benefit and subsidized loans.

The logic behind taxing the benefit or advantage is simply because the employee finds himself in a better position due to such employer-provided facility. For example, if an employer provides a house for Thato and does not do so for Tiro, it means that Thato has an advantage over Tiro as he gets to enjoy free occupation of the house. Having established that any advantage or benefit is potentially taxable, we need to turn to free transportation from home to place of work and vice versa.

FREE TRANSPORTATION

When employers provide free or subsidised transportation from home to place of work and vice versa, the employees enjoy an advantage in that they get free transportation when the rest of all other employees have to pay for their transportation costs. Whilst one may argue that the transportation may be necessary due to circumstances such as remoteness of the place of work or the unavailability of transportation, that does not take away the fact that the employees would have enjoyed the benefit when it is provided by the employer.

VALUATION

The benefit can certainly be valued by reference to the open market value of such service. For example, if an independent transport company charges P20 per each trip, then each employee who benefits from the transportation is taxable on that P20 per trip. The benefit should not include any amount paid by the employee to the employer, if any. What that means is that employers must value the transportation benefit and add it to the respective employees' salaries and then determine PAYE.

EMPLOYER'S JOB

I must hasten to state that the valuation and taxation of the employees must be done by the employer. The Income Tax Act states that where an employer does not account for PAYE on any income earned by employees, that employer becomes personally liable for the taxes. Put simply, non-deduction of taxes exposes the employer to tax penalties.

It is commonly accepted that monitoring who utilised the employer's transportation facility is difficult. However, it is also true that it is doable. Despite the administrative burden associated with such exercise, the tax laws need to be complied with. It may appear that this benefit is

insignificant but if one considers it over time, the tax exposure may become onerous. BURS may also charge penalties and interest over and above the tax.

Well folks, I hope that was insightful. As Yours Truly says goodbye, remember to pay to Caesar what belongs to him. If you want to join our Tax Whatsapp group, send me a text on the cell number below.

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