

Changes to fringe benefit tax expected

Several changes to tax regulation, including fringe benefit tax on company cars, are expected to be announced when Finance Minister Nhlanhla Nene will present the budget speech to Parliament on 25 February 2015.



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This may very well place further pressure on the automotive industry, says head of Gumtree Automotive, Jeff Osborne.

"The impact of the taxation remains to be seen, and it should vary for both companies and employees," says Osborne. "We do know that there will be no impact for employees who currently have company cars or are issued with company cars before the date the measure comes into effect."

Current position

The current position is that the monthly company car fringe benefit is deemed to be 3.5% of the determined value of the vehicle. The determined value is based on the manner in which the vehicle was acquired - either the original cost to the employer of purchasing the vehicle, the cash value of the vehicle, the retail market value or the market value of the vehicle at that time that the employer first obtained the vehicle or the right of use thereof.

Bearing in mind that car manufacturers or other operators in the motor trade often obtain a vehicle at a discounted price, which means that their calculation is based on a lower amount, the reasoning was that some individuals outside the motor trade were placed at a disadvantage, which is why the retail market value will now be used in all cases.

Manufacturer's list price will be used as the measurement for new cars, and the insurance industry will provide guidelines where second hand vehicles are involved. The change will apply to all vehicles acquired or manufactured on or after 1 March 2015.

Existing inequities

Osborne says he is unsure whether or not this new tax will remove existing inequities in the market. "I've not yet seen a mention of the reasonable treatment of fuel, maintenance, insurance or license costs borne by employees who have company cars, as initially stated in the Budget Review."

According to Osborne, the tax may very well result in an extremely positive first quarter for automotive dealerships. "We can reasonably expect that companies wanting to avoid the tax will rush to purchase new vehicles before its implementation on 1 March."

Overall, Osborne is optimistic about the automotive sector's outlook in 2015. "If industrial relations remain stable and we continue to see a healthy demand from the car rental industry as tourism and business travel expands, we should see positive growth in 2015, despite the slight decrease in new vehicle sales from last year."

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