

## INCOME TAX ACT NO 24 OF 1981

Practice Note No 1

09 December 2024

**This Practice Note takes effect on the date of issuance.**

### TAX TREATMENT OF SUBSISTENCE AND TRAVEL ALLOWANCE

This Practice Note serves to clarify the tax treatment of subsistence and travel allowance based on Schedule 2 and Section 14 of the Income Tax Act No 24 of 1981.

#### THE LAW

Schedule 2 of the Income Tax Act No 24 of 1981 (‘the Income Tax Act’) directs that employees’ tax (PAYE) be deducted by employers from remuneration. The definition of remuneration in Paragraph 1 of Schedule 2 of the Income Tax Act includes any allowance but excludes any amount paid or payable to any employee wholly in reimbursement of expenditure actually incurred by such employee in the course of his or her employment. Section 14 (1) of the Income Tax Act provides that any allowance not expended for travelling or other services shall be deemed to be part of taxable income of the recipient.

#### SUBSISTENCE ALLOWANCE

##### Amounts deemed to be expended

A subsistence allowance is an amount given to an employee or a holder of any office (referred to as “recipient” for the purposes of this Practice Note) for expenses incurred or to be incurred in respect of personal subsistence and incidental costs (daily expenses such as meals, lodging, incidental costs) where the recipient is absent from his or her usual place of residence.

Where the recipient is by reason of the duties of his or her office or employment obliged to spend time away from his or her usual place of work or employment, the subsistence allowance in the form of an advance or reimbursement not exceeding the amount as provided for in Daily Subsistence Schedule of standard rates established by the International Civil Service of the United Nations (UN rates) shall be deemed to have been expended.

Accordingly, no PAYE to be deducted provided the recipient received a *bona fide* subsistence allowance within the guidance rates. The amount need not be reflected on the annual PAYE certificate or be included in the taxable income of the recipient.

A subsistence allowance paid in excess of the UN Travel Rate is subject to PAYE. The amount in excess of the UN Travel rates must be reflected on the PAYE certificates. Recipients may claim the amounts expended providing proof for the expenses incurred.

A subsistence allowance may not form part of the remuneration package of a recipient. It is an amount paid by an employer to the employee separate from the employee's normal remuneration.

## TRAVEL ALLOWANCE

### Amounts deemed to be expended

A travel allowance is an amount paid or advance given to an employee in respect of travelling expenses for business purposes.

The following two situations are envisaged, namely —

- A **travel allowance** given to an employee to finance transport (for example, a set rate or amount).
- A **reimbursement** given to an employee based on actual business travel.

### Prescribed rate per kilometre

A reimbursement travel allowance is where an allowance or advance is based on the actual distance travelled for business purposes (that is excluding private use). The rate per kilometre is deemed to be expended, no PAYE needs to be deducted and the rate per kilometre need not be included on the PAYE certificate or in the taxable income.

A reimbursement travel allowance paid in excess of the prescribed rate is subject to PAYE.

THIS PRACTICE NOTE does not apply to a travel allowance, or any allowance paid as part of an employee's remuneration.

Practice Note No 3 of 31 March 2001 on TAX TREATMENT OF ALLOWANCES TO EMPLOYEES – GUIDELINES TO BE FOLLOWED BY EMPLOYERS is herewith withdrawn.

~~Handwritten signature~~ 09.12.2024

Issued by: **Commissioner of the Namibia Revenue Agency**

