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# Navigating the Storm: Fuel Volatility, SARS Realities, and Mobile Workforce Rewards in 2026/2027



**Global political disruptions** continue to inject severe volatility into local markets. Geopolitical tensions in key transit corridors like the Strait of Hormuz have pushed Brent Crude upward. Combined with a fluctuating Rand, this volatility triggered instant domestic pain. In April 2026, petrol[1] spiked by **R3.06c/l** and diesel[2] surged by **R7.51c/l**. Ongoing market friction has sustained highly elevated pricing, turning fuel from a stable baseline expense into a volatile compounding cost with the price of petrol still being almost 30% and diesel 40% higher in July 2026 than in February 2026.

For South African tax professionals and corporate mobility managers, this shifting baseline exposes a significant structural flaw. Static tax rules struggle to keep pace with dynamic macro conditions. The **SARS Deemed Cost Tables**—the baseline framework for corporate travel structures—face immense pressure as real-world pump prices quickly outpace the fiscal models published at the start of the 2027 tax year.

## Deconstructing the Deduction Deficit

The dynamic lag between static tax tables and actual travel costs distorts individual assessments and may lead to the employee not being fully compensated for the costs incurred for their business travel.

## The Travel Allowance Squeeze

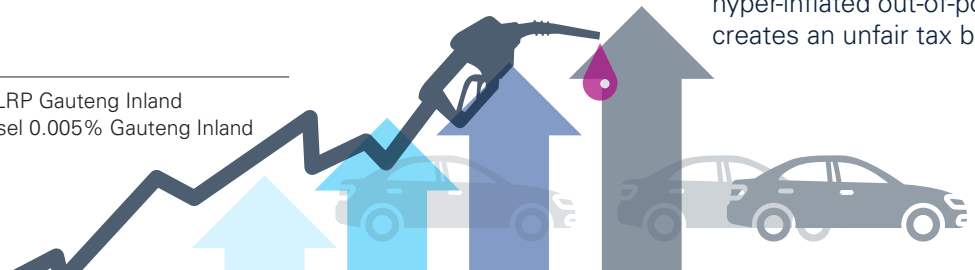
Taxpayers who claim business travel deductions via the **deemed cost method** rely entirely on the published SARS tables. If global disruption forces fuel prices up right after publication, the tables remain completely fixed for the next 11 months. This dynamic leaves employees with an unresolvable tax shortfall: their actual out-of-pocket spending per kilometre exceeds the rigid tax-free deduction allowed by SARS.

## The Company Car Dilemma

For employees with company-provided vehicles, the fuel crisis shifts the tax burden based on who pays at the pump.

- **Employer pays for fuel:** The employee faces a standard monthly fringe benefit tax (3.5% or 3.25% of the vehicle's determined value). This fixed calculation fails to capture the true, inflated economic cost of the benefit.
- **Employee pays for fuel:** The employee can claim a reduction in their fringe benefit assessment at year-end using the fuel component of the **SARS Deemed Cost Scale**. However, because the scale is rigid, employees cannot claim the full value of their hyper-inflated out-of-pocket expenses. This mismatch creates an unfair tax burden on the workforce.

[1] 93 LRP Gauteng Inland
[2] Diesel 0.005% Gauteng Inland



## High-Rate Reimbursative Complexity

To protect their workforce, many South African employers choose to bypass the standard SARS rate of **R4.95/km**. Instead, they pay higher internal company rates to match real market costs. However, this adjustment triggers significant payroll reporting and operational compliance challenges:

- **The Core Rule:** When an employer pays a rate higher than the official SARS per-kilometre limit, the entire amount loses its clean tax-free status. The excess amount must be treated as taxable remuneration and processed through monthly payroll.

**IRP5 Coding Mechanics:** Employers must split the reporting on employee tax certificates. The portion up to the SARS rate is reported under **Code 3702** (or 3703 under strict distance limits), while the taxable excess is isolated under **Code 3702** and subjected to immediate PAYE withholding.

- **The Logbook Obligation:** Paying a higher rate removes the employee's ability to use simplified, administration-free reporting. The employee must maintain a detailed, continuous logbook. They must record dates, destinations, reasons for travel, and precise odometer readings to claim any deductions during year-end assessments.

## Re-Engineering Corporate Remuneration Structures

Faced with a volatile economic outlook, employers must carefully re-evaluate traditional corporate travel policies to determine if they are still fit for purpose.



## For more information and assistance, please contact:



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