

BUSINESS-FINANCED EMPLOYEE VOYAGER-MILE POINTS EARNED FROM SAA –
A TAXABLE BENEFIT?

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ABSTRACT

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Employees of various organisations undertake business trips on behalf of their employers for their day-to-day normal duties. Some of these trips happen to be made by flying, for which the business pays for the flight ticket. Many employees who do this travelling are also members of SAA Voyager Miles, where the employees accumulate Voyager Miles for the tickets paid for by the employer, in their private capacity. Why does the benefit go to the employee and not the employer who paid for the flight ticket?

The major objective was to find out why South African Airways (SAA) award of bonus miles received by an employee are not be treated as a fringe benefit and or constitute part of gross income in terms of the South African Income Tax Act, 58 of 1962, as amended, if the flight ticket is financed by the employer.

Another objective was to find out what the corporate agreement instituted by SAA entails, where the benefit goes to the employer and not the individual employee.

Questionnaires were sent out to a number of employees working in a corporate environment, where some receive the benefit of Voyager Miles for business trips paid by their employer but they use the Voyager Miles for his/her private use. These questionnaires were pitched against the agreement to be signed before any individual becomes a Voyager member. These were collated and coded to bring out issues for discussion and possible conclusions.

Expected major findings for trading off the miles to friends and acquaintances were not realized; instead, miles were mainly utilised by the employee and his/her immediate family, in the case where the travelling was financed by the employer for business purposes. Only a few employers confessed to keeping the discount for the use of the employer. It came to light that the corporate agreement, by which the benefit was solely intended for the employer, was respected by a few employers who utilised the discount earned for the

benefit of the business, although the majority of employers allowed their employees to enjoy the miles earned, although the ticket was paid for by the employer.

The miles earned and utilised by the employee if the ticket had been paid by the employer cannot, however, be taxable under current legislation as SAA is not associated institution of the employer.

OPSOMMING

BESIGHEID GEFINASIERDE BONUSMYLE VERDIEN BY DAL DEUR WERKNEMERS – ‘N BELASBARE VOORDEEL ?

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Werknemers van verskeie organisasies onderneem gereeld sakereise ten behoeve van hulle werkgewers. Sommige van hierdie reise word per vliegtuig onderneem, en die firma betaal vir die vliegkaartjie. Baie werknemers wat so reis is ook lede van die SA Lugdiens se “SAA Voyager Miles,” of “bonusmyle,” waardeur die werknemers in hulle privaathoedanigheid vlugmyle kan versamel op die kaartjies waarvoor die werkgewer betaal het. Waarom gaan die voordeel dan aan die werknemer en nie aan die werkgewer wat vir die vliegtuigkaartjie betaal het nie?

Die hoofdoelwit van die studie was om te bepaal waarom die Suid-Afrikaanse Lugdiens (SAL) se toekenning van bonusmyle nie as ‘n byvoordeel hanteer kan word nie, en/of deel uitmaak van bruto inkomste ingevolge die Suid-Afrikaanse Inkomstebelastingwet, 58 van 1962, soos gewysig nie, indien die vliegtuigkaartjie deur die werkgewer betaal word maar die voordeel aan die werknemer gaan.

Nog ‘n doelwit was om die korporatiewe ooreenkoms van die Suid-Afrikaanse Lugdiens te bespreek. Ingevolge hierdie ooreenkoms gaan die voordeel aan die werkgewer (maatskappy) en nie na die individuele werknemer nie, wanneer die vliegkaartjie vir besigheidsdoeleindes deur die werkgewer betaal word.

Vraelyste is uitgestuur aan ‘n aantal werknemers wat in ‘n korporatiewe omgewing werk, waar sommiges die voordeel van bonusmyle vir besigheidsreise ontvang, en waar die werkgewer vir die kaartjies betaal, maar waar die werknemer die bonusmyle vir eie gebruik aanwend. Die vraelyste is opgestel in die lig van die onderneming wat onderteken moet word voordat enige individu ‘n “Voyager”-lid word. Die vraelyste is gerangskik en gekodeer ten einde sake vir moontlike bespreking en moontlike gevolgtrekkings te vergemaklik.

Die verwagte bevindings dat myle aan vriende en kennisse verkoop word, het geblyk ongegrond te wees; in teendeel bonusmyle is hoofsaaklik deur die werknemer en sy onmiddellike gesin gebruik in gevalle waar die reiskoste vir besigheidsreise deur die werkgewer betaal is.

Dit het aan die lig gekom dat die korporatiewe ooreenkoms waardeur die voordeel slegs aan die werkgewer gaan, slegs deur 'n paar werkgewers aangegaan is wat die korting wat toegestaan is wou aanwend vir die voordeel van die besigheid, hoewel die meerderheid werkgewers die stelsel gebruik waar hulle werknemers die myle wat hulle versamel het self gebruik, ongeag die feit dat die werkgewer vir die kaartjie betaal het.

Die myle wat aan die werknemer toegeken is en deur hom gebruik is as die kaartjie deur die werkgewer gekoop is, kan egter nie ingevolge huidige wetgewing belas word nie, en die SAL kan nie beskou word as 'n geassosieerde instelling nie.

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CHAPTER 1

INTRODUCTION AND STATEMENT OF PROBLEM

1.1 INTRODUCTION

The Frequent Flyer Programme (FFP) is a points system providing a rebate or discount for the purchase of an airline ticket for various forms of air travel, be it business or private, for both national and international flights.

The Frequent Flyer Programme is used by a variety of airlines to create the loyalty of passengers to a particular airline, for example the South African Airways (SAA) which calls its programme “South African Airways Voyager Miles” (SAAVM), and the customer who accumulates the points could redeem them in the form of various bonuses and perks, such as flying to any destination of choice, so long as the points accumulated are sufficient to buy the ticket for that route.

The subject matter of this study is based on the fact that the employer pays for the air tickets for business travel but the bonus miles earned are for the advantage of the employee.

1.2 BACKGROUND TO, AND THE NEED FOR, THE STUDY OF THE RESEARCH PROBLEM

The research problem is whether miles earned by an employee on a ticket paid by the employer should be taxable or not. It must be ascertained if the award is part of the gross income of the employee in terms of section 1 of the Income Tax Act, 58 of 1962, or if it is a fringe benefit in terms of the Seventh Schedule of the Income Tax Act, 58 of 1962.

Obviously the frequent flyer programmes, especially the South Africa Airways Voyager Miles and the British Airways Executive Flyer programmes, are extremely popular. Employees of various organisations accumulate these points or bonus miles. There is a possibility that these could be redeemed and utilised for family members or donated or sold to friends and acquaintances. However, such points should perhaps rather be utilised by the organisations that paid for the ticket. This could mean increased profit for the company.

The need for the study arises from the fact that the award from SAA only goes to individual employees sponsored by their employer on business trips. It is also true that individuals can earn these points in their private capacity. The thin line here is that the benefit goes to the particular employee in whose name the ticket was purchased and who did the trip, because that is what the rules of SAA for the award specify.

The question then is what is the difference between the Corporate Flown Revenue Band (CFRB) run by SAA for organisations in the form of corporate agreements, and that of the Voyager miles for individual employees? With the CFRB format, the huge rebates or discounts would accrue to the particular organisation for the business travels of their employees, instead of allowing the benefit to accrue to individual employees, for their private use.

The question also arises whether the points earned could be deemed a fringe benefit, as a particular employee, who enjoys that benefit as a result of business travel for his employer may decide to utilise the points earned as a donation or a gift to a friend and or an acquaintance or does it form part of the gross income of the receiving employee.

On the other hand, any form of cash discount received or obtained by any business on any expenditure heading, normally reduces the particular company's expenditure and

increases the profitability of the said business, which also increases the taxable income of the said business to the national fiscus.

Why do most companies not choose the corporate agreement format, and instead allow employees to accrue such bonus points for their own use on flight tickets paid by the sponsoring company? The rewards would have gone a long way to reduce the employer's future cost of travel by utilising the mileage points or discounts earned for any staff member who so travels on company business.

With employees pocketing the mileage bonus points, there is also the possibility of trading off the bonus points for cash, which will deny the fiscus this income, which would have been paid by the organisation in the form of higher taxes, as a result of higher profit, because of the huge discounts obtained on the organisation's air travel cost.

The study will be limited to SAA frequent flyer loyalty program only, seeing that there are many other forms of loyalty programs emanating from credit cards, hotel choice, and car rental companies on an endless list.

It is generally assumed that the taxation of the frequent flyer program will be cumbersome administratively, but if it fulfils the tenets of taxation principles, so why shy away of bringing this into the tax net? Brooks (2004:279) alleges that the inequities and inefficiencies created by non-taxation of flights taken when earned points are cashed in are enormous, and a concession to being administratively cumbersome to manage will be inappropriate.

On the topic of fringe benefits, Turner (1999:2) states that not taxing fringe benefits gives rise to consumption inefficiency, because goods provided as fringe benefits are made cheaper by the tax code. If this is so, we need to investigate the possible taxation of bonus points where the employer paid for the ticket and the employee received the bonus points. Last but not least, what implications does the research problem have on the following

taxation issues in terms of their definitions and interpretations, gross income, fringe benefits, rebates and gifts?

The above should help clarify the research question within the South African context.

1.3 RESEARCH OBJECTIVES

The objectives are as follows:-

1. To differentiate between SAA Voyager Miles where the reward goes to the individual employee and the corporate agreement format (CFRB) where the benefit goes to the organisation and not the individual employee.
2. To assess if the benefits of the Voyager Frequent Flyer Programme accrues to the employee if the ticket is financed by the employer.
3. Could the award/bonus points be a fringe benefit, as it is not awarded by the employer but by SAA? Or do the award/bonus points constitute “gross income” as defined in section 1 of the South African Income Tax Act, 58 of 1962, as amended, in the hands of the employee if financed by the employer and is then taxable?

1.4 LITERATURE REVIEW

The literature review centred on the key theoretical issues of gross income and fringe benefits, and what the implications are in terms of the Income Tax Act, 58 of 1962, as amended.

Currently, the taxation of business-paid flight tickets leading to the bonus points pocketed by the employee is not a topical issue in the country. The only countries known to currently account for and tax the private utilisation of business paid flight points are Canada, Denmark and Sweden.

1.5 RELATIONSHIP BETWEEN THE LITERATURE AND THE PROBLEM

According to Jordaan, Koekemoer, Stiglingh, Van Schalkwyk and Wassermann (2007:231), fringe benefits are payments made by employers to employees, usually in a form other than cash. The taxable value of fringe benefits (referred to as the “cash equivalent”) is included in gross income in terms of paragraph (i) of the definition of “gross income” in section 1 of the Income Tax Act, 58 of 1962, as amended, (hereafter referred to as “the Act”).)

Also in terms of section 8(1)(a)(i) of the Act, any allowance or advance paid or granted by a person’s principal (as defined), excluding the portion not spent for the specified business purposes, is included in taxable income.

The major difference here is that items in terms of section 8(1) are included in taxable income, whereas the items in the Seventh Schedule are considered gross income.

Meyerowitz (2005:9-7) sums up the definition of gross income as any amount including any voluntary award, received or accrued in respect of services rendered, or to be rendered, or any amount received or accrued in respect of, or by virtue of, any employment or the holding of any office.

Within the above-stated context, the issues will emanate for analysis, evaluation, discussion, and conclusions drawn therefrom.

1.6 METHODOLOGY

A structured questionnaire and the agreement on becoming a member of the Voyager Frequent Flyer Program (VFFP) form the basis of the survey instrument used to validate or not the assertion of the taxability or non-taxability of business-financed mileage points utilised by employees and their friends and acquaintances.

1.7 RESEARCH DESIGN

The research question is a causal one which requires an empirical approach in terms of design classification. To this end, the grounded theory approach seemed to be appropriate, as it will help confirm the purpose of this research design. This method was chosen because the data sources are considered most pertinent and relevant to support the research question, and the same helped to either validate or not the question put forward.

The survey instrument was questionnaires to prospective interviewees as indicated in perception and empirical studies of this nature. The terms and conditions applicable to becoming a member of the South African Voyager Miles and the terms of the Corporate Flown Revenue Band agreement were further instruments, which were handled as content analyses.

1.8 MEASUREMENT

The measurement of how bonus points are utilised in practical terms was arrived at by issuing questionnaires (see appendices 1 and 2) to a target sample population of about 30 people identified as members of the South African Airways Voyager Miles. A regression and correlation analysis was performed between the benefit usage of points by immediate family members and that of friends and acquaintances and/or of corporate personnel in

terms of company perks and fringe benefits.

This helped to determine the nature and strength of the relationship between the various associations, with regards to how the points get dissipated, and also enabled a clear commentary on such issues.

1.9 DATA ANALYSIS

Data collected were subjected to some form of coding for naming and categorisation, in order to bring out relationships amongst them, to form a base theory, a form of open coding. Questions such as, “what patterns are occurring in the data?” helped form some categories for analysis.

In this instance, Likert scaling was utilised in measuring the apparent reluctance to push for the taxation of this benefit.

CHAPTER 2

TERMS AND CONDITIONS OF THE VOYAGER CONTRACT UPON BECOMING A VOYAGER MEMBER

2.1 INTRODUCTION

In this chapter the Voyager agreement signed by the employee on becoming a member will be discussed.

Voyager is the South African Airways programme of rewards for travellers, designed to thank them for choosing to travel with the airline as stated in the overview to the terms and conditions of the Voyager agreement (Voyager 2001:2)

To become a member of the South African Airways Voyager, an agreement known as the “Voyager terms and conditions” is signed between the individual and South African Airways. This agreement, as drawn up by SAA and signed by the prospective member, will regulate the relationship during the term of membership of the programme.

In the overview of the agreement before the actual contract, the document explains Voyager miles as the currency of the programme (Voyager 2001:14). The miles are earned every time a customer buys a ticket and flies South African Airways.

It also explains that bonus miles are those miles that emanate from flights with SAA and any of its programme partners by way of special promotional offers, opportunities, and bonuses. The Voyager programme partners, which include not only other airlines but also hotels, car rental companies, and a host of other service providers, all of which offer the customer Voyager and/ or bonus miles to enhance the growing total. It is realised that Voyager miles and bonus miles are used interchangeably, depending on how the miles are

earned. When miles are redeemed for a ticket or any benefit, it becomes an “award” from SAA (Voyager 2001:4).

According to the Voyager agreement (Voyager 2001:16) employers can “buy” Voyager miles directly from SAA Voyager programme, to use as gifts, rewards and incentives for their staff and customers.

The above introduction provides a bird’s eye view of the benefits and certain salient parts of the terms and conditions that may have a direct bearing on the research question.

2.2 DISCUSSION OF THE “TERMS AND CONDITIONS” OF THE AGREEMENT

The agreement signed with SAA and the essential sections of the terms and conditions thereof upon becoming a member are summarised below. Only the important and relevant sections of the agreement will be stated.

2.2.1 MODIFICATIONS AND SUSPENSION (Paragraph 1)

- 1.1 In terms of paragraph 1.1 of the terms and conditions, South African Airways and partners reserve the right to modify or suspend the programme or any aspect of it with 30 days notice, or to cancel the programme in its entirety.
- 1.2 Members with no programme activity within the preceding 12 months will not receive any information concerning those modifications in the Voyager programme.
- 1.3 Cities served, flight schedules, and itineraries may be changed or cancelled at any time at the discretion of South African Airways and its programme partners, with or without notice.
- 1.4 South African Airways travel certificates and/or Voyager tickets determined by SAA to have been bought, sold or bartered, will be cancelled and will not be honoured (Voyager 2001:20). The terms and conditions emphasise that individuals selling or

bartering Voyager awards may be liable for damages and litigation costs, and their participation in the Voyager programme may be terminated.

2.2.2 ELIGIBILITY, DISQUALIFICATION AND SUSPENSION OF MEMBERS (Paragraph 2)

The agreement states that the programme is available to individual travellers using published individual adult fares. The Voyager account will be established under the name of the individual and that individual can accrue miles in his/her account only.

Paragraph 2.1.2 (Voyager 2001:19) prohibits corporations and other entities from becoming members.

Paragraph 2.1.2 actually closes the door on organisations and companies and thus makes employees the sole owners of miles earned, even though companies may buy the tickets for their employers to travel on business trips.

Paragraph 2.1.3 (Voyager 2001:19) forbids Voyager miles earned by a participant from been transferred to another Voyager participant, or transfer between two different Voyager participating account holders. Nor may a participant earn miles from more than one frequent flyer programme for the same flight.

Paragraph 2.1.3 will mean that an employee who accumulates the miles for his/her own benefit by travelling on behalf of an employer cannot transfer the miles accumulated to the employer, even if he/she were asked to do so by the employer, although the business flight ticket was paid for by the employer.

For the employer to be able to earn “miles” (discounts) and redeem them, the employer may have to sign for the Corporate Flown Revenue Band format of accumulating discounts or miles, as the case may be, for use by the employer.

Again, paragraph 2.1.3 prohibits the participant from transferring miles accumulated to another person, for example a friend.

In terms of paragraph 2.6 (Voyager 2001:20) SAA reserves the right to disqualify persons from further participation in the Voyager programme, and to cancel all previously accumulated miles and seek compensation for awards utilised, if in SAA’s sole judgement, such persons have violated any of the rules governing this programme. This includes the fraudulent acquisition of programme awards or the abuse of programme awards or the abuse of programme awards benefits (Voyager 2001:19/20).

2.2.3 MILEAGE CREDIT (Paragraph 3)

Paragraph 3 of the agreement relates to miles earned and their expiry time. All miles earned in the Voyager programme are valid for three years after the year in which they are earned as an award from SAA (Voyager 2001:20).

2.2.4 SOUTH AFRICAN AIRWAYS AND VOYAGER AIRLINE PARTNERS (Paragraph 4)

Paragraph 4.1 (Voyager 2001:20) states that mileage accumulation is based on miles flown miles as established by SAA and its programme partners. This means that SAA are in partnership with other airlines, corporate bodies, and financial service houses that could also earn programme participants some miles towards an award.

A participant could earn miles, for example, by buying a ticket to Turkey via Berlin through SAA, even though the passenger may be flying with Lufthansa Airlines, as Lufthansa Airlines is a partner airline to SAA (Voyager 2001:20).

Voyager members may earn miles through certain car hire companies like Avis car rental, and also from financial services providers like Diners' Club. This is achieved by either renting a car from Avis car rentals or applying for example a Diners' Club card, and subsequently utilising it in one's daily financial transactions to earn some miles (Voyager 2001:22).

2.2.5 CODESHARE FLIGHTS (Paragraph 5)

According to paragraph 5.1, codeshare flights are flights in which SAA Voyager is a partner to other airlines with similar frequent-flyer programmes, for which Voyager members can accrue miles if the partner airline is the operating carrier and the member is booked on the operating carrier's flight number. (Voyager 2001:21).

Paragraph 5.2 states that where SAA is code sharing with a partner airline Voyager members will accrue miles, regardless of who the operating carrier is, or what flight number they are booked on (Voyager 2001:22).

2.2.6 HOTELS AND CAR RENTALS (Paragraph 6)

Voyager miles can be accrued by staying at a Voyager hotel partner or by renting a car from a Voyager car rental partner at participating locations as determined by the individual partner. It is well to note that the individual car rental and hotel partners determine rates that are eligible for mileage credit (Voyager 2001:22).

2.2.7 FINANCIAL SERVICES (Paragraph 7)

Voyager Miles is also accrued by using certain financial services. A Voyager member will earn one mile for each R5 charged on any Voyager Diners Club card or a Nedbank Master card or Visa card linked to a Voyager account. However, one does not earn miles when a Voyager member draws cash advances, traveller's cheques, administration service fees, any purchase made in a casino, electronic transfers, and insurance premiums (Voyager 2001:22).

2.2.8 AWARDS (Paragraph 9)

In terms of paragraph 9.2, all Voyager awards will be issued on Voyager certificates that may be exchanged for a confirmed round trip flight. The award certificates are valid for one year from date of issue, and SAA is the sole authority to issue an award certificate and its redemption (Voyager 2001:23).

2.2.9 AWARD CERTIFICATES (Paragraph 10)

In terms of paragraph 10.1 a member may request an award certificate for him/herself or any designated person, but the awards may not be sold, bought, or bartered. In the event an award or a ticket is found out to have been obtained in the above manner, the award certificate will be cancelled, and the passenger will be given the option of purchasing a ticket for the reserved flight (Voyager 2001:24).

In terms of paragraph 10.2 Voyager awards are not transferable, and once a ticket has been bought for a flight, the passenger may be asked for personal identification (Voyager 2001:24).

In terms of paragraph 10.3, the member, a designated passenger, or one of the member's immediate family may use certificates. Proof of relationship may be required, however (Voyager 2001:24).

2.2.10 AWARDS DELIVERY TIME (Paragraph 11)

In terms of paragraph 11.1, Voyager members should allow at least two to three weeks for the award certificates to be delivered, hence a member needs to factor into his/her travel plans the above time constraints. If the member does not take the time constraints into account, but mandates SAA to expedite the delivery through any faster means, the member will be charged R150 expediting fees (Voyager 2001:25).

2.2.11 CHANGE OF AWARDS AND REDEPOSIT (Paragraph 12)

In terms of paragraph 12.1, once an award ticket has been issued to a member, they become non-transferable to any other third party. In the event the member decides not to use the award ticket for any reason, this can be re-deposited into the Voyager member's account. Paragraph 12.1.1 emphasises that the award certificates and tickets included in the award should be returned unused, prior to its expiry date, for the account to be credited (Voyager 2001:25).

2.2.12 LOST, STOLEN, OR DESTROYED AWARD CERTIFICATES AND AIR TICKETS (Paragraph 13)

In terms of paragraph 13.1, an award certificate will not be replaced or credited to the members. Voyager account in the event the certificate goes missing, lost or stolen. However, paragraph 13.2 (Voyager 2001:25) explains that the air tickets will be replaced on condition that the member complete an indemnity form, or on condition that the ticket were stolen and an affidavit be sworn and produced to support the incident.

2.2.13 AWARD TRAVEL CONDITIONS (Paragraph 15)

All air travel awards must be on flights operated by the airline specified in the chart of awards, and on one's award certificates, according to paragraph 15.3 (Voyager 2001:25).

In terms of paragraph 15.8.2 that award tickets are valid for one year from date of issue between the two cities served, as defined in the award chart (Voyager 2001:26).

Lastly, paragraph 15.9 (Voyager 2001:26) states that all applicable fees and taxes are the responsibility of the passenger.

2.2.14 POSTAL RESPONSIBILITY (Paragraph 16)

Paragraph 16.1 absolves South African Airways in the event of any postal delays for any items lost or damaged in the post. This clause is intended to protect SAA from prosecution in the event a member does not get his or her award within the three weeks stipulated time for delivery (Voyager 2001:26)

2.2.15 PROGRAMME PARTICIPANTS (Paragraph 17)

In terms of paragraph 17.1 (Voyager 2001: 26) South African Airways indemnifies itself from any breach of contractual agreements they may have with any of their participating partners, should any of the programme participants fail to honour its obligation to the Voyager member, for example not causing a member to be credited with miles.

South African Airways will only credit the Voyager member with miles if the programme participant acknowledges that such an award or mileage is due to the complainant, and that the programme participant is willing to refund or pay SAA the said amount involved.

2.2.16 CONDITIONS OF TRAVEL (Paragraph 18)

Any Voyager member travelling on South African Airways and any of its programme partners airlines will be subject to standard contract of carriage and the tariffs at that time, in terms of paragraph 18.1 (Voyager 2001:26). South African Airways does not accept responsibility for the failure of a Voyager partner to provide the required service indicated in their brochure (Voyager 2001:26).

2.2.17 EXCLUSION OF LIABILITY (Paragraph 20)

SAA will not be responsible in terms of paragraph 20.1 (Voyager 2001:27) to the member or to any person to whom SAA has been instructed to issue an award certificate or a ticket for any indirect consequential or special damages caused, and whether or not arising from any act or omission of SAA or any third party for whom SAA is vicariously responsible.

2.2.18 LIMITATION OF LIABILITY (Paragraph 21)

In paragraph 21.1 (Voyager 2001:26) SAA places a limitation on any Voyager member who may have any form of claim against the airline. Referring to Paragraph 21.1.1, it cites the Supreme Court of South Africa, Witwatersrand Local Division, as the final arbiter to any redress or grievance against SAA.

SAA places the maximum loss it will afford an aggrieved member at R500 or the equivalent of USD \$.014 in the dollar (Voyager 2001:26).

2.2.19 NO REPRESENTATIVES (Paragraph 22)

In terms of paragraph 22.1 SAA will not accept any representation, either inferred or implicit, from any Voyager member who may have encouraged the member to have signed to become a member. What will be acceptable to SAA is what is recorded in this agreement that is signed by the member, and that represents the interests of SAA. (Voyager 2001:26).

2.2.20 CESSION (Paragraph 24)

In terms of paragraph 24.1 (Voyager: 2001:26) a member may not cede his or her rights, nor delegate his or her obligations at any time save to the extent expressly set out in these terms.

2.2.21 APPLICABLE LAW (Paragraph 25)

The agreement shall be interpreted and implemented in accordance with the laws of the Republic of South Africa, according to paragraph 25.1 (Voyager 2001:26).

2.3 CONCLUSION

The terms and conditions of the agreement to be signed by any individual person to become a member of SAA Voyager Miles appears to be drawn up to favour and protect the employee who has his or her business travel ticket paid for by the employer, but the award miles goes to the employee. Protection of the employee is in the sense that paragraph 2.1.2 (Voyager 2001:19) exclusively indicates that corporations and organisations are excluded from being members of SAA Voyager Miles.

On the same note, paragraph 4 of the Seventh Schedule emphasises that associate institutions that offer benefits to certain employees of other companies could be taxable, but in this scenario South African Airways is not an associated company to any of the organisations the employees of this research work for. They are not in the same group of companies neither do they share the same management or directors.

To this end, the possible taxation of the employee for the redemption and utilisation of miles earned, where an employer has paid for business travel, will not be possible under these circumstances anytime soon.

In chapter 3 the agreement signed between employers and SAA to earn the Corporate Flown Revenue Band award (the equivalent of Voyager miles) will be discussed.

CHAPTER 3

TERMS AND CONDITIONS OF THE CORPORATE FLOWN REVENUE BAND AGREEMENT

3.1 INTRODUCTION

In the previous chapter the Voyager Miles agreement for individual employees on becoming members of SAA Voyager miles was discussed, in this chapter, the terms and conditions of a company who subscribe to the award from SAA in terms of the Corporate Flown Revenue Band will be discussed.

The Corporate Flown Revenue Band (CFRB) is an agreement similar in nature to the Voyager agreement, but only available to companies and other corporate organisations. In terms of these agreements corporate employers will receive cash discount at the end of a specified period. The said cash discount is actually called “Travel Rands” as no actual cash is involved.

The agreement is not a public domain document hence it is not easily obtainable. The basic difference between the Voyager Miles and CFRB is that the benefits of the CFRB are only for incorporated or artificial corporate clients, whilst that of Voyager Miles are for individuals.

South African Airways have not been cooperative in giving an example of a corporate agreement, due to their being tailored differently, with individual corporate client.

However, one of the companies on the CFRB was able to provide the portion of the agreement on the Variable Terms Schedule for the records and perusal, which was vital for the study. The company in question is the National Heritage Council of South Africa

(NHC).

The summary of the agreement is that the said company purchases designated airline tickets from SAA during any 12 (twelve)-month period of the agreement. SAA grants a discount to the company in respect of such purchases in accordance with the table set out in paragraph 5 (NHC 2007:2) of the Variable Terms Schedule. This discount can be set off against the purchase price of future tickets purchased by the company.

3.2 THE VARIABLE TERMS SCHEDULE AND CONDITIONS OF THE CFRB FOR A CORPORATE CLIENT

The Variable Terms Schedule (VTS) is an annexure to the main agreement, but contains substantive provisions, conferring rights and imposing obligations on the parties, i.e. SAA and the company (NHC).

Paragraphs 1 and 2 (NHC 2007:1) states the names of the parties to the agreement. The commencement date and the termination date of the agreement are stated in paragraph 3 (NHC 2007:1).

Paragraph 4 (NHC 2007:1) states the classes of published designated tickets to be considered for rebates or discounts when purchased. The classes of tickets are subject to change at any time but SAA promises to convey such changes to the client in good time. SAA absolves itself from any damages, should this result in a loss to NHC, for not confirming such information in good time.

Paragraph 5.1 (NHC 2007:2) provides a table of applicable discounts. It is stated categorically in paragraph 5.2 (NHC 2007:2), that *“the applicable discount payable to the NHC in relation to each Corporate Flown Revenue Band”* will apply only to the relevant band in respect of which the discount is reflected, and not in relation to the previous or

subsequent band. The discount becomes payable to NHC at the end of every 12 months in a format called Travel Rands. This gets credited to the company's unique account number with SAA and could be utilised by the company for the purchase of air tickets in the future.

Paragraph 5.2.3 (NHC 2007:3) provides an example of a CFRB earned. Should the employer company spend between R250000 and R 374999 it will earn a total discount of R11562 towards its award. The reward amount (Travel Rands) then gets credited to the employer company's unique account with SAA at the end of a 12 month cycle for set-off against future purchases of airline tickets.

3.3 CONCLUSION

The CFRB is solely for artificial persons like incorporated companies and other organisations that operate on business formats. The discounts earned here are solely for the use of the company-designated employers, and cannot be used by the private individual. This is so because the said amount is termed 'Travel Rands' and it gets credited to the employer company's unique account number created by SAA, just as in the case of Voyager Miles for future redemption or utilisation by the company. It appears that SAA has done this deliberately, in order to cater for advocates that Voyager Miles go to the employer if the business flight ticket is paid for the employee by the employer.

In chapter 4 literature of the subject matter under discussion will be reviewed.

CHAPTER 4

GROSS INCOME AND FRINGE BENEFITS

4.1 DEFINITION OF GROSS INCOME

In chapter 3 the variable terms schedule and conditions of an agreement of a company on the Corporate Flown Revenue Band (CFRB) award from SAA was discussed and in this chapter gross income and fringe benefits will be reviewed.

The definition of gross income in section 1 of the Income Tax Act, 58 of 1962, as amended, (hereinafter referred to as “the Act”) is central to the whole of the income tax regime, and thus the Act itself will be fundamental to this thesis. The emphasis on gross income will be the definitions as contained in paragraphs (c), (i) and (n).

In terms of section 1 of the Act, gross income “in relation to any year of assessment, means –

- (i) in the case of any resident, the total amount, in cash or otherwise, received by or accrued to, or in favour of such resident; or
- (ii) in the case of any person other than a resident, the total amount in cash or otherwise, received by, or accrued to, or in favour of such person from a source within the Republic, during such year of assessment, excluding receipts of a capital nature ...”

The emphasis of the above definition requires that in the case of a resident, the following criteria are fulfilled:

- there must be an amount, in cash or otherwise;
- received by, or accrued to, or in favour of, such resident;

- during the year of assessment; and
- excluding receipts or accruals of a capital nature.

All the above requirements must be satisfied, and within this context, the research problem of taxation of gross income or taxable benefit takes its form *vis-à-vis* the issue of business financed bonus miles earned but utilised by employees for self and friends.

The Act links gross income and the taxation of taxable income by means of paragraph (i) (Clegg & Stretch 2006:7.2.2). The cash equivalent, as determined in terms of the provisions of the Seventh Schedule, of the value during the year of assessment of any benefit or advantage granted in respect of employment or to the holder of any office, is a taxable benefit as defined in the Seventh Schedule. This also applies to any amount received as allowances in terms of section 8A that is required to be included in the taxpayer's income.

The main theme is that the said benefit or advantage in question must have been granted in respect of employment, or to the holder of any office, and this forms the foundation for the transformation of a benefit or advantage into a taxable benefit or gain (Clegg & Stretch 2006:7.2.2(b)).

The connection here, the usage of bonus miles by employees but funded by their employers for the purposes of business trips, becomes important for this study. Although the bonus miles are not awarded by the employer, there is a causal relationship between the employer, the purchase of the travel ticket for an employee, and the award of bonus miles by SAA.

From some of the answers to the questionnaires circulated to employees within the 30 organisations chosen as per appendices 1 and 2, only four organisations, or 13% of the total population, saw the need to accrue the benefit of bonus miles in the form of discounts

and rebates for use by the employer, rather than accrue it to their employees as bonus miles for their private use.

South African Airways calls the scheme whereby the miles accrue to the employer the “Corporate Flown Revenue Band” (CFRB). This is an agreement signed between SAA and that particular employer, specifying the discount to be earned within certain expenditure brackets on flight tickets.

4.2 AMOUNTS IN CASH OR OTHERWISE RECEIVED BY A VOYAGER MEMBER

According to Huxham and Haupt (2007:418), paragraph (c) of gross income, brings into gross income all amounts received and services rendered, and in terms of this paragraph, the following are included in a tax payer’s ‘gross income’:

- any amount;
- including any voluntary awards;
- received or accrued in respect of services rendered or to be rendered; or
- any amount (other than an amount referred to in section 8(1)) received or accrued in respect of or by virtue of any employment or the holding of any office.

The Voyager Frequent Flyer Program (VFFP) benefits are denominated in the mileage format which one may say is no amount, however the following marketing accolades are stated by SAA:

- spend miles at the Voyager Miles Club;
- book a wine tour with Hylton Ross, or a breakaway at a Private Game Reserve Partner; or
- rent a car for a weekend breakaway with our car rental partners.

The above advertising statements dated 25 October 2006 were made in a letter to Voyager member.

These statements could possibly be measured in amounts, due to the fact that the value of any wines bought can be ascertained, likewise a tour with Hylton Ross, not to mention a break-away holiday at a private game reserve.

The cost of rental of a car, depending on which group or class of car was chosen, could be ascertained from the car rental firms, because there is a price list for all categories of cars.

In *Lategan v. CIR, 1926 (CPD) 203 (2 SATC 16)*, whilst defining gross income, it was held that the meaning would include, by virtue of the term 'amount', not only money, but the value of every form of property earned by the tax payer, whether corporeal or incorporeal, which has money value.

The bonus miles converted into the benefit of car rental, a game reserve holiday, or the purchase of wines, all have monetary value.

In *CIR v Delfos, 1993 A (6 SATC 92)*, the principle that gross income is based on monetary value was given emphasis by stating that "the tax is to be assessed on all receipts or accruals having a money value. If it is something which is not monetary value or cannot be turned into money, it is not to be regarded as income".

If a monetary value can be placed on bonus miles earned and utilised, it would therefore be regarded as gross income.

As one could even buy additional bonus miles, in the event the bonus miles available cannot make up the value required for a flight ticket. This was stated in the preamble to the terms and conditions (Voyager 2001:16) of the agreement, to the effect that companies

can now “buy” Voyager miles directly from the South African Airways Voyager programme to use as gifts, rewards and incentives for their staff and customers. A mile therefore costs 25 cents, which figure can be used to ascertain the value of the bonus miles awarded and used.

Williams (2001:113) states that it seems that the onus rests with the Commissioner to prove that the taxpayer has received an ‘amount’ with an ascertainable money value, and if unable to quantify value, the taxpayer’s appeal against an objection must succeed.

But in this case, quantifying the value of an airline ticket can be said to be fairly straight forward, as quotations can be sought from travel agents and the airlines themselves.

After ascertaining that bonus miles accrued could be said to have a monetary value, as stated above, then certainly these can be used to purchase a ticket for either a family member or a friend (refer to paragraph 10 of the agreement (Voyager 2001: 24)). Also, there can be no certainty that someone out there cannot give out his or her accumulated air miles for a consideration to a friend or an acquaintance.

In Australia in *Payne J v. Australian Tax Commissioner, (1996) (96 ATC 4407)* the tax authorities sought to tax Jane Payne for using miles accumulated by her that had been paid for by her employers. Because it does not substantiate the assertion, it laid the ground as a debatable issue.

She utilised the frequent flyer points to buy tickets for her family members, and though it was ruled not to be part of her salary, it laid the ground as a contentious issue to be re-examined. While Payne won her case, in a case in a similar circumstance in the United States of America, in *Charley v. Commissioner, 91 F3d 72 (9th Cir. 1996)*, the Ninth Circuit Court of Appeals affirmed a tax-court decision holding that a corporate president (Charley) was required to include in his gross income the value of frequent flyer miles. It was

deemed that he effectively sold his air miles to his employers for cash. It is therefore possible for an employee to sell air miles in exchange for cash which could possibly escape the tax net. The awards are not intended to be sold, according to the terms and conditions of the Voyager Miles on becoming a member (Voyager 2001:19).

In the English case *Wilkins (Inspector of Taxes) v Rogerson (1963 Ch 133) 39 T C34*, it was decided that a five pounds suit that was given to certain individual workers and paid by their employer was taken as income in the hands of the employees. Will this not also apply to air miles redeemed by an employee if his/her ticket had been paid for by his/her employer? The benefit of the free suit emanated from their employment with the company, and therefore constitutes income in the hands of the employee.

In the same light as portrayed above, should the employee not be subjected to taxation on the value of the miles awarded, where the flight tickets are paid for by the employer but the bonus miles accrue to the employee, although the bonus miles are awarded by SAA.

According to Brooks (2004:255) employees must be fully taxed on all employer-provided in-kind benefits.

Likewise Powers and O’Ferrall (1997:1) confirmed that, in terms of section 61 of the Internal Revenue Code, gross income includes “all income from whatever source derived”. Section 1.61 – 21 (a)(1) of the Treasury Regulations provides that gross income includes the value of fringe benefits where an employer provides free or discounted air travel. According to Clegg (2006:31) the only test for the taxability of a benefit is whether private use is made of the benefit. This was stated in the context of an employee gaining a benefit or an advantage by virtue of his/her employment.

Last but not least, the rules and regulations of the Voyager Miles Programme confirm in part that the award could be given to a nominated person by the member, which prepares

the way for a possible sale of bonus miles to an acquaintance (Voyager 2001:24).

Paragraph 10.1 (Voyager 2001:24) of the Voyager rules and regulations states that one “may request an award certificate for yourself or any other person you designate.” This makes it obvious that the award could possibly be given to a friend or an acquaintance for an amount, which is not the intention of the Voyager Miles programme.

4.3 RECEIVED BY OR ACCRUED TO A VOYAGER MEMBER OR EMPLOYER

The general rule is that if no receipt or accrual can be established, then no normal tax implications can arise (Jordaan, Koekemoer, Stiglingh, Van Schalkwyk & Wasserman 2007:13). This general rule then could also apply to all Voyager Miles transactions, namely if a receipt or accrual can be established, then a tax liability arises. In broad terms employees do receive bonus miles which enable the majority of them to either go on holidays or redeem the miles for other benefits provided by SAA. Therefore the receipt of bonus miles seems to comply with the general rule.

Since “received by” and “accrued to” are not defined in the Act, the digestion of this principle shall be within the context of case law precedents.

The bonus points received and eventually redeemed are for the benefit of the employee and whoever is nominated, according to the award terms and rules paragraph 10.3 (Voyager 2001: 24). Can it not be motivated that this could be a taxable item? In the case of *Geldenhuis v. CIR, 1947 (3) SA 256 (C) (14 SATC 419)*, it was held that the words “received by” must mean “received by the taxpayer on his own behalf for his own benefit”.

Therefore, if the employee has redeemed the points on his/her own behalf and benefit, although the award is from SAA, why not include it in gross income? The basis of the question is that the employer paid for the flight ticket, though the award is not for services

rendered directly to the employer. But there is a causal relationship, by virtue of the fact that there is a condition that the employer should pay for the ticket before the bonus points could be awarded. However the above could lead to problems where private individuals earn Voyager miles in their private capacity. This leads us to the principle of 'accrued to'.

In *Lategan v. CIR, 1926 CPD 203 (2 SATC 16)* it was held that the meaning of the words "accrued to" meant "entitled to". The principle here is that an amount of gross income accrues to a taxpayer (the employee) in the year of assessment in which the taxpayer acquires a right to that income.

The right to utilise the bonus miles legally belongs to the employee, but the employer had to pay for a business trip before the employee could earn the bonus miles. This right to the bonus miles which has an ascertainable monetary value is what is seen as possible taxable income. This situation should be separated from bonus points earned in a private capacity for paying for a flight in a private travel.

It appears that the employer will always have to buy a ticket for the employee to earn bonus miles on business travel.

To further stress the fact that the employee could possibly not own the bonus points, the analogy in *Ochberg v. CIR, 1931 AD CPD 215 (6 SATC 1)* could be used. It was held in this case that, before an amount can accrue in terms of a right to claim that money, the taxpayer's right to claim payment must be unconditional.

Therefore, the employee who depends on the condition that the employer pays for the flight ticket before earning the bonus miles could possibly be said not to own them. The bonus miles so earned could belong to the employer in this instance.

Only 13% of organisations sampled for the study belonged to the “Corporate Flown Revenue Band” the programme where the bonus awards accrue to the employer (and not the employee) which indicates that this is not a popular choice of dealing with bonus miles. Instead, 87% of employees owned the bonus points though their employers paid for the ticket (question 10 from appendix 1).

In *Mooi v. SIR, 1972 SA 675 (A) (34 SATC 1)*, the meaning of “accrued to” was extended to imply “unconditionally entitled to”, therefore it could be said that the bonus miles earned belongs to the employer and not the employee, depending on the condition that the employer pays for the flight ticket. However, it accrues to the employee who is entitled to it. This same principle was affirmed and cited in *CIR v. Peoples Stores (Walvis Bay) Pty Ltd, (1990 A), SA 353 (A) (52 SATC 9)* in confirmation of being unconditionally entitled to.

4.4 BONUS POINTS EARNED: IS IT COMPENSATION FROM THE EMPLOYER OR A REWARD FOR SERVICE RENDERED?

With the company paying for the air tickets and the employee receiving the bonus miles, should this not be likened to a compensation for services rendered?

The definition of gross income in paragraph (c) of section 1 of the Act includes in the taxpayer’s gross income, “any amount including any voluntary award received or accrued in respect of services rendered or to be rendered.”

From the above definition, and taking into consideration the said bonus points within this context, it could possibly be an amount which should be subject to tax. In *SIR v. Watermeyer, 1965 (4) SA 431 (27 SATC 117)* the court refers with approval to the decision in *Blakiston v. Cooper, (1909) AC 104, 5 TC 347 HL*, which held that a vicar was taxable on voluntary Easter offerings received by him, on the grounds that the payment was made in respect of his services as vicar.

If a vicar be taxed on Easter offerings, the employee can also be said to be providing a service to the employer who pays for the business travel ticket to enable the employee earn that award which is provided by SAA. Although the award does not accrue to the employer, it is the employee who owns the bonus miles, but the possibility exists that this could be a taxable income. An IRS technical memorandum ruling in the Journal of Accountancy of February (1996:27) states that an expense re-imbusement plan that allowed an employee to retain frequent flier miles was taxable.

In *SIR v. Watermeyer, 1995 (4), SA 431 (27 SATC 117)*, the Appellate Division affirmed that “a gift” may be income when linked to a trade or services. The employee in this instance is affirmed as providing a service to the employer, though the service is not as a direct result of the award from SAA, but is the causal link making the award from SAA possible.

This can be seen as a gift from the employer, and if so, it is taxable. At this point and for a clear differentiation, there should be a distinction between business travel usage for the bonus miles and that of private travel of the employee.

In *Moore v. Griffiths (Inspector of Taxes) 1972, 3 All ER 399, 1 WLR 1024*, it was held that the £1000 given to the plaintiff for being part of the 1966 world cup winning team for England, was not taxable, as it was a gift or testimonial to the taxpayer to mark his participation in an exceptional event, and was not a reward for his services. This principle does not however apply to bonus miles earned for business travel.

4.5 FRINGE BENEFITS IMPLICATIONS IN TERMS OF THE SEVENTH SCHEDULE IN RESPECT OF VOYAGER MILES EARNED AND REDEEMED

According to Venter, Hamel and Stiglingh (2007:144), there is an obligation on each employer to determine the cash equivalent of the value of a taxable benefit granted to an

employee if in a form other than cash.

In terms of paragraph 1 of the Fourth Schedule an “employer” is defined as any person who pays another person an amount by way of remuneration, including any company, close corporation, and the state.

An “employee” is any person who receives any remuneration, or to whom any remuneration accrues (paragraph 1 of the Fourth Schedule).

A taxable benefit arise when an employer grants a benefit, whether voluntary or otherwise (paragraph 1 of the Seventh Schedule). A taxable benefit can also arise when an associated institution of the employer provides an employee with the benefit (paragraph 4 of the Seventh Schedule). All the above definitions are interwoven and compliment each other, and hence could be linked to the issue being discussed.

Not only benefits passing from associated institutions of an employer to its employees are taxable. The definitions of taxable benefits in paragraph 2 of the Seventh Schedule include references to benefits provided to employees by third parties by arrangement with the employer. This does not however apply to bonus miles earned from SAA.

The employees are acting independently of their employers by being members of the Voyager Miles, and hence accrue the bonus miles legally from SAA. Although the bonus miles are a benefit to the employee, it is apparent that it is going to be almost impossible to tax it in the hands of the employee, since it is clear that SAA cannot be linked as an associated employer.

To this end, it appears the motivation for companies to receive bonus award instead of their employees receiving it will have to go the CFRB route, where the bonus miles accrue to the employer only, and are utilised as required for employees in respect of business

travel.

Literature so far indicates that however hard certain jurisdictions have tried to pass business-earned bonus miles into a fringe benefit for employees, this view has met with a strong resistance.

According to Johnston (1998:5), in spite of the IRS's ruling concerning the taxable nature of business frequent flier miles, the agency has not enforced its position, because of administrative concerns and difficulties in valuing the mileage awards. Taxation of such a nature could only happen in America if there is a company-laid-down policy not to utilise business earned bonus miles for private purposes.

It is also stated by Storm (1999:17) that in Denmark, free bonus travel points accumulated while travelling on business are liable to be taxed if used for private purposes. It is the duty of the persons who accumulate bonus points when travelling on business, and who use their bonus savings for private travel, to inform the tax authorities when they submit their annual tax report.

In the South African context the Denmark scenario is not tenable, however, due to differences in legislation.

4.6 CONCLUSION

It is unlikely that miles earned on business travel and utilised in an employee's private capacity are going to be taxed, due to the fact that the award is provided by SAA, which is not an associate institution as stated in paragraph 4 of the Seventh Schedule.

The apparent alternative open to organisations is to buy into the CFRB concept of discounts to corporate clients. The CFRB operates along the same lines as the FFP, but

only for corporate clients who want to keep the bonus points to reduce their travel cost.

The issue now is why the CFRB is not a popular option for companies? In Chapter 5 further analysis of the questionnaires will help address some of these issues.

CHAPTER 5

METHODOLOGY, DATA COLLECTION AND FINDINGS

5.1 SAMPLE, DATA COLLECTION, AND FINDINGS

In chapter 4 literature of the subject matter under discussion was discussed, in this chapter the research questions are answered by interviewees and data collated with the findings.

The total population size for the research was pegged at 30 employee participants from various organisations, who were identified as having membership of South African Airways Voyager miles. The 30 employees as the total population was equated to 100%, and the two structured questionnaires were answered to give varied data and information.

Data sources used fall in the self-reporting and documentary categories. Self-reporting in the sense that the interviews were conducted either face-to-face or by telephone interviewing plus documentary sources of the Voyager Miles agreement of terms and conditions.

Since the researcher has not come across an exact similar study and instrumentation, construction of the questionnaires is seen to be an appropriate survey method, so long as it could measure and bring out the issues at stake, such as how the bonus points are utilised by the supposed owner of the Voyager Miles, the employee. Are they used by family, friends, or by the employer who paid for the cost of the flight ticket? These questions, pitched against the agreement that is signed to become a Voyager member, should be appropriate to bring out various relationships formed from the available data. The following are the findings which came to the fore:

5.2 FINDINGS ON NUMBER OF EMPLOYEES TRAVELLING ON BEHALF OF THEIR EMPLOYERS AND REGISTERED ON A FREQUENT FLYER PROGRAMME

The table below represents the general overview of outcome of the questionnaire circulated amongst the 30 interviewees as per appendices 1 and 2 and the level of employee category distribution and response rate:

TABLE 1

CATEGORY OF EMPLOYEE	NO OF RESPONSES	% OF RESPONSES	MEMBERS OF VOYAGER	MEMBERS OF OTHER FFP	MEMBERS OF CFRB ORG
Director/Owner	2	6,67	2	1	-
Senior Management	12	40,00	12	5	3*
Middle Management	8	26,67	8	-	1*
Supervisory	8	26,66	8	-	-
	-----	-----	-----	-----	-----
TOTAL	30	100%	30	6	4
	=====	=====	=====	=====	=====

* Means certain members of VFFP did not have access for personal usage of Voyager Miles. This signifies that the organisation is on CFRB. These were only four organisations.

The response rate was 100%, which indicates a high rate of participants in the survey. This is so because the sampling technique used was judgmental in nature.

It was established that six of the respondents were also members of other frequent flyer programmes in addition to they being members of SAA Voyager miles.

Of the 30 members interviewed, only four organisations are on the Corporate Flown Revenue Band (CFRB) which accrues the discounts towards the usage of the organisation

for their staff members' future travel cost on business travel. This translates into only 13% of the total sampled population. With a whopping 87%, the Voyager miles belong to the employees, although the flight tickets were paid for by the employer.

On the question of how Voyager miles earned should be classified in terms of a voucher, 90% suggested for it to be called free ticket voucher. Confirm the question from appendix 1, question 14. This suggests that the majority of participants look at Voyager Miles earned and redeemed as a free benefit devoid of tax.

Out of the total sample of the population, 60% of the employees came from quasi-government institutions and municipalities, with 40% coming from private sector companies.

The table suggests that only those in management and or supervisory positions enjoy the benefits of the Voyager miles program, hence this is not a general phenomenon across the total employee groupings of a normal working environment within an organisation. Note also that none of the participants earned less than R100 000 per annum, which places this benefit amongst a certain category of employee, i.e. supervisory, management, and directors and owners of businesses.

5.3 FINDINGS ON WHO PAYS FOR THE VOYAGER/BONUS MILES

The selection process of the sample population was based on the criteria that each participant was employed and was a member of the SAA Voyager miles, and that the employer bought a flight ticket for the employee for business-related travel. To this end, the issue of who finances the flight ticket was answered from the onset, which is the employer.

With the confirmation that 87% of participating employees owned the bonus points but

flight tickets were paid by employers, it thus becomes obvious, since the objective has already been fulfilled or achieved through the selection process, that only employees who travelled on behalf of their employers were chosen.

5.4 FINDINGS ON FLYING SELF AND FAMILY MEMBERS ON REDEMPTION OF VOYAGER MILES

In reference to the questionnaires posed in appendices 1 and 2, certain aspects of the research questions were further summarised from appendix 3 onwards, to bring out the clarity of exact responses on some of the pertinent questions. Appendix 3 therefore summarises the response received on the question of Voyager miles utilisation by the owner and family members.

These were placed in a Likert scale format, and were given values on an ordinal scale from “strongly agree” to “strongly disagree”. Hence, the answers given by the respondents could be formulated into figures to give some meaning to the research question. This was a five-point Likert scale on the question, with a 1 to 5 scaling; hence for 30 respondents on a particular question, the maximum mark to be obtained will be 150 points.

The outcome was as follows:

SELF AND FAMILY VOYAGER MILES UTILISATION SUMMARY OF APPENDIX 3

TABLE 2

	Points Scored	% Of Points Scored
* Strongly agree	30	20%
* Agree somewhat	72	46,67%
* Neutral	6	4%
* Disagree somewhat	8	5,34%
* Strongly disagree	0	0%

Of the points available on an ordinal scale, 66,67% of the respondents acknowledged that the Voyager miles on redemption are utilised for themselves and their family, this is the combination of those respondents strongly agreeing and agreeing somewhat. The percentage of respondents disagreeing somewhat with this question was placed at 5,34%, whilst 4% remained neutral on this statement.

However, no one strongly disagreed. It is assumed that the neutral numbers plus some somewhat disagreeing participants might have utilised the bonus points otherwise, hence a combination of both figures will be 9,34%.

5.5 FINDINGS ON FLYING FRIENDS AND ACQUAINTANCES ON VOYAGER MILES REDEMPTION

On the question of Voyager miles utilised for friends and or acquaintances on its redemption, the same procedure as above was followed, and appendix 4 summarises the count as below:

FRIENDS AND ACQUAINTANCE VOYAGER MILES UTILISATION SUMMARY

TABLE 3

	Points Scored	% Of Points Scored
* Strongly disagree	40	26,67%
* Disagree somewhat	68	45,34%
* Neutral	3	2%
* Agree somewhat	8	5,34%
* Strongly agree	0	0%

About 72% of the respondents strongly disagree and disagree somewhat with the assertion that Voyager miles are given to friends and acquaintances on redemption. This suggests that miles going to friends and acquaintances should only be placed at 5,34%. Though there were no employees who strongly agreed, only 2% of interviewees were neutral. This suggests that miles given to friends and acquaintances are on the low side. Hence the total number of neutral respondents plus those agreeing somewhat could be placed at a meagre 7,34%. The neutral respondents are considered in this case not willing to volunteer information on the fact that Voyager miles are given to friends or acquaintances

5.6 FINDINGS ON VOYAGER MILES ON REDEMPTION AS A COMPANY PERK

The question of Voyager miles as a company perk was vehemently opposed as indicative of the following table:

SUMMARY OF APPENDIX 5

VOYAGER MILE ON REDEMPTION TO BE TREATED AS COMPANY PERK

TABLE 4

	Points Scored	% of Points Scored
* Strongly disagree	135	90%
* Disagree somewhat	8	5,34%
* Neutral	3	2%
* Agree somewhat	0	0%
* Strongly agree	0	0%

It will be observed that in appendix 5 asks the direct question of FFP bonus miles/points as a company perk were summarised. This had 90% respondents strongly disagreeing plus 5,35% respondents disagreeing somewhat, hence the two categories makes for 95,34% respondents totally disagreeing with this assertion. Only 2% remained neutral, which will be taken as not decisive, whilst zero points were scored for agreeing somewhat and strongly agreeing.

5.7 FINDINGS ON WHETHER FREQUENT FLYER VOYAGER MILES ON REDEMPTION SHOULD BE PART OF TAXABLE INCOME OR A FRINGE BENEFIT

From the summary of appendix 7, the following points were scored as findings on whether frequent flyer bonus award should be part of taxable income or a fringe benefit as findings:

SUMMARY OF APPENDIX 7

TABLE 5

	Points	% Points
	Scored	Scored
* Strongly disagree	120	80%
* Disagree somewhat	8	5,34%
* Neutral	6	4%
* Agree somewhat	4	2,67%
* Strongly agree	0	0%

From those respondents who strongly disagree to disagreeing somewhat it appears 85.34% are not in approval of frequent flyer bonus miles/points redeemed be a taxable income or taken as a fringe benefit. Only four interviewees remained neutral, which cannot be interpreted as their being in support. It seems therefore, that respondents are not in favour of considering this item taxable.

5.8 FINDINGS ON FREQUENT FLYER PROGRAM LEADING TO LOYALTY TO SOUTH AFRICAN AIRWAYS

Appendix 9 revealed that a majority of the respondents agreed that membership of the SAA Voyager miles may lead to being loyal to SAA. The reason probably is that one keeps going back to SAA when a flight ticket must be purchased, and one does not apply oneself to finding cheaper tickets from other airlines, but rather would like to accumulate bonus miles for the future.

This was rated at 120 points for strongly agreeing to that assertion, and 20 points to agreeing somewhat. This gives 80% and 13,34% respectively, a total of 93,34% that being a member of the South Africa Airway Voyager miles makes one loyal to SAA.

The loyalty question leads to buying expensive tickets rather than seeking for low fare airlines, as is confirmed by answers to appendix 2 question 4.

5.9 FINDINGS THAT VOYAGER MILES COULD BE EQUATED TO MONETARY VALUE, QUANTIFIED IN CASH TERMS, AND TO MAKING CASH

The summary below was the findings on the question if the Frequent Flyer miles/points should have a monetary value. The summary from appendix 8 is as tabulated below.

SUMMARY OF APPENDIX 8

	Points Scored	% of Points Scored
* Strongly agree	120	80%
* Agree somewhat	12	8%
* Neutral	9	6%
* Disagree somewhat	0	0%
* Strongly disagree	0	0%

It appears 88% of employees interviewed agree that the Frequent Flyer miles earned have a monetary value. This is the combination of those respondents strongly agreeing and those agreeing somewhat. This does not mean that it will be cashed into money. It merely emphasises the importance that owners of these miles place on them. There was only 6% points scored for employees who remained neutral. These emanated from the employees whose employers were on the CFRB.

The same meaning was given in appendix 10, where participants agreed that SAA Voyager miles can be quantified in cash terms at 76%. Adding those respondents strongly agreeing and those agreeing somewhat. Those who remained neutral scored 10%, whilst

and those not in agreement to this statement were only 1,34%.

The question as summarised in appendix 6, that miles made some cash for the employee when redeemed, was rejected with a high percentage rate of 95,34%. Only 2% of the sample population remained neutral, which does not change the outright rejection

5.10 FINDINGS ON VOYAGER MILES AS PART OF COMPANY- MANAGED ASSETS PER APPENDIX 11

For the Frequent Flyer bonus points to be part of a company-managed asset will mean the points belong to the employer. The outcome of this statement cements the idea that Voyager miles may always belong to the employee although the employer paid for the travel ticket.

SUMMARY OF APPENDIX 11

TABLE 7

	Points	% Points
	Scored	Scored
* Strongly Agree	0	0%
* Agree somewhat	0	0%
* Neutral	6	4%
* Disagree somewhat	32	21,34%
* Strongly disagree	100	66,67%

The question if Frequent Flyer Voyager miles should form part of company-managed assets was rejected by a majority of employees, as was the question if Voyager/Bonus miles should be earned by the employer. Appendix 11 confirms that only 4% were neutral, otherwise 88% of participants in the survey strongly disagreed or disagree somewhat with

the idea that Voyager miles should be part of company-managed assets.

In the next chapter the findings in chapter 5 will be discussed and given some form of interpretation.

CHAPTER 6

RESULTS, DISCUSSIONS AND INTERPRETATIONS

6.1 DISCUSSION AND INTERPRETATION OF RESULTS ON EMPLOYEES TRAVELLING ON FREQUENT FLYER PROGRAMME

In chapter 5 the data collected, sampled and collated was discussed and in chapter 6 the findings in the previous chapter is discussed and interpreted in the context of the results.

From the questionnaires in appendices 1 and 2 and the summary in Table 1, it can be deduced that the Voyager Frequent Flyer Programme (VFFP) was the most popular amongst the others on offer. This may be so because the selection of the population was biased towards VFFP.

However, there were six employees who were also on other Frequent Flyer Programmes noted to be the British Airways Executive Programme (BAEP) in addition to the VFFP. It cannot be emphatically said that the other programs are not as popular as Voyager Miles because the survey deliberately selected members affiliated to SAA Voyager Miles. The other Frequent Flyer Programs were mentioned as additional information of the survey.

Corporate Flown Revenue Band (CFRB) programmes, where employers accumulate the discounts and rebates for use by the companies themselves, appears not to be popular amongst employers. Only four employer organisations happened to be on this programme.

The outcome of a careful selection of participants in the survey places a big doubt to the idea that Voyager miles should be taxable, as in Denmark, Sweden and Canada.

It is a contentious tax issue in the United States of America, where the debate still goes

on, though it is taxable only in a situation where an employer defines it to be only for the benefit of the employer. This means the employee's gross income will be adjusted with the value of the miles and the employee would then have to pay tax on miles allocated.

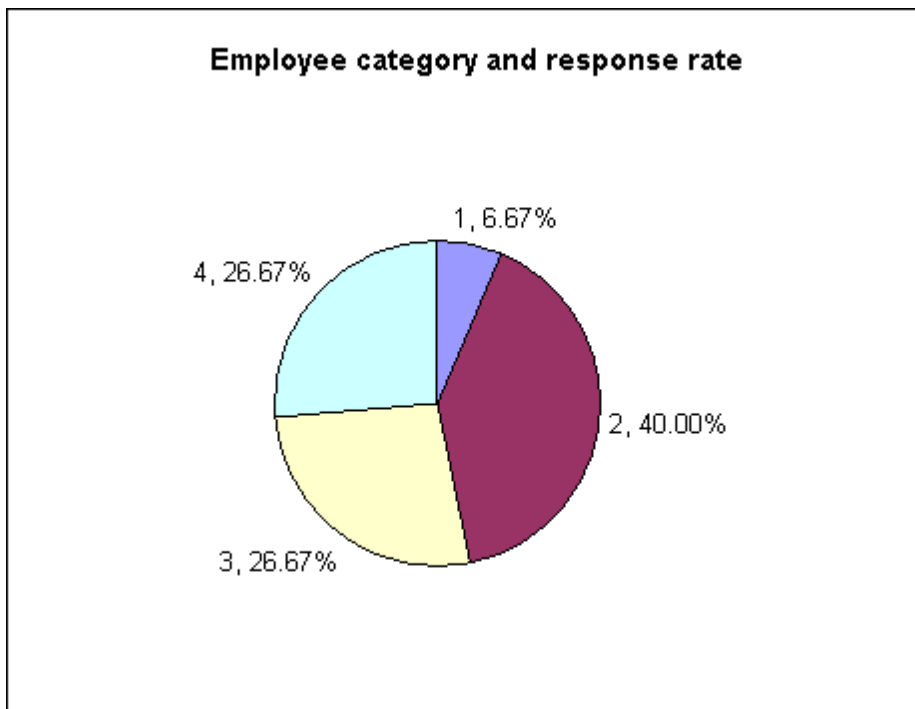
Only four employers are CFRB members' that was 13% of the population, whereas Voyager miles going to individuals totalled a huge 87%, giving an indication that the usage of the CFRB may not become a reality soon.

It could also be said that VFFP was used mostly by the middle (26,67%) and senior level (40%) management plus directors (6,67%). This amounts to 73,34% of the total sample. The difference of 26,66% is attributed to supervisory staff, which could be placed within the ambit of junior management.

A pie chart could give the percentage spread a more vivid view as presented below. This is to show the categories of employees subscribing to the VFFP.

FIGURE 1

Employee category and response rate



LEGEND

1	Directors/Owners Senior management	6,67%
2	Middle management	40,0%
3	Supervisory	26,67%
4		26,67%

The issue of which sector of the economy the employee works for appears not to affect how the miles/points are utilised. However, it is well to note that out of the four on CFRB, one came from a quasi-government organisation, and three from the private sector. One could probably say these are cost-conscious organisations. No wonder the Institute of Chartered Accountants of South Africa is one such organisation on the corporate agreement format that is confirmed in a memorandum in their write up *'committee expenses which may be claimed'* SAICA (Internet 2008:1).

6.2 INTERPRETATION OF RESULTS ON SELF AND FAMILY MEMBER BONUS POINTS REDEMPTION AND UTILISATION AS AGAINST THAT OF FRIENDS AND ACQUAINTANCES

Without doubt, bonus miles are used mostly by the owner him/herself and his/her family members as indicated in Table 2. The 67% response rate to this assertion is a good rate, as only 5,34% disagreed whilst 4% remained neutral and undecided. However only 5,34% respondents disagreed somewhat that the Voyager miles are used solely by the owner and family members. This could be linked to the issue of giving away points to friends and acquaintances.

Should the neutral respondents (4%) be added to those who disagree, the number could only be placed at about 9,34% in total. The neutral responses were added to the number who disagreed because those points might not have been used by themselves or their

families. However, with such a result, the use of Voyager miles for friends and acquaintances could be said to be insignificant and cannot be said to be a widespread phenomenon.

Below is a summary of both for point utilisation by the employee him/herself and family members (Table 2), and/or friends and acquaintances (Table 3).

TABLE 8

Scaling	Table2		Table3	
	Self & family	%	Friends & acquaintances	%
Strongly agree	30	20%	0	0%
Agree somewhat	72	46,67%	8	5,34%
Neutral	6	4%	3	2%
Disagree somewhat	8	5,34%	68	45,34%
Strongly disagree	0	0%	40	26,67%

It will be realised from Table 8 that from those respondents strongly agreeing to strongly disagreeing that Voyager miles on redemption goes to them self and their families, that the values scored in terms of points and their corresponding percentages are almost inversely proportional to that of bonus points going to friends and acquaintances, though not exactly the same figures.

Whilst a total of 102 points for respondents strongly agree and agree somewhat that bonus miles are utilised for themselves and their families, the number of points scored for flying friends and acquaintances was overwhelmingly disagreed on with 108 points. This translates into 72,01% as per Table 8, putting together strongly disagreeing and disagreeing somewhat that Voyager miles on redemption is not given to friends and acquaintances.

Respondents strongly agreeing and agreeing somewhat to the fact that friends and acquaintances get given Voyager miles on redemption represented only 5,34% of the population. If neutral respondents are assumed to have given points to acquaintances but refused to acknowledge it, it can safely be categorised as agreeing somewhat and representing only 2%.

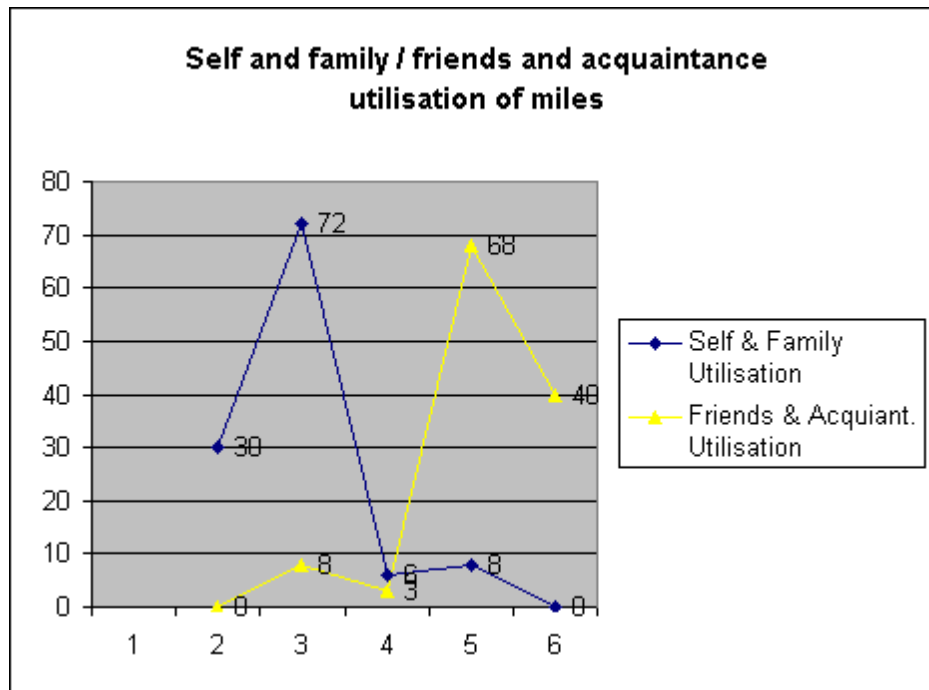
The total number therefore is 7,34% who confirm that points were given to friends and acquaintances. This cannot be said to be significant.

Again, in reference to Table 8, there is an indication of an inverse relationship between respondents agreeing that they themselves and their families utilised Voyager miles (66,67%) and those strongly disagreeing and disagreeing somewhat that miles go to friends and acquaintances (72,01%).

The following line graph brings out vividly from Table 8 above the inverse relationship as shown in Figure 2 below.

SELF AND FAMILY / FRIENDS & ACQUAINTANCE VOYAGER MILES UTILISATION OF VOYAGER MILES

FIGURE 2



INTERPRETATION OF NUMBERS

		Family	%	Friends	%
2	Strongly agree	30	20%	0	0%
3	Somewhat agree	72	46.67%	8	5.34%
4	Neutral	6	4%	3	2%
5	Somewhat disagree	8	5.34%	68	45.34%
6	Strongly disagree	0	0%	40	5.34%

The inverse relationship means that whilst self and family usage of Voyager miles scored higher points for award utilisation, the points scored for Voyager miles usage by friends and acquaintance showed a very low score on the redemption of Voyager miles by employees. The result is directly the opposite of the other. It could be categorically said, therefore, that redeemed Voyager miles are utilised by the employee and the immediate family.

6.3 INTERPRETATION OF FINDINGS ON ASSERTIONS THAT VOYAGER MILES SHOULD BE TREATED AS A COMPANY PERK

The pattern noted on the findings that Voyager miles should be part of company perks was strongly disagreed on. The combination of respondents strongly disagreeing (90%) and disagreeing somewhat (5,34%) is an indication that this idea is not supported by taxpayers. The combination of the two numbers gives 95,34% of employees reacting negatively to the notion that Voyager miles should be part of gross income if treated as company perk. These findings are as stated in appendix 5.

Company perk is used in this instance to mean a taxable perk. A benefit that is not “wholly, exclusively and necessarily” needed by the employee to do a job and is not a tax free perk.

6.4 INTERPRETATION OF FINDINGS ON VOYAGER MILES REDEMPTION TO BE TREATED AS A FRINGE BENEFIT

The outcome of the statement that Voyager miles on redemption should be treated as a fringe benefit was similar in scores to that of Voyager miles when redeemed to become a company perk.

The scores of strongly disagreeing (80%) to the statement as above and disagreeing somewhat (5.35%) totally rejects the idea that Voyager miles on redemption should become a fringe benefit. This puts the question of Voyager miles ever becoming a taxable fringe benefit in South Africa, an unpopular idea that does not even appear as a contentious issue as in other countries such as the United States of America.

There should be a relationship between the number of employee respondents replying to the questions whether Voyager miles on redemption should become a company perk or those responding that it should be a fringe benefit. This can be tested by Pearson's

Correlation Coefficient to support this fact. This will measure the relationship and reliability of the two data sets of company perk and fringe benefit on their redemption to become taxable.

Fringe benefit as discussed refers to employment benefits which are included in gross income in terms of paragraph (i) and are valued in terms of the provisions of the Seventh Schedule.

Reference is made to appendices 5 and 7, which are summarised in Table 9 below.

TABLE 9

CORRELATION BETWEEN TWO SETS OF DATA THAT ON REDEMPTION OF VOYAGER MILES THE UTILISATION BY EMPLOYEES SHOULD BE TAXABLE AS A FRINGE BENEFIT OR SHOULD BE TREATED AS A COMPANY PERK

	Appendix 5	Appendix 7
Range of Responses For Scoring	Frequency of Coy Perk Score	Frequency of Fringe benefit Score
* Strongly Agree	0	0
* Agree somewhat	0	4
* Neutral	3	6
* Disagree somewhat	8	8
* Strongly Disagree	135	120
	-----	-----
Σ = Sum of Frequency	146	138
	===	===

To calculate the Pearson Correlation Coefficient, we will use the scoring of the respondents in both appendices 5 and 7, where the company perk score will be the

independent variable, and the score for fringe benefit will be the dependent variable.

The formula goes thus for Pearson's Correlation Coefficient.

$$r = \frac{n(\sum XY) - (\sum X)(\sum Y)}{\sqrt{[n\sum X^2 - (\sum X)^2][n\sum Y^2 - (\sum Y)^2]}}$$

This is presented and computed as follows in Table 10:

TABLE FOR THE CORRELATION COMPUTATION

TABLE 10

	X	Y	X²	XY	Y²
Strongly Agree	0	0	0	0	0
Agree somewhat	0	4	0	0	16
Neutral	3	6	9	18	36
Disagree somewhat	8	8	64	64	64
Strongly Disagree	135	120	18,225	16,200	14,516
	-----	-----	-----	-----	-----
Total	146	138	18,298	16,282	14,516
	=====	=====	=====	=====	=====

$$r = \frac{n(16,382) - (146)(138)}{\sqrt{[n18298 - 146^2][n14,516 - 138^2]}}$$

$$r = 0.999494$$

The correlation coefficient is very close to +1, hence the chance that the association between the award utilisation will ever become a company perk or fringe benefit for taxation in the near future is very remote.

This correlation could be termed a perfect positive correlation, because it appears both variables increase together in the same direction, hence the outcome that there is no likelihood that Voyager miles awards redemption by employees will be a taxable issue any time soon.

6.5 COMMENTS ON THE CLAIM THAT VOYAGER MILES REDEMPTION LEADS TO LOYALTY, WHICH CAN BE EQUATED TO MONETARY VALUE, AND BEING PART OF COMPANY MANAGED ASSETS

Loyalty to SAA through the implementation of the Voyager miles programme is not the subject matter of this dissertation, but it must be mentioned that the majority of respondents (93,34%) felt that being on the programme led to being loyal. This is a subjective matter, however, and to discuss loyalty in detail will need a different subject area.

It was fully acknowledged by 88% of the respondents in answers to the question number 1 in appendix 2 that the benefits obtained could be quantified in monetary terms. This is so because a ticket to fly to say London and back has monetary value. The monetary value discussed only relates to placing a value on the benefit to be quantified in monetary terms. The benefit will not be taxable, because the award is from SAA and the ticket was issued to an individual employee or his/her nominated representative, as affirmed in paragraph 10 (Voyager 2001:24) of the terms and conditions of the agreement on becoming a member of SAA Voyager Programme.

Only individuals can become members of the Voyager programme and not corporations in terms of paragraph 2 (Voyager 2001:20). Also, current tax legislation does not tax such a benefit, because SAA is not an associate institution to any of the employee organisations as indicated in Paragraph 4 of the Seventh Schedule.

Voyager miles on redemption becoming a company-owned asset, was rejected outright by

88% respondents according appendix 11. This is seen as an endorsement of the fact that employees are not willing to forgo this benefit to the employers, and it appears to be part of the reason some employees stay with an employer.

6.6 LIMITATIONS OF THE STUDY

The study only concentrated on members of a particular Frequent Flyer Programme, the Voyager Miles Programme from SAA. The choice of population selection was biased towards Voyager membership, and should be all-inclusive in a wider study to include other Frequent Flyer Programmes such as the British Airways Executive Programme, Kulula, and One Time Airlines.

The population of employees selected for participation was pegged at 30, and that is a little bit on the low side, if clarity on certain perceptions and assertions are to be given credence.

The above notwithstanding, the conduct and findings of this study are coherent and conclusive.

In this chapter the research findings were discussed and interpreted in the context of the outcomes, in chapter 7 conclusions will be drawn on the objectives of the study and findings.

CHAPTER 7

CONCLUSION ON OBJECTIVES AND FINDINGS

7.1 INTRODUCTION

In chapter 6 the research findings were discussed and given some interpretations and in Chapter 7 conclusions will be drawn on the objectives of the study and their findings.

In conclusion, it is realised that the research questions posed and answers sought have been addressed, though there may still be issues which might be contentious.

It appears the taxation of Voyager miles in the hands of employees in South Africa is not a popular idea.

7.2 CONCLUSION

The Corporate Flown Revenue Band (CFRB), which works on the same basis as the Voyager miles, is only available to employers who uses the discounts for the future utilisation by the company for business travel of its employees.

However this was not a very popular alternative as the survey proved that only 13% of employers were on CFRB while 87% of the employers allows their employees to receive the benefit through Voyager miles.

SAA instituted this CFRB specifically for employers who wanted to utilise the advantage of Voyager miles rather for the benefit of the business and not to the individual employee.

The financing of the individual FFP become obvious from the beginning of the study, since

it was the employer who mainly paid for the business trip to enable the employee to travel on any business assignment and earn Voyager miles in their private capacity. However employees can also buy their flight tickets for private use and earn Voyager miles.

The other objective was to treat the benefits from the Voyager frequent programme, the Voyager miles on redemption a taxable income, either as a fringe benefit or a company perk. This was based on the premise that employees travelled on behalf of their employers on business, and flight tickets were paid by employers and therefore miles awards from SAA going to employees should be taxable. The outcome from the survey conducted indicated that the taxation of Voyager miles is not acceptable in the South African context. The tax laws also work in favour of the Frequent Flyer Programme owners like SAA.

The bonus miles cannot be taxed as a fringe benefit in terms of current tax legislation as SAA is not an associated institution to any of the employers. Paragraph 4 of the Seventh Schedule provides that where an associated institution has given any benefit or advantage to an employee, which if it had been given directly by the employer would have constituted a taxable benefit, the benefit is deemed to be a taxable benefit granted by the employer to the employee. SAA is clearly not an associated institution and therefore the Voyager miles redeemed by employees cannot be a taxable income for those who utilise the bonus miles in their private capacity.

For the moment the countries who are known to tax Frequent Flyer Miles will remain Denmark, Sweden and Canada. The issue is contentious in United States of America, and only taxable in the hands of the employees of companies who have Frequent Flyer Miles redemption of miles as a company policy in an “accountable plan” to only use miles accumulated for company business travel and not for private use.

Bonus miles could be considered a company perk or fringe benefit on the basis that the flight ticket was paid for by employer to enable the employee to go on a business trip. This

proved not to be a popular view, since the overwhelming vote against this benefit becoming a taxable company perk was 95,34 %, and the vote against it being a taxable fringe benefit was 85,35%.

It is fully understood that the private use of Voyager Miles is not taxable, by South African Revenue Service (SARS) in terms of current tax law for all the reasons given as above.

The only route for employers who will like to keep the rewards and the utilisation of either miles or discounts is to go the NHC route where the organisation can utilise the rebates it accumulates for the sole use of the organisation's benefit.

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APPENDIX 1

NAME / OF INTERVIEWEE.....

NAME OF INTERVIEWER.....

CHECKLIST OF EMPLOYEES WHO TRAVEL ON BEHALF OF THEIR EMPLOYER ON BUSINESS, AND THEIR PARTICIPATION IN A FREQUENT FLYER PROGRAM

PURPOSE OF STUDY

THIS QUESTIONNAIRE IS TO ESTABLISH THE NUMBER OF EMPLOYEES TRAVELLING ON BEHALF OF THEIR EMPLOYERS, REGISTERED FOR A FREQUENT FLYER PROGRAM, AND HOW THE BONUS POINTS EARNED ARE UTILISED.

INSTRUCTIONS = : PLEASE PLACE A TICK IN THE BOX

1 WHAT TYPE OF ORGANISATION DO YOU WORK FOR?

A/ GOVERNMENT DEPT. <input type="checkbox"/>	B/ QUASI GOVT./ MUNICIPALITY <input type="checkbox"/>	C/ PRIVATE SECTOR BIG/MEDIUM <input type="checkbox"/>	D/ PRIVATE SECTOR SMME <input type="checkbox"/>
--	--	---	--

2 WHAT LEVEL OF POSITION DO YOU OCCUPY?

A/ DIRECTOR/OWNER <input type="checkbox"/>	B/ SENIOR MNGMT. <input type="checkbox"/>	C/ MIDDLE MNGMT. <input type="checkbox"/>	D/ JUNIOR MNGMT./ SUPERVISOR <input type="checkbox"/>
--	---	---	--

3 DO YOU EVER TRAVEL ON COMPANY BUSINESS OUTSIDE YOUR PROVINCE ?

A/ VERY OFTEN <input type="checkbox"/>	B/ OFTEN <input type="checkbox"/>	C/ OCCASIONALLY <input type="checkbox"/>	D/ NOT AT ALL <input type="checkbox"/>
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4 THE TRAVEL IS IN CONNECTION WITH

A/ TECHNICAL MATTERS	B/ ASSIGNMENT	C/ CONFERENCE / WORKSHOP	D/ TRAINING
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5 WHAT MODE OF TRANSPORT DO YOU USE IN TRAVELLING OUT OF THE PROVINCE ?

A/ AIR TRAVEL	B/ CAR RENTAL	C/ OWN VEHICLE	D/ PUBLIC ROAD TRANSPORT
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6 IF BY AIR , ARE YOU REGISTERED WITH ANY OF THE FOLLOWING FREQUENT FLYER PROGRAMMES?

A/ SAA VOYAGER	B/ BRITISH AIRWAYS F/FLYER	C/ KALULA.COM/ 1 TIME F/FLYER	D/ NONE AT ALL
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7 IF BY ROAD , WHICH OF THE FOLLOWING RENTAL COMPANIES DO YOU TRAVEL WITH ?

A/ AVIS CAR RENTALS	B/ IMPERIAL CAR RENTAL	C/ OTHER CAR RENTALS	D/ OWN CAR
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8 IF ITEM 6 APPLIES, WHICH CAR RENTAL COMPANY. DO YOU USE ON ARRIVAL?

A/ AVIS CAR RENTALS <input type="checkbox"/>	B/ IMPERIAL CAR RENTAL <input type="checkbox"/>	C/ OTHER CAR RENTALS <input type="checkbox"/>	D/ CLIENT SPONSOR CAR <input type="checkbox"/>
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9 WHICH OF THE FOLLOWING CAR RENTAL COMPANIES ARE YOUR FREQUENT FLYER PROGRAM ASSOCIATED TO?

A/ SAA VOYAGER <input type="checkbox"/>	B/ BRITISH AIRWAYS F/F <input type="checkbox"/>	C/ KALULA.COM / 1 TIME <input type="checkbox"/>	D/ NOT AWARE <input type="checkbox"/>
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10 WHO KEEPS THE REWARD POINTS OF THE FREQUENT FLYER PROGRAM ?

A/ SELF OWNED <input type="checkbox"/>	B/ CO. OWNED <input type="checkbox"/>	C/ CO / SELF <input type="checkbox"/>	D/ NOT APPLICABLE <input type="checkbox"/>
--	---	---	--

11 WHICH INCOME RANGE DO YOU FALL IN PER ANNUM?

A/ 100,000 TO 200,000 <input type="checkbox"/>	B/ 200,001 TO 300,000 <input type="checkbox"/>	C/ 300,001 TO 400,000 <input type="checkbox"/>	D/ 400.001 & ABOVE <input type="checkbox"/>
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12 HAVE YOU EVER REDEEMED POINTS FOR SELF OR COMPANY UTILISATION?
IF SO, WHAT BENEFIT DID YOU OPT FOR YOURSELF?

A/	B/	C/	D/
TRAVEL BY AIR ON HOLIDAY	RENTED A CAR FOR SELF	FOR HOLIDAY CRUISE ON SEA	ON COMPANY BUSINESS
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13 IF COMPANY KEEPS MILE POINTS HOW IS IT UTILISED?

A/	B/	C/	D/
FOR GENERAL STAFF USAGE	FOR TOP MNGMT ONLY.	FOR MNGMT'S FAMILY	FOR COMPANY CLIENTS.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

14 WHICH CATEGORY OF VOUCHER RECEIVED WILL YOU PLACE FREQUENT FLYER
POINTS?

A/	B/	C/	D/
INCOME VOUCHER	FRINGE BENEFIT VOUCHER	COMPANY GIFT VOUCHER	FREE TICKET VOUCHER
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

APPENDIX 2

NAME OF INTERVIEWEE

NAME OF INTERVIEWER

CHECKLIST OF EMPLOYEES UTILISATION OF BONUS AIR MILES EARNED AS A RESULT THEIR PARTICIPATION IN A FREQUENT FLYER PROGRAM

PURPOSE OF STUDY

THIS QUESTIONNAIRE IS TO ESTABLISH THE VALIDITY OF CERTAIN PERCEPTIONS THAT THE PROGRAM CARRIES AND OR WHAT IT SHOULD BE IN FUTURE

INSTRUCTIONS

= PLEASE PLACE A TICK IN THE BOX

1 FREQUENT FLYER PROGRAM POINTS CAN BE EQUATED TO MONETARY VALUE?

A/ STRONGLY DISAGREE	B/ DISAGREE SOMEWHAT	C/ NEUTRAL	D/ AGREE SOMEWHAT	E STRONGLY AGREE
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1	2	3	4	5

2 FREQUENT FLYER PROGRAM POINTS CAN BE DESCRIBED AS DISCOUNT ON AIR FARES

A/ STRONGLY DISAGREE	B/ DISAGREE SOMEWHAT	C/ NEUTRAL	D/ AGREE SOMEWHAT	E STRONGLY AGREE
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1	2	3	4	5

3 FREQUENT FLYER POINTS MAKES ONE LOYAL TO A PARTICULAR AIRLINE?

A/ STRONGLY DISAGREE	B/ DISAGREE SOMEWHAT	C/ NEUTRAL	D/ AGREE SOMEWHAT	E STRONGLY AGREE
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
1	2	3	4	5

4 FREQUENT FLYER PROGRAMS MAKES THE TICKETS EXPENSIVE

A/ STRONGLY DISAGREE	B/ DISAGREE SOMEWHAT	C/ NEUTRAL	D/ AGREE SOMEWHAT	E STRONGLY AGREE
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
1	2	3	4	5

5 FREQUENT FLYER POINTS WHEN REDEEMED IS UTILISED FOR IMMEDIATE FAMILY

A/ STRONGLY DISAGREE	B/ DISAGREE SOMEWHAT	C/ NEUTRAL	D/ AGREE SOMEWHAT	E STRONGLY AGREE
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
1	2	3	4	5

6 FREQUENT FLYER POINTS WHEN REDEEMED IS UTILISED FOR FRIENDS AND ACQUAINTANCES.

A/ STRONGLY DISAGREE	B/ DISAGREE SOMEWHAT	C/ NEUTRAL	D/ AGREE SOMEWHAT	E STRONGLY AGREE
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
1	2	3	4	5

7 FREQUENT FLYER POINTS WHEN REDEEMED FOR ACQUAINTANCE IS EXCHANGED FOR CASH

A/ STRONGLY DISAGREE	B/ DISAGREE SOMEWHAT	C/ NEUTRAL	D/ AGREE SOMEWHAT	E STRONGLY AGREE
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
1	2	3	4	5

8 FREQUENT FLYER POINTS CAN BE SAID TO BE COMPANY PERK

A/ STRONGLY DISAGREE	B/ DISAGREE SOMEWHAT	C/ NEUTRAL	D/ AGREE SOMEWHAT	E STRONGLY AGREE
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
1	2	3	4	5

9 COMPANY PERKS ARE TAXABLE INCOME

A/ STRONGLY DISAGREE	B/ DISAGREE SOMEWHAT	C/ NEUTRAL	D/ AGREE SOMEWHAT	E STRONGLY AGREE
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
1	2	3	4	5

10 FREQUENT FLYER POINTS SHOULD BE PART OF TAXABLE INCOMER

A/ STRONGLY DISAGREE	B/ DISAGREE SOMEWHAT	C/ NEUTRAL	D/ AGREE SOMEWHAT	E STRONGLY AGREE
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
1	2	3	4	5

11 FREQUENT FLYER POINTS SHOULD BE PART OF COMPANY MANAGED ASSETS OR (CASH DISCOUNT SCHEME)

A/ STRONGLY DISAGREE	B/ DISAGREE SOMEWHAT	C/ NEUTRAL	D/ AGREE SOMEWHAT	E STRONGLY AGREE
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
1	2	3	4	5

12 FREQUENT FLYER POINTS CAN BE QUANTIFIED IN CASH TERMS

A/ STRONGLY DISAGREE	B/ DISAGREE SOMEWHAT	C/ NEUTRAL	D/ AGREE SOMEWHAT	E STRONGLY AGREE
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
1	2	3	4	5

APPENDIX 3

SOUTH AFRICAN AIRWAYS VOYAGER MILES MAKES ME FLY MY FAMILY AND MYSELF FOR HOLIDAYS ON REDEMPTION

RESPONDENT	STRONGLY DISAGREE 1	DISAGREE SOMEWHAT 2	NEUTRAL 3	AGREE SOMEWHAT 4	STRONGLY AGREE 5
1			3		
2					5
3				4	
4				4	
5				4	
6					5
7					5
8			3		
9		2			
10				4	
11				4	
12				4	
13				4	
14		2			
15				4	
16				4	
17		2			
18				4	
19		2			
20					5
21					5
22					5
23				4	
24				4	
25				4	
26				4	
27				4	
28				4	
29				4	
30				4	
SCORING TOTAL	0	8	6	72	30

MAXIMUM POSSIBLE SCORE

5 x 30 = 150

APPENDIX 4

SOUTH AFRICAN VOYAGER MILES MAKES ME FLY MY FRIENDS & AND ACQUAINTANCES ON REDEMPTION

RESPONDENT	STRONGLY DISAGREE 5	DISAGREE SOMEWHAT 4	NEUTRAL 3	AGREE SOMEWHAT 2	STRONGLY AGREE 1
1				2	
2	5				
3		4			
4		4			
5		4			
6	5				
7	5				
8			3		
9				2	
10		4			
11		4			
12		4			
13		4			
14				2	
15	5				
16	5				
17				2	
18	5				
19	5				
20	5				
21		4			
22		4			
23		4			
24		4			
25		4			
26		4			
27		4			
28		4			
29		4			
30		4			
SCORING TOTAL	40	68	3	8	0

MAXIMUM POSSIBLE SCORE 5 x 30 = 150

APPENDIX 5

FREQUENT FLYER VOYAGER MILES ON REDEMPTION AS A COMPANY PERK

RESPONDENT	STRONGLY DISAGREE 5	DISAGREE SOMEWHAT 4	NEUTRAL 3	AGREE SOMEWHAT 2	STRONGLY AGREE 1
1	5				
2	5				
3	5				
4	5				
5	5				
6			3		
7	5				
8	5				
9	5				
10	5				
11		4			
12	5				
13		4			
14	5				
15	5				
16	5				
17	5				
18	5				
19	5				
20	5				
21	5				
22	5				
23	5				
24	5				
25	5				
26	5				
27	5				
28	5				
29	5				
30	5				
SCORING TOTAL	135	8	3	0	0

MAXIMUM POSSIBLE SCORE 5 x 30 = 150

APPENDIX 6

FREQUENT FLYER VOYAGER MILES MAKES ME SOME EXTRA CASH ON REDEMPTION OF POINTS

RESPONDENT	STRONGLY DISAGREE 5	DISAGREE SOMEWHAT 4	NEUTRAL 3	AGREE SOMEWHAT 2	STRONGLY AGREE 1
1	5				
2	5				
3	5				
4	5				
5	5				
6			3		
7	5				
8	5				
9	5				
10	5				
11		4			
12	5				
13		4			
14	5				
15	5				
16	5				
17	5				
18	5				
19	5				
20	5				
21	5				
22	5				
23	5				
24	5				
25	5				
26	5				
27	5				
28	5				
29	5				
30	5				
SCORING TOTAL	135	8	3	0	0

MAXIMUM POSSIBLE SCORE $5 \times 30 =$ 150

APPENDIX 7

FREQUENT FLYER VOYAGER MILES ON REDEMPTION SHOULD
 BE PART OF TAXABLE INCOME OR A FRINGE BENEFIT OF EMPLOYEE

RESPONDENT	STRONGLY DISAGREE 5	DISAGREE SOMEWHAT 4	NEUTRAL 3	AGREE SOMEWHAT 2	STRONGLY AGREE 1
1	5				
2	5				
3	5				
4	5				
5	5				
6		4			
7	5				
8	5				
9				2	
10	5				
11	5				
12				2	
13	5				
14	5				
15			3		
16	5				
17	5				
18	5				
19	5				
20			3		
21	5				
22	5				
23	5				
24	5				
25	5				
26	5				
27	5				
28	5				
29		4			
30	5				
SCORING TOTAL	120	8	6	4	0

MAXIMUM POSSIBLE SCORE 5 x 30 = 150

APPENDIX 8

SAA VOYAGER MILES CAN BE EQUATED TO MONETARY VALUE

RESPONDENT	STRONGLY DISAGREE 1	DISAGREE SOMEWHAT 2	NEUTRAL 3	AGREE SOMEWHAT 4	STRONGLY AGREE 5
1					5
2					5
3					5
4					5
5					5
6			3		
7					5
8					5
9				4	
10					5
11					5
12				4	
13					5
14					5
15			3		
16					5
17					5
18					5
19					5
20			3		
21					5
22					5
23					5
24					5
25					5
26					5
27					5
28					5
29				4	
30					5

SCORING TOTAL	0	0	9	12	120
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MAXIMUM POSSIBLE SCORE 5 x 30 = 150

APPENDIX 9

SAA VOYAGER MILES MAKES ONE LOYAL TO SAA

RESPONDENT	STRONGLY DISAGREE 1	DISAGREE SOMEWHAT 2	NEUTRAL 3	AGREE SOMEWHAT 4	STRONGLY AGREE 5
1					5
2					5
3					5
4					5
5					5
6				4	
7					5
8					5
9				4	
10					5
11					5
12				4	
13					5
14					5
15				4	
16					5
17					5
18					5
19					5
20			3		
21					5
22					5
23					5
24					5
25					5
26					5
27					5
28					5
29				4	
30					5
SCORING TOTAL	0	0	3	20	120

MAXIMUM POSSIBLE SCORE $5 \times 30 =$ 150

APPENDIX 10

SAA VOYAGER MILES CAN BE QUANTIFIED IN CASH TERMS

RESPONDENT	STRONGLY DISAGREE 1	DISAGREE SOMEWHAT 2	NEUTRAL 3	AGREE SOMEWHAT 4	STRONGLY AGREE 5
1					5
2			3		
3					5
4					5
5					5
6			3		
7			3		
8					5
9				4	
10					5
11					5
12				4	
13		2			
14					5
15				4	
16					5
17					5
18					5
19			3		
20			3		
21					5
22					5
23					5
24					5
25				4	
26					5
27				4	
28					5
29				4	
30					5

SCORING TOTAL	0	2	15	24	90
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MAXIMUM POSSIBLE SCORE 5 x 30 = 150

APPENDIX 11

VOYAGER MILES AS PART OF COMPANY MANAGED ASSETS

RESPONDENT	STRONGLY DISAGREE 1	DISAGREE SOMEWHAT 2	NEUTRAL 3	AGREE SOMEWHAT 4	STRONGLY AGREE 5
1					5
2			3		
3					5
4					5
5					5
6			3		
7			3		
8					5
9				4	
10					5
11					5
12				4	
13		2			
14					5
15				4	
16					5
17					5
18					5
19			3		
20			3		
21					5
22					5
23					5
24					5
25				4	
26					5
27				4	
28					5
29				4	
30					5
SCORING TOTAL	0	2	15	24	90

MAXIMUM POSSIBLE SCORE $5 \times 30 =$ 150

