

Reference: RCS/C.6

TREASURY CIRCULAR NO. 22/2018

THE PREMIER
 THE MINISTER OF ECONOMIC OPPORTUNITIES
 THE MINISTER OF COMMUNITY SAFETY
 THE MINISTER OF CULTURAL AFFAIRS AND SPORT
 THE MINISTER OF EDUCATION
 THE MINISTER OF FINANCE
 THE MINISTER OF HEALTH
 THE MINISTER OF HUMAN SETTLEMENTS
 THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING
 THE MINISTER OF SOCIAL DEVELOPMENT
 THE MINISTER OF TRANSPORT AND PUBLIC WORKS
 THE SPEAKER: PROVINCIAL PARLIAMENT
 THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT
 THE EXECUTIVE AUTHORITY: WESTERN CAPE GAMBLING AND RACING BOARD (MINISTER IH MEYER)
 THE EXECUTIVE AUTHORITY: WESTERN CAPE NATURE CONSERVATION BOARD (MINISTER A BREDELL)
 THE EXECUTIVE AUTHORITY: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MINISTER A WINDE)
 THE EXECUTIVE AUTHORITY: SALDANHA BAY IDZ LICENCING COMPANY (MINISTER A WINDE)
 THE EXECUTIVE AUTHORITY: WESTERN CAPE CULTURAL COMMISSION (MINISTER A MARAIS)
 THE EXECUTIVE AUTHORITY: WESTERN CAPE LANGUAGE COMMITTEE (MINISTER A MARAIS)
 THE EXECUTIVE AUTHORITY: WESTERN CAPE HERITAGE (MINISTER A MARAIS)
 THE EXECUTIVE AUTHORITY: CASIDRA (MINISTER A WINDE)
 THE EXECUTIVE AUTHORITY: WESTERN CAPE LIQUOR AUTHORITY (MINISTER D PLATO)
 THE ACCOUNTING OFFICER: VOTE 1: PREMIER (ADV B GERBER)
 THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (DR G LAWRENCE)
 THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (MR Z HOOSAIN)
 THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (MR G MORRIS)
 THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MR BK SCHREUDER)
 THE ACCOUNTING OFFICER: VOTE 6: HEALTH (DR B ENGELBRECHT)
 THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (DR R MACDONALD)
 THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR T MGULI)
 THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR P VAN ZYL)
 THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MS J GOOCH)
 THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)
 THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)
 THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)
 THE ACCOUNTING OFFICER: VOTE 14: LOCAL GOVERNMENT (MR G PAULSE)
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 THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)
 THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MS A SMIT)
 THE CHIEF FINANCIAL OFFICER: VOTE 4: COMMUNITY SAFETY (MR M FRIZLAR)
 THE CHIEF FINANCIAL OFFICER: VOTE 5: EDUCATION (MR L ELY)
 THE CHIEF FINANCIAL OFFICER: VOTE 6: HEALTH (MR A VAN NIEKERK)
 THE CHIEF FINANCIAL OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MR JO SMITH)
 THE CHIEF FINANCIAL OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR F DE WET)
 THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR T GILDENHUY)
 THE CHIEF FINANCIAL OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (ADV C SMITH)
 THE CHIEF FINANCIAL OFFICER: VOTE 11: AGRICULTURE (MR F HUYSAMER)
 THE CHIEF FINANCIAL OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)
 THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)
 THE CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MS B SEWLALL-SINGH)

For information

THE HEAD OFFICIAL: PROVINCIAL TREASURY (MR Z HOOSAIN)
THE DEPUTY DIRECTOR GENERAL: FISCAL AND ECONOMIC SERVICES (MR H MALILA)
THE DEPUTY DIRECTOR GENERAL: GOVERNANCE AND ASSET MANAGEMENT (MR IG SMITH) (ACTING)
THE CHIEF DIRECTOR: PUBLIC POLICY SERVICES (MR ML BOOYSEN) (ACTING)
THE CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS JD GANTANA)
THE CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE (VACANT)
THE CHIEF DIRECTOR: ASSET MANAGEMENT (MS N EBRAHIM) (ACTING)
THE CHIEF DIRECTOR: FINANCIAL GOVERNANCE AND ACCOUNTING (MR A HARDIEN)
THE CHIEF FINANCIAL OFFICER (MS A SMIT)
THE HEAD: OFFICE OF THE FINANCE MINISTRY (ADV E PRETORIUS)
THE DIRECTOR: BUSINESS INFORMATION AND DATA MANAGEMENT (MR PP PIENAAR)
THE DIRECTOR: FINANCIAL GOVERNANCE (MS M VAN NIEKERK)
THE DIRECTOR: FISCAL POLICY (DR N NLEYA)
THE DIRECTOR: INFRASTRUCTURE (MR K LANGENHOVEN)
THE DIRECTOR: LOCAL GOVERNMENT ACCOUNTING (MR L BRINDERS)
THE DIRECTOR: LOCAL GOVERNMENT BUDGET OFFICE (MR D CRONJÉ) (ACTING)
THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (VACANT)
THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI)
THE DIRECTOR: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR R MOOLMAN)
THE DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING (MR A REDDY)
THE DIRECTOR: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS RH SLINGER)
THE DIRECTOR: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS A PICK)
THE DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS T RAKIEP) (ACTING)
THE DIRECTOR: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (VACANT)
THE DIRECTOR: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A MAZOMBA)
THE PROVINCIAL AUDITOR
MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT
THE DEPUTY DIRECTOR GENERAL: CORPORATE ASSURANCE, DEPARTMENT OF THE PREMIER (MS H ROBSON)

SUBJECT: TAXATION ON RESETTLEMENT COST

1. PURPOSE

The purpose of this circular is to inform Provincial Departments of a South African Revenue Service (SARS) communication on how to treat tax on Relocation/Resettlement allowances and costs incurred.

2. BACKGROUND

A **TRANSVERSAL RESETTLEMENT POLICY FRAMEWORK** currently exists in the Province which was issued in line with the provisions set out in Part XV of the Public Service Co-ordinating Bargaining Councils Resolution 3 of 1999. The Provincial Transversal Policy Framework guides provincial departments on how to assist an employee, who in the interest of the State and at State expense, is transferred or appointed to another headquarters/location, or who wishes to relocate upon retirement.

The above-mentioned framework also covers the financial assistance relating to the allowance for incidental costs or the re-imburement of actual expenses that the employee is entitled to. These payments to employees were exempt from tax and were paid as such on the PERSAL system under allowance code **0448 RESETTLEMENT FEES** which is a non-taxable code.

SARS has subsequently issued a communication in May 2018, indicating that since March 2016 relocation/resettlement allowances paid to employees, without proof of expenditure are no longer exempt from tax and that only actual expenditure with proof of payment is exempt from tax (attached as Annexure A).

3. REQUIREMENT FROM PROVINCIAL TREASURY

A new taxable allowance code was created on the PERSAL system as **0623 - RESETTLEMENT FEES - TAXABLE** which must be utilised with immediate effect for the payment of an allowance for incidental costs. In application therefore, Persal allowance code 0623 is to be utilised for (Sundry/incidental costs which is equal to a month salary and school fees) or any other once off payment as determined from time to time by government legislation.

Persal allowance code **0448 - RESETTLEMENT FEES** must only be utilised when proof of actual expenses are provided. In application therefore, Persal allowance code 0448 is to be utilised as follows:

Upon receipt of proof for actual expenditure such as:

- Transfer cost for purchasing of property as set out in the Western Cape Provincial Government Transversal Resettlement Policy Framework; and
- Transport of personal goods.

The under deduction of tax since 2016 as a result of this amendment will have to be addressed by the department as set out in the attached SARS communication (Annexure A).

For further enquiries on this matter please contact Ms R Esack, tel. 021 483 6102.

A handwritten signature in black ink, appearing to read 'A Mazomba', with a horizontal line drawn through the middle of the signature.

MR A MAZOMBA
DIRECTOR: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS
DATE: 3 July 2018



Dear Taxpayer

Tax Treatment of Relocation/Resettlement Allowances

Employees may be obliged to move from one place of residence to a new place of residence, due to that employee transferring from their current location of employment to another. The employees' costs associated with such relocation are private in nature, and if the employer carries these costs, a benefit or advantage accrues to the employee that is subject to tax.

Section 10(1)(nB) of the Income Tax Act however, provides for an exemption from Income Tax, for such relocation/resettlement costs. Previously it was permitted for employers to pay a tax free relocation allowance of up to one month's basic salary, to cover settling-in costs. This amount was known as the "relocation allowance".

As from 1 March 2016, this no longer applies and relocation allowances without proof of expenditure are no longer exempt. This therefore means that employers (in this instance Government Institutions) are now required to withhold employees tax (PAYE) from any relocation allowance paid to employees.

This does not mean that a Government Institution carrying certain relocation- related costs will always be subject to tax. If a Government Institution reimburses actual expenditure incurred, or pays the supplier directly, an exemption may still apply. In this case employees will need to provide proof of actual expenditure for example:

- Bond registration and legal fees paid in respect of a new residence that has been purchased;
- Transfer duty paid in respect of the new residence;
- Cancellation fees paid for bond cancellation on previous residence;
- Agent's commission paid on sale of previous residence;
- New school uniforms;
- Replacement of curtains;
- Motor vehicle registration fees; and
- Telephone, water and electricity connections.

If PAYE has been under-deducted as a result of the amendment to section 10(1)(nB), the Department may apply for voluntary disclosure. The VDP01 application form may be accessed via SARS eFiling at www.sarsefiling.co.za.

Further queries on Relocation Allowance can be addressed to: GovernmentInstitute@sars.gov.za

Sincerely
The South African Revenue Service
May 2018