

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](http://www.sarsefiling.co.za).

Further queries on Relocation Allowance can be addressed to: [GovernmentInstitute@sars.gov.za](mailto:GovernmentInstitute@sars.gov.za)

Sincerely  
**The South African Revenue Service**  
May 2018