

BINDING PRIVATE RULING: BPR 286

DATE: 22 November 2017

ACT : INCOME TAX ACT 58 OF 1962 (the Act)
**SECTION : SECTIONS 1(1) – DEFINITION OF “INCOME”, 10 (1)(nB);
PARAGRAPHS 1 – DEFINITION OF “REMUNERATION” AND 2(1) OF
THE FOURTH SCHEDULE TO THE ACT**
SUBJECT : SETTLING-IN ALLOWANCE

1. Summary

This ruling determines the taxability of certain settling-in allowances if paid by an employer.

2. Relevant tax laws

This is a binding private ruling issued in accordance with section 78(1) and published in accordance with section 87(2) of the Tax Administration Act 28 of 2011.

In this ruling references to sections are to sections of the Act applicable as at 21 August 2017.

Unless the context indicates otherwise any word or expression in this ruling bears the meaning ascribed to it in the Act.

This is a ruling on the interpretation and application of –

- Section 1(1) – definition of “income”;
- Section 10 (1)(nB);
- Paragraph 1 – definition of “remuneration”; and
- Paragraph 2(1)

3. Parties to the proposed transaction

The applicant: A private company incorporated in and a resident of South Africa

Employees: Employees of the applicant who will receive the once-off allowance for the purposes of relocating to their new place of employment

4. Description of the proposed transaction

The applicant will close its office in one geographic region and relocate employees to another. Pursuant to the relocation of the employees, the applicant will pay certain benefits to them, in accordance with its existing relocation policy.

The applicant will pay a settling-in allowance equal to one month's basic salary for expenses such as school uniforms, electricity deposits, curtaining and other costs.

The employees will not be required to incur or prove any expenditure at the time that the allowances are paid.

5. Conditions and assumptions

This binding private ruling is not subject to any additional conditions and assumptions.

6. Ruling

The ruling made in connection with the proposed transaction is as follows:

- The exemption in section 10(1)(nB) will not be applicable to the payment of the settling-in allowances.
- The settling-in allowances will constitute "remuneration" as defined and, consequently, the applicant will be required to withhold employees' tax as contemplated in the Fourth Schedule.

7. Period for which this ruling is valid

This binding private ruling is valid for a period of five years from 21 August 2017.