Ref: #776868

12 November 2025

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By email:
Cc:

Dear SARS

CONCERNS REGARDING THE REIMBURSEMENT OF RELOCATION COSTS

1. The SAICA Employees Tax Sub-committee, on behalf of SAICA's National Tax Committee, wishes to engage with the South African Revenue Service ("SARS") on the Guide for Employers in respect of Employees Tax (2026) ("the Guide") and its application to employer reimbursement of employees' relocation costs.

<u>Legal Nature</u>

2. Paragraph 2 of the Seventh Schedule read with paragraph (*l*) of the definition of "gross income" in section 1 of the Income Tax Act, No. 58 of 1962, ("the Act") stipulate the various instances in which a taxable benefit shall be deemed to have been granted by an employer to his employee in respect of the employee's employment with said employer.
3. Paragraph 3(1) of the Seventh Schedule then stipulates that the cash equivalent of the value that needs to be placed on any taxable benefit shall be determined by the employer, in accordance with the provisions of the Seventh Schedule.
4. Paragraph 3(2) provides that the Commissioner may, if the amount determined seems to him/her to be incorrect, re-determine the cash equivalent and issue the employer with a notice of the assessment in terms of section 96 of the Tax Administration Act ("TAA") for the unpaid amount of employees' tax that is required to be deducted or withheld from such cash equivalent.
5. Section 10(1)(*n*B) of the Act exempts, from a taxpayer's income:

   any benefit or advantage accruing to any employee…by reason of the fact that his employer…has, in consequence of the transfer of the employee from one place of employment to another place of employment or the appointment of the employee as an employee of the employer or the termination of the employee's employment, borne the expense—

   (i) of transporting such employee, members of his household and the personal goods and possessions of himself and the members of his household from his previous place of residence to his new place of residence; or

(ii) *of the costs which have been incurred by the employee in respect of the sale of his or her previous residence and in settling in permanent residential accommodation at his or her new place of residence; or*

(iii) *of hiring residential accommodation in an hotel or elsewhere for the employee or members of his household during the period ending 183 days after his transfer took effect or after he took up his appointment, as the case may be, if such residential accommodation was occupied temporarily pending the obtaining of permanent residential accommodation;*

6. The Guide further outlines items exempt from tax if reimbursed by the employer for actual expenditure incurred by the employee:
   - 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;
   - An agent's commission paid on the sale of the previous residence;
   - New school uniforms;
   - Replacement of curtains;
   - Motor vehicle registration fees;
   - Telephone, water and electricity connection.

Factual description

7. From our experience, the list of expenses noted in the Guide is often interpreted by SARS officials as being a complete and final list of expenses for which a reimbursement is allowable for purposes of the section 10(1)(*n*B) exemption. Expenses not listed in the Guide are thus not considered for reimbursement purposes by SARS officials, despite there not being a legislated exhaustive list of expenses.

8. As outlined in the legislation, should an expense be reimbursed and the reimbursement falls within any of the categories of expenses listed in section 10(1)(*n*B), the reimbursement should be exempt from the employees' tax.

9. In addition, neither the legislation nor the Guide define the documentation that will be deemed as sufficient proof of expenditure provided by the employee to the employer upon reimbursement of relocation expenditure incurred. There is also no legislative provision stipulating the format or type of documentation that should be accepted by employers from employees upon reimbursement of relocation expenses.

10. Upon relocation, employees also incur the following settling-in costs based on their relocation. These are however not specifically listed in the Guide and include:
    - broadband internet connection for the new residence;
    - storage facilities not exceeding one month

- appliances and other household items (e.g. curtains) that need to be purchased by a single person who previously lived with parents;
- fees incurred for the early termination of a lease, as well as the deposit needed for the new apartment/house they are relocating to;
- expenses for items needed in the new residence, which were not needed in the previous residence, e.g. carpets for the tiled floor compared to the old residence that had wall-to-wall carpets.
- expenses for restocking the new residence with cleaning products and damage to items in the process of relocating.

11. The application of the expense categories outlined in section 10(1)(*n*B) to the actual expenses listed in the Guide leads to ambiguity. As a result, an employer will be issued an assessment for under-declaration of employees' tax (PAYE).
12. The additional assessments issued by SARS, which include penalties and interest, create more costs to the employer over and above the establishment of business premises in a new location.
13. This creates an unnecessary burden for employers and disincentivises employers to reimburse relocation costs; thus adversely affecting the impacted employees.

<u>Taxpayers affected</u>

14. Employees relocating for employment purposes, who are also reimbursed by their employers for relocation costs incurred.

<u>Proposal</u>

15. The Guide for Employers be aligned to the 'current realities' of relocation costs and properly note that the SARS list in the guide is not exhaustive.

We are happy to have any further engagements necessary to clarify our request.

Yours sincerely

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