



the dpsa

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File: 17/3/P

TO: THE HEADS OF ALL NATIONAL/PROVINCIAL DEPARTMENTS AND PROVINCIAL ADMINISTRATIONS

INCOME TAX: STATE AND OTHER HOUSING

1. The South African Revenue Service (SARS) has provided the Department for Public Service and Administration (DPSA) with the method of taxing free and cheap residential accommodation for employees in the Public Service. The new method applies with effect from 1 March 2013.
2. According to the last ruling issued by SARS on 1 March 2012, the taxable benefit was limited to R1 488.00 per month where employees occupy the premises under unique circumstances.
3. Please note that SARS has increased the limited amount of R1 488.00 referred to above to an amount of R1 576.00 per month for the 2013/14 tax year. The details of the increase are contained in the attached letter from SARS.
4. Departments that provide such housing, are expected to effect the implementation of the said increase in the 2013/14 tax year.


DIRECTOR-GENERAL
DATE: 04/02/2014



South African Revenue Service

**Legal and Policy
Personal Income Tax**

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**Reference
18/3/2**

**Date
2 December 2013**

**Ms Salome Motaung
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Dear Ms Motaung

**INCOME TAX: FREE OR CHEAP RESIDENTIAL ACCOMMODATION FOR
EMPLOYEES IN THE PUBLIC SERVICE**

Your email dated 12 November 2013, refers.

1. A taxable benefit shall be deemed to have accrued to all employees in the Public Service who have been granted residential accommodation either free of charge or for considerations which are less than the rental values for such properties.
2. The formula in paragraph 9(3) of the Seventh Schedule to the Income Tax Act, 1962 (the Schedule) should be used to calculate the taxable benefits of the officials.
3. The ruling issued on 1 March 2012 stated that the taxable benefit will be limited to R1 488.00 per month, **where it is found that employees occupy the premises under unique circumstances and that the premises will not be able to draw rentals similar to other premises of the same size on the market**, the taxable benefit has now been calculated and must be limited to an amount of R1 576.00 This amount has been adjusted according to consumer price indices made available by the Reserve Bank. The capping is in terms of discretion afforded to the Commissioner in paragraph 9(5) of the Schedule.
4. The employees in the lower income brackets stand to gain as they may not be liable for any income tax in view of the formula being based on the ability of the employee to pay income tax.
5. The employees in the lower income brackets stand to gain as they may not be liable for any income tax in view of the formula being based on the ability of the employee to pay income tax.

"remuneration" in relation to any employee, means the aggregate of the amounts of remuneration (as determined in accordance with the definition of 'remuneration' in paragraph 1 of the Fourth Schedule but excluding any amounts referred to in paragraph (f)).

'remuneration factor', in relation to a year of assessment during which an employee has occupied residential accommodation, means the remuneration derived by him during the year of assessment immediately preceding the first mentioned year of assessment: Provided that—

- (i) where during a portion of such preceding year the employee was not in the employment of the employer ...;
- (ii) where during the whole of such preceding year, the employee was not in the employment of the employer...

The formula mentioned in 3 is as follows:

$$(A - B) \times \frac{C}{100} \times \frac{D}{12}$$

in which formula-

- (i) 'A' represents the remuneration factor as determined in relation to the year of assessment;
- (ii) 'B' represents an abatement equal to an amount of R67 111:

Provided that ...

- (iii) 'C' represents a quantity of 17: Provided that where the accommodation consists of a house, flat or apartment consisting of at least four rooms-
 - (aa) 'C' represents a quantity of 18 if-
 - (A) such accommodation is unfurnished and power or fuel is supplied by the employer; or
 - (B) such accommodation is furnished but power or fuel is not supplied; or
 - (bb) 'C' represents a quantity of 19 if such accommodation is furnished and power or fuel is supplied by the employer; and

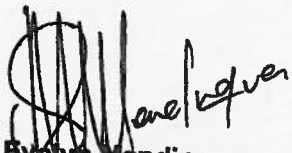
(iv) 'D' represents the number of months in relation to a year of assessment during which the employee was entitled to occupation of such accommodation;

Kindly ensure that this method of taxing free or cheap residential accommodation for employees in the Public Service is implemented by all affected departments in the Public Service with effect from 01 March 2013.

Kindly take note that any consideration paid by the employee for the use of the accommodation will reduce the benefit, including the capped amount.

This ruling is applicable to the 2014 year of assessment.

Yours faithfully


Evelyn Mandingwa
Operational Specialist


Gary Edwards
Manager
For: **THE COMMISSIONER FOR SOUTH AFRICAN REVENUE SERVICE**