



DATE: 28 July 2010
NOTICE NUMBER: 01/2010
SUBJECT: **FRINGE BENEFITS: CONTRIBUTIONS TO EMPLOYEES WITH REGARDS TO WORLD CUP BENEFITS**

Dear Practitioner and Employer

On 10 June 2010, the South African Revenue Service (SARS) issued a media release relating to the exemption of fringe benefits on 2010 World Cup related items.

The drafted amendment is as follows:

FRINGE BENEFIT

1. According to the Seventh Schedule to the Income Tax Act 58 of 1962 ("Act"), benefits granted by employers to employees, usually in a form other than cash, must be taxed as fringe benefits.
2. Draft legislation proposes a once-off exemption of R750 on all 2010 FIFA World Cup-related items provided by employers to their employees.
 - This exemption only applies to items such as T-shirts, jerseys and similar clothing, as well as match tickets.
 - The exemption will be applicable to individual taxpayers for the 2010/2011 tax year, and will only be applicable where the world cup goods are supplied to an employee on or before 11 July 2010.

EMPLOYEES TAX

1. The Fourth Schedule to the Act requires that an employer deduct employees' tax from the employee on the "cash equivalent" of the value of taxable benefits, as determined under the Seventh Schedule.
2. If the draft legislation is passed, there will be no taxable benefit in the hands of the employee, provided that the World Cup related items are within the exempt amount.
 - SARS expects the draft legislation to be passed into law during the second half of this year, and to prevent undue hardship on affected employees SARS will not be requiring employers to deduct employees' tax ("PAYE") PAYE on these benefits.
3. Where employers have already deducted "PAYE" from their employees, a refund may be generated on assessment.

The proposed exemption is aimed at supporting employers who encouraged their employees to wear 2010 FIFA World Cup T-shirts and jerseys, particularly on what became known as Football Friday, to show their support for South Africa's hosting of the 2010 FIFA World Cup.