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UmNyango weZeemali

Departement van Finansies

Enquiries : Ms J Bezuidenhout  
Ref : DOF 13/6/1

## PROVINCIAL TREASURY CIRCULAR NO. 14 OF 2015

TO:-

THE ACCOUNTING OFFICER: VOTE 1: OFFICE OF THE PREMIER (DR NONHLAHLA MKHIZE)  
THE ACTING: ACCOUNTING OFFICER: VOTE 2: PROVINCIAL LEGISLATURE (MR JB SILINDA)  
THE ACCOUNTING OFFICER: VOTE 3: FINANCE (MS NZ NKAMBA)  
THE ACCOUNTING OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR CM CHUNDA)  
THE ACCOUNTING OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT, ENVIRONMENTAL AND LAND ADMINISTRATION (MS SP XULU)  
THE ACTING ACCOUNTING OFFICER: VOTE 6: ECONOMIC DEVELOPMENT AND TOURISM (MR T MDAKANE)  
THE ACCOUNTING OFFICER: VOTE 7: EDUCATION (MS MOC MHLABANE)  
THE ACCOUNTING OFFICER: VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MR KM MOHLASEDI)  
THE ACCOUNTING OFFICER: VOTE 9: COMMUNITY SAFETY SECURITY & LIASON (MR W MTHOMBOTHI)  
THE ACCOUNTING OFFICER: VOTE 10: HEALTH (DR AM MORAKE)  
THE ACTING ACCOUNTING OFFICER: VOTE 11: CULTURE SPORTS AND RECREATION (MR W MNISI)  
THE ACCOUNTING OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS NL MLANGENI)  
THE ACCOUNTING OFFICER: VOTE 13: HUMAN SETTLEMENTS (MR K MASANGE)

THE ACTING CHIEF FINANCIAL OFFICER: VOTE 1: OFFICE OF THE PREMIER: (MS P NGWENYA)  
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL LEGISLATURE: (MR S SANYANE)  
THE ACTING CHIEF FINANCIAL OFFICER: VOTE 3: FINANCE: (MS LC MLAMBO)  
THE CHIEF FINANCIAL OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS: (MR S MATSEBULA)  
THE CHIEF FINANCIAL OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT, ENVIRONMENTAL AND LAND ADMINISTRATION: (MR CT DLAMINI)  
THE CHIEF FINANCIAL OFFICER: VOTE 6: ECONOMIC DEVELOPMENT AND TOURISM: (MS JP HLATSHWAYO)  
THE CHIEF FINANCIAL OFFICER: VOTE 7: EDUCATION: (MR C MNISI)  
THE ACTING CHIEF FINANCIAL OFFICER: VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT: (MS HN MDAKA)  
THE CHIEF FINANCIAL OFFICER: VOTE 9: COMMUNITY SAFETY SECURITY & LIASON: (MS SA SEFALA)  
THE ACTING CHIEF FINANCIAL OFFICER: VOTE 10: HEALTH: (MR BP DLALISA)  
THE CHIEF FINANCIAL OFFICER: VOTE 11: CULTURE, SPORTS AND RECREATION: (MR NC MAMARO)  
THE CHIEF FINANCIAL OFFICER: VOTE 12: SOCIAL DEVELOPMENT: (MR JB MBATHA)  
THE CHIEF FINANCIAL OFFICER: VOTE 13: HUMAN SETTLEMENTS: (MR D SHIPALANA)

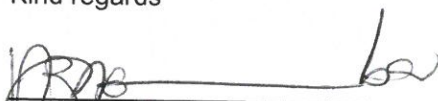
**TAXATION OF RETIREMENT FUND LUMP SUMS (IN PARTICULAR TO LOSS OF OFFICE GRATUITY) AND CODING THEREOF ON THE IT3(a)/IRP5 CERTIFICATES FOR HOLDERS OF PUBLIC OFFICE**

The above matter refers.

Attached correspondence from South African Revenue Service (SARS) for your immediate attention.

Your cooperation in this regard is appreciated.

Kind regards

  
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MS NZ NKAMBA  
HEAD OF DEPARTMENT  
DATE: 17/4/2010

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SARS Brooklyn

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**Reference**

Taxation of Retirement  
Lump Sums and Loss of  
Office Gratuity

**Date**

15 April 2015

**South African Revenue Service**

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Nieuw Muckleneuk, 0181  
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SARS online: [www.sars.gov.za](http://www.sars.gov.za)  
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**To all the Chief Financial Officers**

- 1. National Parliament**
- 2. Provincial Legislatures**
- 3. National Departments**
- 4. Offices of the Premiers**
- 5. Provincial Departments**

**Dear Sir/Madam**

**Taxation of Retirement Fund Lump Sums (in particular the Loss of Office Gratuity) and the coding thereof on the IT3(a)/IRP5 Certificates for holders of Public Office.**

This communication seeks to clarify the correct tax treatment of the Retirement Fund Lump sum with particular reference to the loss of office gratuity lump sum as well as the capturing thereof on the IT3(a)/IRP5 tax certificates.

The holder of a public office, whose term of office has ended, is generally entitled to a once-off gratuity payment equal to four months pensionable salary for every five years of service, or a pro rata part of the five-year period. This is known as the loss of office gratuity. This payment is taxable and subject to the following tax treatment;

- Employees over 55: As from 1 March 2011 employer provided severance payments for reasons of age (over 55), ill health or death are aligned with the **retirement tax of lump sum benefits**. The loss of office gratuity paid to non-returning employees over the age of 55 thus qualifies for the retirement tax of lump sum benefits.
- Employees below 55: Lump sum payments including a gratuity paid to an employee due to normal termination of service (e.g. resignation or where employee is below 55 years of age) are aligned with the normal tax tables. Your institution would have applied for a tax directive to determine the tax to be deducted from this amount.

SARS has however observed that the loss of office gratuities have been captured under different and incorrect source codes. Capturing of the loss of office gratuities should be reflected as follows on the IRP5 certificates to allow for the correct tax treatment:

- Employees over 55 years

Code	Description	Explanation
3901	Gratuities (subject to PAYE)	Loss of office gratuity - paid in respect of retirement, ill health or death
4115	Tax on retirement lump sums and severance benefits	Tax on severance benefits in respect of retirement, ill health or death

- Employees below 55 years

Code	Description	Explanation
3907	Other lump sums	e.g. Loss of office Gratuity
4102	PAYE	Subject to Normal Tax Tables

Your institution is therefore cordially advised to capture the loss of office gratuity under the source codes as reflected above.

Yours faithfully



**Government Institutional Compliance**  
**For the Commissioner for SARS**