



# Study Benefits

# Study Benefits for Employees of Academic Institutions

- Free or discounted study fees for employees to study at an Institution where he/she is employed (Employing Institution)
- Free or discounted study fees for dependents of employee to study at an Institution where he/she is employed (Employing Institution)
- Free or discounted study fees for employee to study at another Institution (Other Institution)
- Free or discounted study fees for dependents of employee to study at another Institution (Other Institution)

# SARS Legislation

- Paragraph 16 of the Seventh Schedule effectively provides that a taxable benefit is deemed to have been granted to an employee if such taxable benefit is granted to a relative of an employee and, had it been granted directly to the employee, it would have been a taxable fringe benefit.
- Discounted fees provided to dependents or a spouse of an employee, the potential fringe benefit should be considered in the employee's hands

# SARS Legislation

- Free or discounted study fees for employees or their dependents may fall under the provision of the fringe benefit for Cheap or Free Services as stated in Paragraph 2(e) of the 7<sup>th</sup> Schedule.
- Paragraph 2(e) states that where a service is provided to an employee at the expense of the employer for either no consideration or a value less than the cost to the employer a fringe benefit may arise
- The value of the benefit is the cost incurred by the employer in rendering or having the service rendered
- Therefore, if the discounted fee is less than the marginal cost to the employer then a fringe benefit will arise

# SARS Legislation

- We will then need to refer to SARS Interpretation Note 66 which specifically refers to Educational Institutions who provide their employees or their relatives with discounted services.
- Interpretation Note 66 states:  
*“While the marginal cost of the education of such employees and their relatives represents a taxable benefit under the Seventh Schedule, this benefit is regarded as a scholarship or bursary as contemplated in section 10(1)(q), and to which the limits apply”*
- Therefore, even though if a fringe benefit has arisen we need to consider the limits of S (10)(1)(q) or S (10)(1)(qA) as it may be possible that it may still not trigger a taxable event

# SARS Legislation

- Section 10(1)(q) provides that any bona fide scholarship or bursary shall be exempt from normal tax provided that;
  - The employee agrees to re-imburse the employer if he/she fails to complete their studies for reasons other than ill-health or injury
  - In the case of bursaries or scholarships provided to relatives of employees:
    - Employee's proxy remuneration must not be > R 600 000
    - For Grades R to 12 or NQF levels 1 to 4, the value of scholarship or bursary may not exceed R 20 000
    - For NQF levels 5 to 10 the value of scholarship or bursary may not exceed R 60 000
  - The employee's current or future remuneration was not reduced or forfeited as a result of the scholarship or bursary

# Studying at Other Academic Institutions

- As per Paragraph (10) of the 7th Schedule the actual cost to the employer less any consideration paid by the employee will be the value of the benefit.
- Therefore, marginal cost cannot be applied.
- Then the limits as prescribed by Section 10(1)(q) must be applied



THANK YOU!

QUESTIONS