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NEWSFLASH

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Payroll Managers Tax Year End Seminar – a couple of reasons to not miss out on this year's seminar.

Introduction

Welcome to the first edition of our NewsFlash for 2021. The NewsFlash aims to help keep you up to date with the latest developments in legislation and to assist in navigating your way through a potentially interesting 2021 in the South African tax and legislative landscape.

This NewsFlash shares some interesting developments at SARS.

News from SARS - Estimated assessments and imposition of administrative non-compliance penalties for employees' tax.

SARS have indicated that they are going to impose the legislated penalty on employers who are late with the submission of their IRP5's and the EMP501 – which MUST be submitted by 31 May 2021.

A penalty of 1% of the PAYE value for the year will be charged for every month that the info is late. For a large employer whose PAYE deducted from employees can easily run into the millions, this is going to be very expensive.

Herewith the full notice from SARS:

Dear Stakeholder

ESTIMATED ASSESSMENTS AND IMPOSITION OF ADMINISTRATIVE NON-COMPLIANCE PENALTIES FOR EMPLOYEES' TAX

We have just ended the 2021 year of assessment, and we are heading into the final month of the financial year.

Estimated Assessments

There have been a number of questions flowing from SARS issuing auto original estimated assessments. Just a few aspects in this regard:

- The estimated assessments have been issued in instances where taxpayers had received SMSs that they were eligible for “Auto Assessment” and had failed to action by either accepting or first editing the return and then submitting.

- It must be noted that according to the public notice for submission of returns, a taxpayer is not required to submit a return if (1) selected for auto assessment (by receiving a SMS); and (2) the information at disposal of the Commissioner is complete and accurate.

- Should the taxpayer or tax practitioner submit a tax return after receiving the estimated assessment, the return will be routed for manual intervention and will be verified by a SARS official thereafter the taxpayer will be informed of the outcome in due course. Please note that the usual turnaround times may be outside the agreed service charter timelines.

Submission of EMP 501 return

This time of the year SARS also start preparing for the third party data returns that must be submitted by 31 May 2021. This includes the submission of the EMP501 returns and the related IRP5 certificates by employers.

In terms of paragraph 14(6) of the Fourth Schedule of the Income Tax Act 58 of 1962, if an employer fails to submit the EMP 501 return by the relevant due date, the Commissioner may impose an administrative non-compliance penalty for each month that the employer fails to submit a complete return. The penalty can be charged up to **10% per cent of the total amount of employees’ tax** deducted or withheld or which should have been deducted or withheld by the employer from remuneration for that recon period.

SARS has taken a decision to impose this penalty for 2021/02 EMP501 return for employers who have not submitted the return by 31 May 2021. The penalty will be imposed at 1 per cent for each month that the employer fails to submit the complete return. For example, if the return is outstanding for three months, SARS will impose 1 per cent penalty per month and notice of penalty assessment (EMP 301) will be issued at the end of every month.

Note, that if an employer ceases to be an employer from 1 March 2021 onwards, a final reconciliation return must be submitted within 14 days from the date the employer ceased to be an employer. In these instances, as well, if the return is not received timeously, SARS will impose this penalty. Employers are encouraged to submit the EMP 501 return by the relevant due date to avoid the imposition of any penalties.

Yours Sincerely**,**

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Mark Kingon

Head: Stakeholder Relations, Anti-Corruption & Integrity

5 March 2021

Payroll Managers Tax Year End Virtual Seminar

There are only a couple of days left to book for the Payroll Managers Tax Year End Seminar. During the seminar, we will unpack the 2021 Budget in detail and aim to prepare Business Owners and Payroll Managers for the various legislative intricacies brought on by unprecedented times.

Some initial thoughts and considerations on the 2021 Budget:

- **Big relief for taxpayers** – the new tax tables have catered for about a 5% relief across all bands so thankfully we will all save a little. Those in the bottom few bands of the earnings table will save more, percentage-wise, than those at the top, which has been the trend for many years.
- The budget speech made no mention of increased rates for the **Prescribed Travel Rate per km**, nor did it provide details of the Travel Table for the 2021/2022 year, items which generally get increased from March each year. The authorities are busy reviewing these rates together with the Subsistence Allowance rates for the year, all of which should be clarified over the next few weeks.
- **Medical Tax Credits** saw a welcomed increase of around 4.5%. The credit for the main member and first dependent has increased to R 332.00 whilst the credit for all other dependents has increased to R 224.00. Albeit that this a small increase, it still is very welcome as we start coming out of the worst of the COVID-19 pandemic, which has left a trail of financial destruction for so many taxpayers.
- Blow for those taxpayers planning to emigrate. When **emigrating taxpayers** usually have to scrape together everything they have to get themselves settled in their new country. Having access to the money in their retirement fund plays a big part in this and without these funds, many taxpayers will struggle to find their feet. In the past taxpayers had access to these funds very soon after the financial emigration process was completed, but the recent change in the tax laws will now result in them only having access to these funds after being out of SA for an unbroken period of 3 years.
- **Corporate tax rate** coming down. Good news for companies, or is it? With the possible introduction of a reduced corporate tax rate down to 27%, it does however come with some potential limitations around the carrying forward of certain accessed losses, and some interesting conditions under which interest paid won't be allowed as a deduction. On the face of it sounds like it's going to be more beneficial to keep things as they are! The authorities have some time to think about this so let's trust that sanity will prevail on this one.

We will be discussing this and more at the Payroll Managers Tax Year End Seminar, so don't miss out.

The seminar dates are as follows:

- **Monday 15th March 2021**
- **Tuesday 16th March 2021**
- **Friday 19th March 2021 – Q and A and feedback session**

To read more or to book your seat for the Payroll Managers Tax Year End Seminar visit this link: https://payrollseminars.co.za/

In closing

This update was kept brief as I am sure you're all hard at work on the deadlines and priorities brought on by this time of the year.

Wishing you all a smooth and trouble-free tax season.

We look forward to supporting you in 2021.

Rob Nowicki and Team