PAYROLL MANAGERS
TAX YEAR END
SEMINAR

PRESENTED BY ROB NOWICKI

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MARCH 2025

Updated Workbook

THE CONFERENCE COMPANY

Session 1

Inside Scoop – the 2025 Budget Speech

Diane Seccombe

Diane is the National Head of Taxation for the Mazars Academy. Diane is an admitted attorney with a Masters degree in taxation and has been involved it the tax world for well over 15 years. Diane in her capacity as the National Head of Taxation for the Mazars Academy provides tax training to Professional Institutes, Banks, Financial Services Providers, Mazars Partners, staff and a wide variety of clients. Diane also consults on income tax matters including corporate, individual and international tax, as well as VAT.

Budget Speech - 2025

Diane Seccombe

12 March 2025

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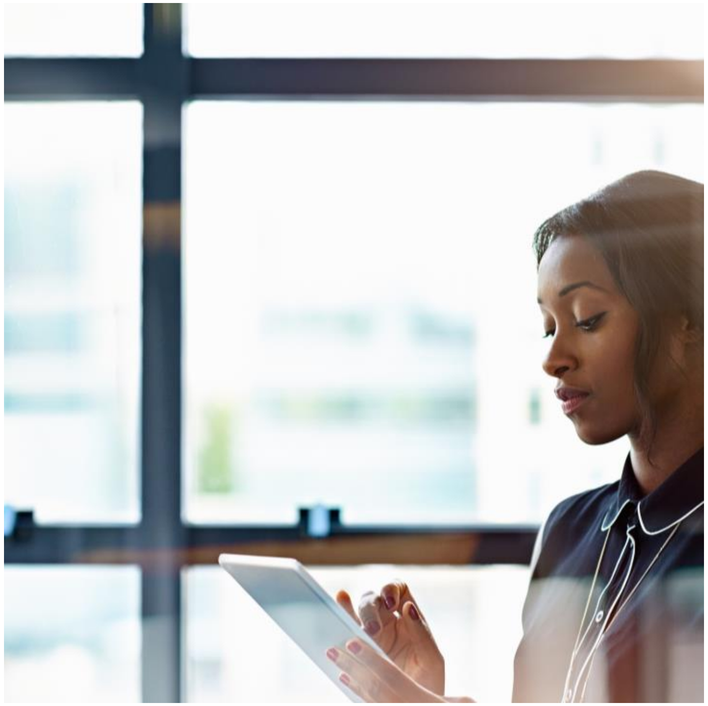
General

- The revised tax revenue estimate for 2024/25 is R1.85 trillion, which is R16.7 billion less than expected in the 2024 Budget.
- Tax policy proposals are designed to raise:
  - R28 billion in additional revenue in 2025/26 and
  - R14.5 billion in 2026/27.
- Government proposes to increase the Value-Added Tax (VAT) rate by:
  - 0.5 percentage points in 2025/26 and
  - 0.5 percentage points in 2026/27.
- Government proposes additional VAT zero rating of essential food items.
- No changes to the fuel levy.
- Building on the progress made in revitalising the South African Revenue Service (SARS).



Tax Collections

Corporate tax

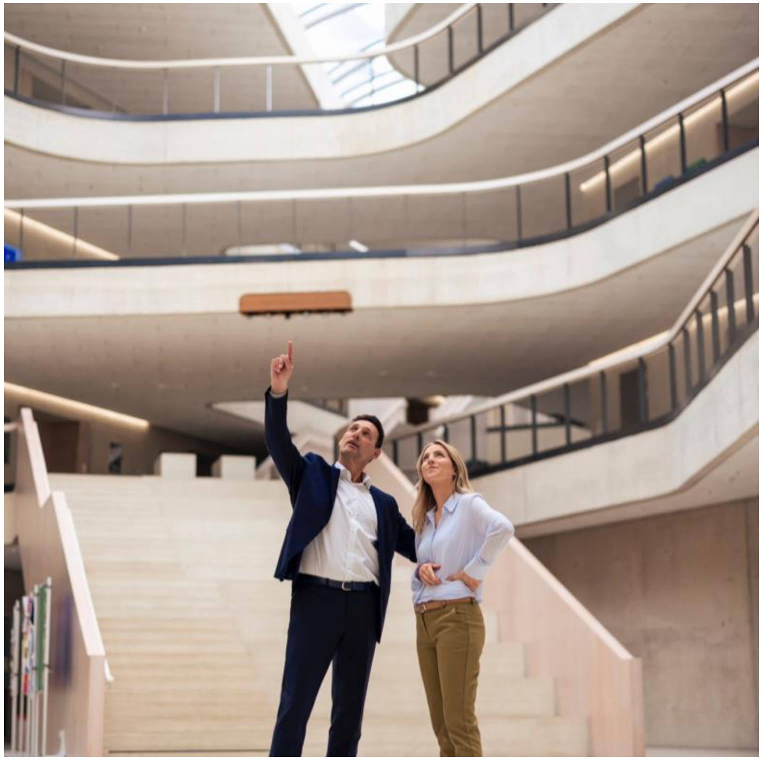
- Corporate tax collections expected to outperform 2024 Budget estimates.
- Although provisional corporate tax collections from the mining sector contracted by 28% during 2024/25, this was offset by profits in other sectors.

Individuals

- Personal income tax collection grew at 12.6% over the first 10 months of 2024/25 compared with the same period in the prior year.
- This mostly reflects larger-than-expected tax receipts from withdrawals once the two-pot retirement reform came into effect on 1 September 2024.

Tax Collections (*continued)*

- Drop in revenue collection in line with economic outcomes.
- VAT
  - Import VAT collections continued a strong downward trend in the first ten months of 2024/25.
  - Stable power supply led to lower imports of energy-related components.
- Despite domestic VAT performing better than expected, contraction in import VAT led to significant downward revisions to net VAT collections.



Individual tax table

Taxable income (R)	2024/2025 Rates of tax	Taxable income (R)	2025/26 Rates of tax
R0 - R237 100	18% of each R1	R0 - R237 100	18% of each R1
R237 101 – R370 500	R42 678 + 26% of the amount above R237 100	R237 101 - R370 500	R42 678 + 26% of the amount above R237 100
R370 501 – R512 800	R77 362 + 31% of the amount above R370 500	R370 501 - R512 800	R77 362 + 31% of the amount above R370 500
R512 801 - R673 000	R121 475 + 36% of the amount above R512 800	R512 801 - R673 000	R121 475 + 36% of the amount above R512 800
R673 001 - R857 900	R179 147 + 39% of the amount above R673 000	R673 001 - R857 900	R179 147 + 39% of the amount above R673 000
R857 901 - R1 817 000	R251 258 + 41% of the amount above R857 900	R857 901 - R1 817 000	R251 258 + 41% of the amount above R857 900
R1 817 001 and above	R644 489 + 45% of the amount above R1 817 000	R1 817 001 and above	R644 489 + 45% of the amount above R1 817 000

Rebates

Description	2024/25	Description	2025/26
Primary	R17 235	Primary	R17 235
Secondary	R9 444	Secondary	R9 444
Tertiary	R3 145	Tertiary	R3 145

Tax threshold

Description	2024/25	Description	2025/26
Below age 65	R95 750	Below age 65 Age	R95 750
Age 65 and over	R148 217	Age 65 and over	R148 217
Age 75 and over	R165 689	Age 75 and over	R165 689

Personal Income Tax

- Personal income tax brackets and rebates will not be adjusted for inflation in 2025/26.
- The personal income tax proposals are effective from 1 March 2025.
- Expected to raise revenue of R19.5 billion.
- No change in medical rebates:
  - R364 per month for the first two beneficiaries and
  - R246 per month for the remaining beneficiaries.

Individual Tax

- Taxpayer in the 2023 tax year earns R40 000 per month, and enjoys a 5% salary increase per tax year.
- In the 2023 tax year, tax paid is R113 000.
- In the following years:
  - 2024 – 5% more tax (tax tables adjusted)
  - 2025 – 13% more tax, instead of 10%, (tax tables not adjusted)
  - 2026 – 26% more tax instead of 15% (tax tables not adjusted)

Two pot saving withdrawals

- SARS collected R12 billion in taxes from the “two pot” savings withdrawals.
- Double the collections expected.
- Withdrawals taxed at normal tax rate (18%-45%) and not in terms of more favourable lump sum tax tables.
- 2.4 million taxpayers cashed out R43 billion.
- Represents 40% of the 6.5 million retirement fund members.
- SARS also collected outstanding tax debts from the savings withdrawals.
- Withdrawals largely due to once-off “seed capital”
    - 10% of vested component to a maximum of R30 000

SARS admin and collection

- SARS continuing to modernise its administration and increasing the use of artificial intelligence (AI).
- 2023/24 saw collection of R1.74 trillion in taxes.
- R260 billion of the total collected was as a result of increased SARS capacity.
- R3.5 billion allocated to SARS in the coming financial year.
- R4 billion allocated to SARS over the medium term.

SARS admin and collection (continued)

- SARS modelling shows
  - Tax evasion: R450-460 billion taxes to be collected.
  - Outstanding tax debts: R300 billion
    - Outstanding returns
    - Unpaid debts
- Total of R800 billion in collections possible.
- 156 000 persons not registered as taxpayers despite substantial economic activity.

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VAT Increase

- The first 0.5% point increase in the VAT rate will take effect on 1 May 2025 (15.5%).
- The second 0.5% point increase will take effect on 1 April 2026 (16%).

Zero rated goods

- Government proposes to extend the list of zero-rated basic foods to mitigate the effect of the VAT rate increase from 1 May 2025.
- Zero rating will be extended to include:
  - edible offal of sheep, poultry, goats, swine and bovine animals;
  - specific cuts such as heads, feet, bones and tongues;
  - dairy liquid blend; and
  - tinned or canned vegetables.

Fuel levy collections

- Demand for fuel fell sharply during 2024/25, and fuel levy collections declined by 10.6 per cent over the first 10 months of the year.
- Volumes of domestic and imported diesel contracted as load-shedding subsided.
- Significant diesel refund claims will be settled by the end of 2024/25, further reducing fuel levy collections.

Fuel levy

- To mitigate the effects of higher inflation arising from fuel price increases, the general fuel levy has remained unchanged since 2022.
- Government proposes to keep the general fuel levy unchanged for 2025/26, resulting in tax relief of about R4 billion.
- The Road Accident Fund (RAF) levy and the customs and excise levy will also remain unchanged.

Review of the renewable energy allowance

- In 2023, government introduced a temporary incentive for renewable energy.
- The temporary incentive fell away on 28 February 2025.
- The 2024 Budget Review noted that government would reconsider the leasing provisions and the generation threshold of 1 megawatt (MW) under the original incentive (12B).
- After careful assessment, it is proposed that these two design features remain unchanged.

Cross-border tax treatment of retirement funds

- Section 10(1)(gC) exempts annuities and lump sums from offshore retirement funds as consideration for employment services rendered outside SA.
- The current treatment of cross-border retirement funds may result in double non-taxation, particularly where South Africa is granted the taxing right by treaty.
- It is proposed that changes be made to the rules that currently exempt lump sums, pensions and annuities received by South African residents from foreign retirement funds for previous employment outside South Africa, with amendments in the current legislative cycle.

Adjustment of transfer duty

- The monetary thresholds for transfer duties will be adjusted by 10% to compensate for inflation.
- The transfer duty tax rates will remain unchanged.
- The adjusted values are proposed to become effective on 1 March 2025.

Transfer duty rates and bracket adjustments

2024/25		2025/26	
Property value (R)	**Rates of tax**	**Property value (R)**	**Rates of tax**
R0 - R1 100 000	0% of property value	R0 - R1 210 000	0% of property value
R1 100 001 - R1 512 500	3% of property value above R1 100 000	R1 210 001 - R1 663 800	3% of property value above R1 210 000
R1 512 501 - R2 117 500	R12 375 + 6% of property value above R1 512 500	R1 663 801 - R2 329 300	R13 614 + 6% of property value above R1 663 800
R2 117 501 - R2 722 500	R48 675 + 8% of property value above R2 117 501	R2 329 301 - R2 994 800	R53 544 + 8% of property value above R2 329 300
R2 722 501 - R12 100 000	R97 075 + 11% of property value above R2 722 501	R2 994 801 - R13 310 000	R106 784 + 11% of property value above R2 994 800
R12 100 001 and above	R1 128 600 + 13% of property value above R12 100 000	R13 310 001 and above	R1 241 456 + 13% of property value above R13 310 000

Closing loopholes in the ring-fencing of assessed losses

- Section 20A of the Income Tax Act enables individual taxpayers below the maximum marginal rate threshold to offset losses from certain local trades against other sources of income.
- Crypto losses?
- This creates a loophole that leads to substantial revenue losses for the fiscus, as taxpayers receive refunds or pay less income tax.
- It is proposed that the threshold at which ring-fencing rules apply be reviewed and amended.

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Reinstating exemption for child maintenance payments funded from after-tax income

- Child maintenance payments, not sourced from retirement funds, are made using after- tax income and paid to the parent or guardian living with the child.
- The paying party receives no tax deduction or relief for these payments, while the recipient is taxed on the maintenance received.
- Since these payments are intended to fulfil the fundamental obligation of supporting a child, taxing them in the hands of the recipient requires reconsideration to better align with government's social policy objectives.
- It is proposed that amendments be made to exclude child maintenance payments from the recipient's taxable income to restore the original policy intent.

Clarify payment of death benefits

- The definition of “savings component” in the new “Two pot” system only makes provision for the treatment of the remaining balance in the savings component on retirement and not on death.
- As a result, any value in the savings component is only payable as a savings withdrawal benefit on death.
- It is proposed that an amendment be made that, on the member’s death, should the nominees or dependents choose to receive a lump sum benefit, such lump sum benefit will be considered part of the retirement fund lump sum benefit for Income Tax Act purposes.

Interaction between sections 6quat and 23(m) of the Income Tax Act

- Section 6quat(1C) of the Income Tax Act allows for the sum of any foreign taxes paid on SA sourced amounts, to be deducted against income when determining that person's taxable income.
- Section 23(m) of the Income Tax Act, subject to certain exclusions, prohibits deductions in relation to any remuneration received from employment.
- The list of exclusions in section 23(m) does not include a reference to the deduction contemplated in section 6quat(1C).
- It is proposed that the list of exclusions contemplated in section 23(m) be extended to include any deductions contemplated in section 6quat(1C).

Inspecting an enterprise that submits a voluntary VAT registration application

- When voluntary VAT registration applications are submitted, SARS may require a site inspection to be conducted to verify that the enterprise business address given on the application exists and the premises are conducive to conducting the activities reflected on the application.
- The Tax Administration Act provides that SARS may conduct an inspection at business premises under certain circumstances.
- It is proposed that its provisions or those of the VAT Act be expanded to include inspections for this purpose.

Increases in alcohol and tobacco duties

Items listed	Increased by
Malt beer	16c per 340ml can
Unfortified wine	29c per 750ml bottle
Fortified wine	48c per 750ml bottle
Sparkling wine	90c per 750ml bottle
Ciders and alcoholic fruit beverages	16c per 340ml can
Spirits	R5.97 per 750ml bottle
Cigarettes	R1.04 per packet of 20
Heated tobacco product sticks	77c per packet of 20
Cigarette tobacco	R1.16 per 50g
Pipe tobacco	50c per 25g
Cigars	R8.49 per 23g
Nicotine and non-nicotine solution for electronic delivery systems	14c per ml

Session 1

Inside Scoop
2025 Budget Speech

Rob Nowicki

Some Key Insights

- **A few basic considerations when planning this budget:**
- **Economy**
  - The **difficult challenges**:
    - Governments’ ability to **generate income whilst promoting growth. A tall order !**
    - In this non-performing economy – government **can’t tax their way to growth.** There are far too may risks – which they are fully aware of
    - **Currently the fight or flight syndrome is becoming evident** – many taxpayers are **running out of “fight”**!. The result is little to no capital investment, etc.
  - If the economy is not performing / stimulated – individuals and companies will **find alternative ways to make money viz:**
    - Potential tax evasion
    - Creating offshore structures and business ventures

Some Key Insights

- **A few basic considerations when planning this budget:**
- **Treaties and Tariffs**
  - **Renegotiate/increase** – that's a "USA" thing right now (and are seeing the implications around the world) BUT will it work here ?
  - Need to be aware of potential "**double taxation"** – i.e. get's us back to possible widespread tax abuse
- **Inflation**
  - It's the killer. Officially at **4.6%** - most increases were around **5 to 5.5%**
  - Many people are **battling to come out on this – high costs VS lower income**
  - **Not sustainable** as we are going backwards - i.e. the "frog in boiling water" syndrome
- **Infrastructure Investment**
  - **SOEs too expensive and too risky** – often perceived as a bottomless pit !!
  - In some cases, **underspending is rife** – due to incompetence, so no progress is made
  - The question arises – "why the need for more tax revenue when we don't spend what we have"
  - Feeling is that **PPPs** are definitely the way to go – but there's often no real will, motivation, and the concern from some quarters is that there will be **too many eyeballs on these ventures**
  - Popular opinion is that these initiatives **should be driven / overseen by Treasury**

Some Key Insights

- **A few basic considerations when planning this budget:**
- **"township" economy**
  - Perceived huge employment providers and **revenue generators** – this is debatable !
  - Need to somehow be **brought into the tax net**
- **Early Retirement of Government Employees**
  - Plan (prior to GNU) was to spend **R 11 bn on retirement packages** (SARS wins again !!)
  - However, the plan to **replace these people with younger workers will have challenges**:
    - they need to be **recruited**
    - they need to be **trained**
    - there will be an initial **loss of productivity**
    - there will be a **cost to employ them** – i.e. upfront and ongoing
    - so – will **this really create a substantial saving** ???

Some Key Insights

- **A few basic considerations when planning this budget:**
- **Wealth Tax**
  - **HNWI's** (i.e. with more than R50mil in assets) still **very much under the spotlight.** SARS/Treasury busy collecting, tracking, collating and analysing data
  - However – a wealth tax **takes time to implement** i.e. many legislative issues and challenges. This is not a **"fast tax" –** so will take up to three years to see any real income
  - By the time implementation is about to start i.e. the wealthy have already **creatively moved their wealth**
- **Individuals – tax tables**
  - Should **adjust the tables this year for inflation (first budget had this)** – lower bands in particular – possible backlash if they don't
  - Last year there was no change, **so bracket creep occurred – everyone already "out of pocket"**
  - Potential to adjust by different % across the various bands – i.e. **not everyone will receive the same benefit. Lower earners can ne spared**
  - Our top tax rate – already **high** in relation to other countries
  - **Can still raise R 3bn** through the tables

Some Key Insights

- **A few basic considerations when planning this budget:**
- **Company Tax**
  - **Already at 27%** - high compared to most countries
  - Dividends tax at **20% is also maxed out** so can't tamper with this
  - Company tax and dividends tax combined – **equals about 43% in total** to get money into an individual business owner's pocket
  - Already some are converting dividends and profits to a **salary / bonus** – i.e. less tax
  - This will be a **disincentive** – international and local companies will seek other more tax friendly regimes. Those planning new investment will reconsider
- **VAT**
  - We are **still low in terms of most countries** BUT those citizens get much more for their taxes
  - An increase will deliver a quick win, as it's a consumption-based tax. BUT it **will impact the poor severely**
  - There will be a need to **zero rate** many more basic food stuff items first
  - A **social grant increase** – could offset some of this impact. It's a double-edged sword – "**take**" on one hand but "**give back**" on the other, often leads to a **zero net effect !**

Some Key Insights

- **A few basic considerations when planning this budget:**
- **What are the options**

  Defining the problem is simple – we **spend more** than we get in. Accountants in the private sector would know exactly how to solve this !

  - **Reduce operational costs / planned infrastructure investment**.
    - This will have its own massive set of political challenges / backlash
    - FYI – we have 1.2mil government Employees – this is a huge cost!
  - **Borrow money**. Pretty much maxed out on this one
    - We owe - approx. **R 6 trillion**
    - We pay in interest - approx. **R 1.2 billion per day to service the debt**
  - **Collect more:**
    - **From where** – individuals and companies ? Can't do this as there are too many potentially negative consequences
    - **How** – increase taxes or increase **collection efficiency** – that's the job of SARS. Will require **additional investment into resources** and skills development. Time is not on SARS's side !!
    - Approx **R 800 bn in outstanding (i.e. assessed) and estimated undisclosed taxes**. No wonder Treasury and SARS are having a go at each other about collection

So how did this all play out on 12th March ?

Key Highlights

Estimated Spending	Amount
Learning & culture	R 508.7 bn
Health	R 298.9 bn
Social Development	R 422.3 bn
Community Development	R 286.6 bn
Economic Development	R 289.8 bn
Peace & Security	R 266.1 bn
General Public Services	R 78.7 bn
Financial Assets	R 11.4 bn
Debit Servicing	R 424.9 bn
Contingency reserve	R 5.0 bn
Total	**R 2 592.3 bn**

Estimated Tax Revenue	Amount
Personal tax	R 811.1 bn
VAT	R 499.5 bn
Corporate tax	R 331.3 bn
Customs & Excise	R 155.4 bn
Other	R 118.5 bn
Fuel levies	R 90.2 bn
Total	**R 2 006.0 bn**
Consolidated with other revenue	**R 2 221.9 bn**

There's a shortfall as usual …
… so we have a challenge !!

Key Highlights

- **Economic Growth** – estimated at:
  - 2025 1.9%, **2026 1.75%,** 2027 1.9% - investors don't like this inconsistency !
  - Interesting comment in the speech:
    - "Medium term growth will be **underpinned** by household consumption on the back of:
      - Rising purchasing power
      - Moderate employment recovery
      - Wealth gains"
    - Not so sure about this statement !!
  - Big ask even to achieve these targets if we don't **get debt under control** – as this impacts everything. There does however seem to be a plan to **get debt under control**
- **Two Pot** – huge windfall for SARS. Outstanding taxes and other penalties recovered in record time
- **SOEs** – no more free rides. Opening potential for PPPs
- **R 1 trillion** in infrastructure spend over 3 years – good news potentially:
  - **Job creation** – leads to more tax at individual level (PIT and VAT, etc)
  - **Company profitability** – leads to more tax (CIT, VAT, dividends, etc)

Highlights - The Downside

- **VAT is up by 0.5%** - this is a quick win. There is also another increase of 0.5% on the cards for next year effectively bringing the VAT rate to 16%. The result:
  - Big impact on household spending and economic growth
  - Will have the most impact on the lower income earners even though additional items have been zero rated for VAT purposes
  - Negative impact on inflation – expected to average in 2025 at 4.3% and 4.6% in 2026
  - **NB – this is still undergoing negotiation / debate – so it could change**
- **Sin Taxes up** - this is another quick win. Excise duties on alcohol and tobacco products will see an above inflation increase:
  - Alcoholic beverages – 6.75%
  - Tobacco products, heated tobacco sticks and vaping – 4.75%
  - Pipe tobacco and cigars – 6.75%
  - CBD / Cannabis / Hemp etc. no mention !!
  - FYI – the big winner here is potentially the **illicit trade** – on cigarettes we lose tax revenue of about R 26b and on alcohol it's about R 11bn p/a

Highlights - The Downside

- **Foreign employment income exemption** – no change. Should have been adjusted for inflation
- **Tax Free Savings Accounts** – no change in contribution limit:
  - R 36 000 max p/a
  - R 500 000 max in total
- **Interest exemption** – no change since 2013:
  - R 23 000 – persons under 65
  - R 34 500 – persons 65 or older
- **Medical Tax Credits** – no change in rebate amount, but contributions and health care costs have risen substantially
- Huge cost to government for those **30 000 employees who are being retired off, early** – approx. R 11bn
- **Public Sector Wage Bill** – still not being addressed, in fact it's getting worse. Still the big ***elephant in the room*** – can solve so many of our issues if this is properly and decisively addressed

Highlights - The Upside

- No increase in **Corporate Tax Rate (i.e. still at 27%)** – still very much under consideration, BUT there must be caution:
  - Corporate **profits being impacted** by continuing logistical issues – i.e. companies have to **slow down on production** as goods can't get to the market
  - Electricity issues have impacted on operations translating into a negative **bottom line impact**
  - Mining makes up about **30% of total corporate tax** – currently very much under threat
  - A high corporate tax rate and with all our current issues, **investment appetite (foreign and local) will be subdued** for a period
- No increase in **Personal Tax Rates**, BUT
  - There was no adjustment for inflation
  - Bracket creep will be a reality again this year – in real terms one pays more tax
- No implementation of a **Wealth Tax**
- Certain **additional items** have been made **VAT exempt:**
  - **Edible** offal from sheep, goats, poultry, swine and bovine
  - **Specific cuts** of head, feet, bones and tongue

Highlights - The Upside

- **Social Grants** (ex Social Relief Distress grant) increase
  - R 284.7b allocated (increase of R8.2b)
  - **19.3m beneficiaries**. More persons being covered due to growing population of older persons
  - All types of grants (i.e. child-care, war veterans, old age etc.) received an increase
- **Social Relief Distress (SRD)** grant has been increased
  - R 35.2b allocated
  - Extension of payment of R 370 p/m
  - Currently under review – to be completed by Sep 2025
- **NHI**
  - no real mention
  - With all the other issues this must have been put on the backburner for now

Highlights - The Upside

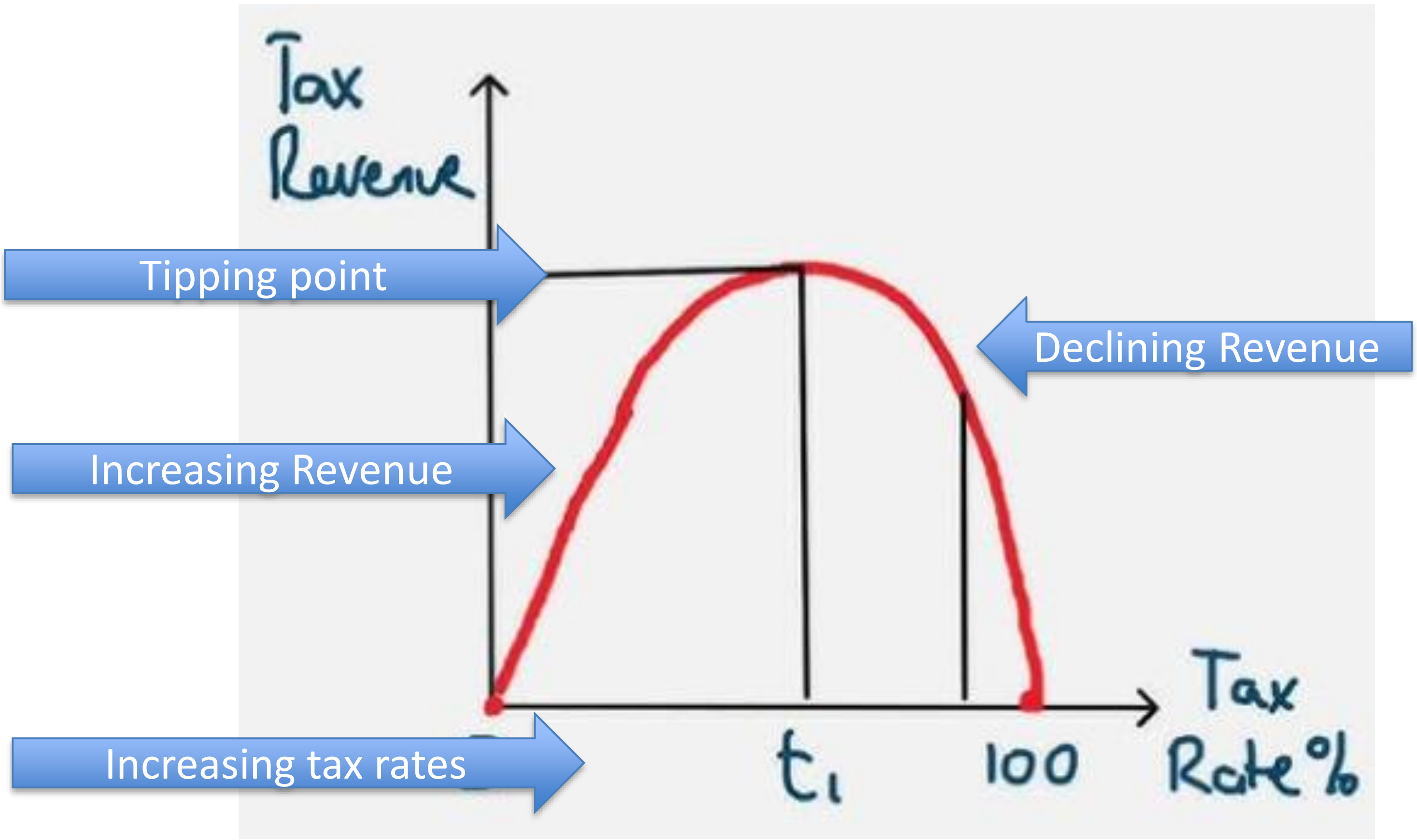
- **Other Items**
  - **Estate duty and donations tax** – unchanged
  - **Transfer duty:**
    - Rates remain as is
    - Thresholds have been **increased by 10%**
    - Duties only apply on properties **in excess of R 1.2m**
  - **Capital Gains tax:**
    - No change
    - Crypto currency **under scrutiny** at the moment – SARS believe vast amounts are being lost though these type of assets
  - **Fuel levy and road accident fund levy** – unchanged
    - General levy R 3.85 p/l petrol and R 3.70 for diesel
    - RAF levy R 2.18 p/l petrol and diesel
    - Carbon levy 14c p/l petrol and 17c p/l on diesel

Items to keep an eye on

- **SARS has been given a boost in funds:**
  - They will ramp up **collection efficiency** – there is about R 350 bn in assessed taxes that needs to be collected and another R 450 bn either in the appeals process or just simply not declared
  - About **100 000 to 150 000** individuals who earn more than **R 1m p/a** who are **not in the tax net yet** will be addressed in earnest
- **The tax threshold has not been increased:**
  - This means that many more individuals will (after an increase this year) exceed the threshold for the first time and will therefore be registered for tax. All individuals regardless of IRP5 or IT3(a) must be registered – remember the **ITREG process** takes care of this
  - The result - the **tax base will increase but the contribution to the tax coffers at this level will not be that significant**

Items to keep an eye on

- **The Lafer curve – how far are we from the top ?**



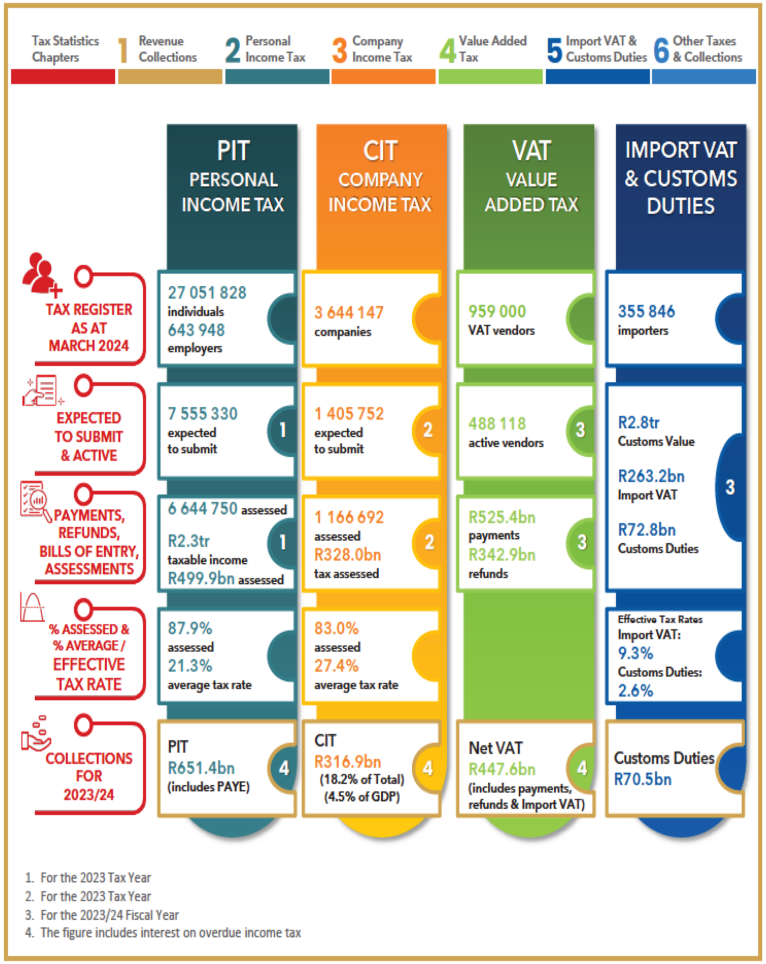
Items to keep an eye on

- **The Lafer curve – why will revenue drop ?**
  - **Individual** tax-payers don't see the value / a return any more, so:
    - they will look for ways to **reduce their tax liability**
    - they will invest in further **tax avoidance and even tax evasion** schemes
    - some will **fall out of the "formal"** employment sector and thus **out of the tax net**
    - SARS / Treasury have published some **interesting stats** around this recently !!
  - **Corporate** tax-payers don't see the value / return any more so,:
    - they will reduce costs (often employee costs) which contributes to **unemployment** as well as a resulting **reduction in personal taxes - a double whammy !!**
    - some will look for **other tax friendly** places to operate their businesses in
    - some will **push tax law/compliance to the limit** – i.e. sail closer to the wind
    - the more savvy will set up **complex structures** to move profits between entities, thus diluting their tax liabilities

Items to keep an eye on

- **Some Interesting Stats**
  - **1.5%** of South Africans pay **61%** of all income tax
  - That's about **980 000 people**, of which only **235 542** (i.e. 0.4% of the population) pay **33%** of this tax
  - PIT **increased by 12%** this year, two of the main reasons being:
    - Tax from the Two Pot System
    - Bracket creek / fiscal drag

37% of revenue is from PIT



Items to keep an eye on

- **Some Interesting Stats**

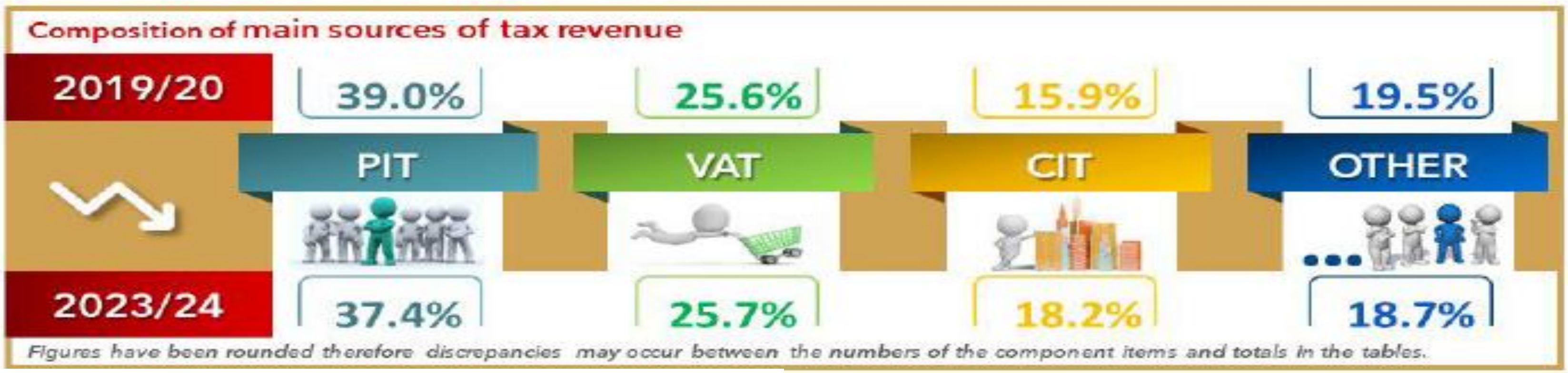
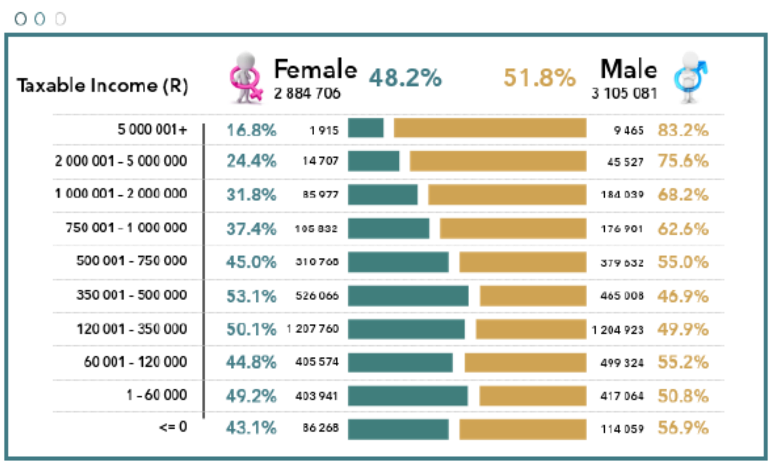


Figure 2.10: Male and female assessed individual taxpayers by main taxable income group, 2023



- **Individuals registering for tax grew by 1mil**
- **Companies registered – declined by 7%**
- **People working for a lot longer (i.e. 75+) – increased by over 100 000 since 2014. Their contribution to fiscus – increased 10-fold !!**
- **Only 133 230 individuals earning above R1.5 mil BUT they are the third highest contributor to total taxes**
- **Individuals below the threshold – 7.7 mil**

Items to keep an eye on

- **Some Interesting Stats**

Figure 2.7: Average taxable income per assessed taxpayer by province (based on residential address), 2023

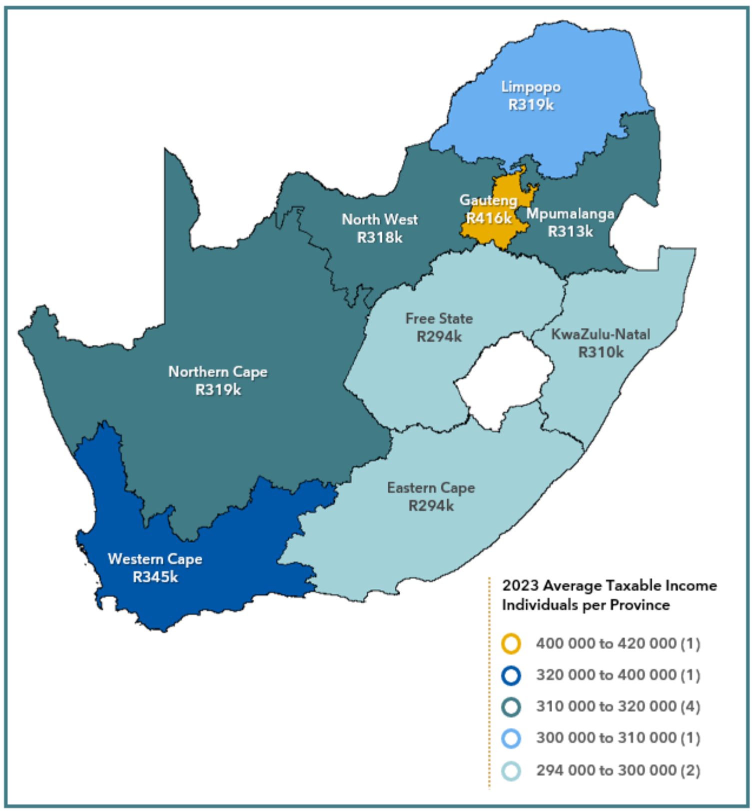
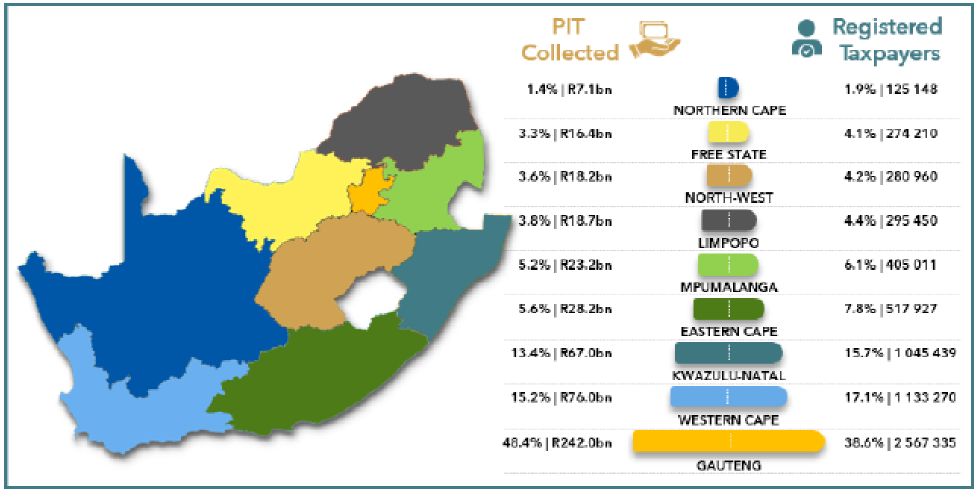


Figure 2.6: Assessed individual taxpayers and tax assessed by province (based on office of registration), 2023



Gauteng ….

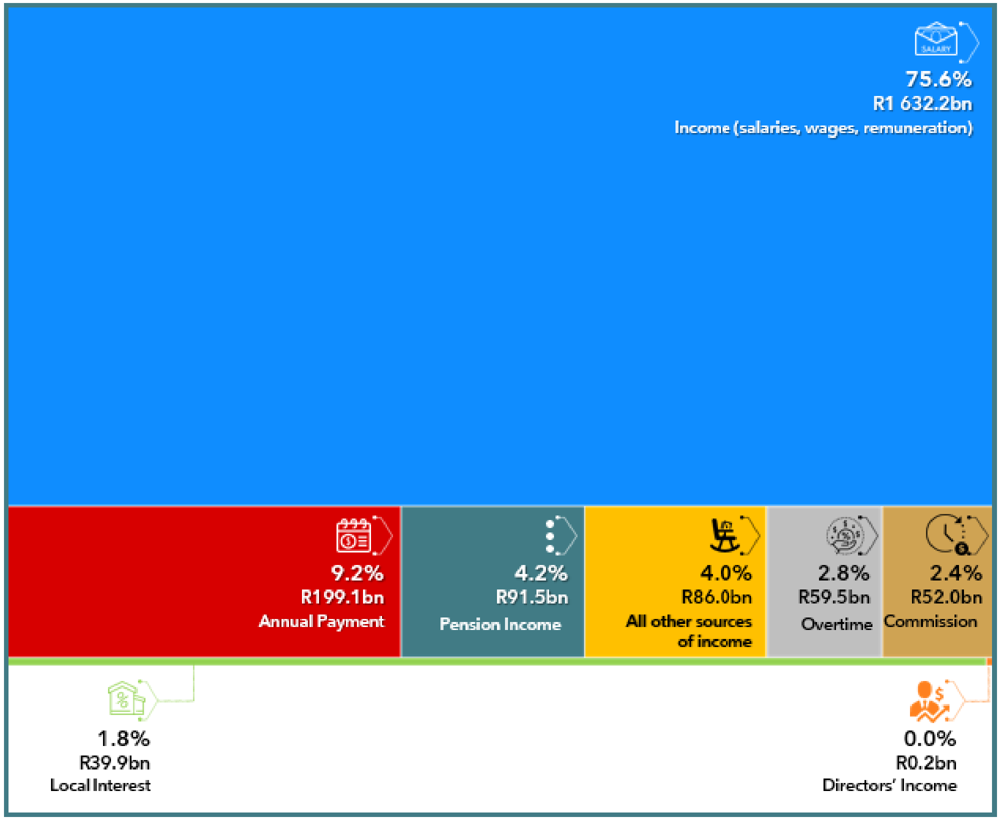
….still the highest re average salaries and, where the most tax is collected !!

BUT sadly, it's in the worst state of disrepair

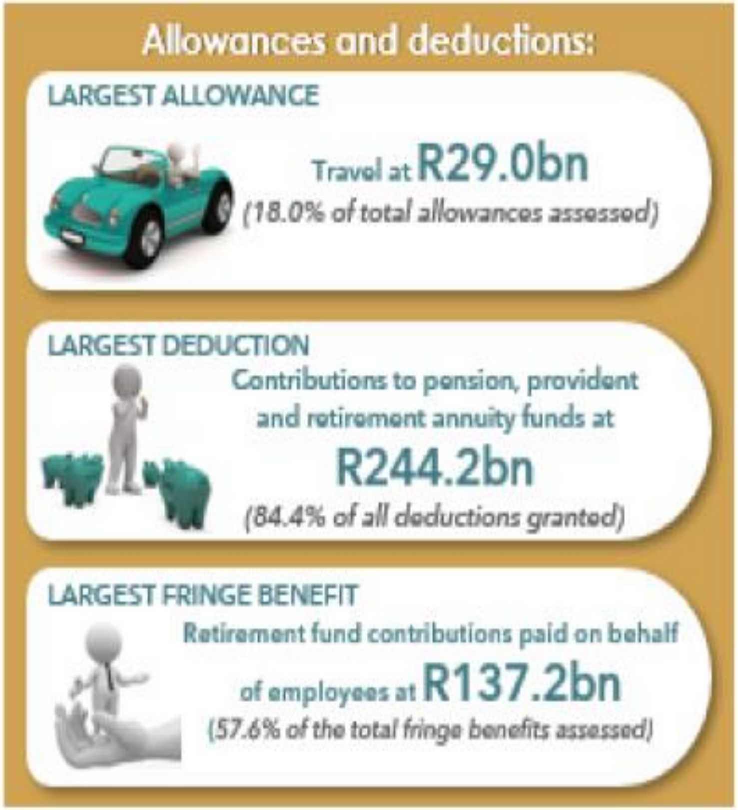
Items to keep an eye on

- **Some Interesting Stats**

Figure 2.11: Assessed individual taxpayers' income by source of income, 2023



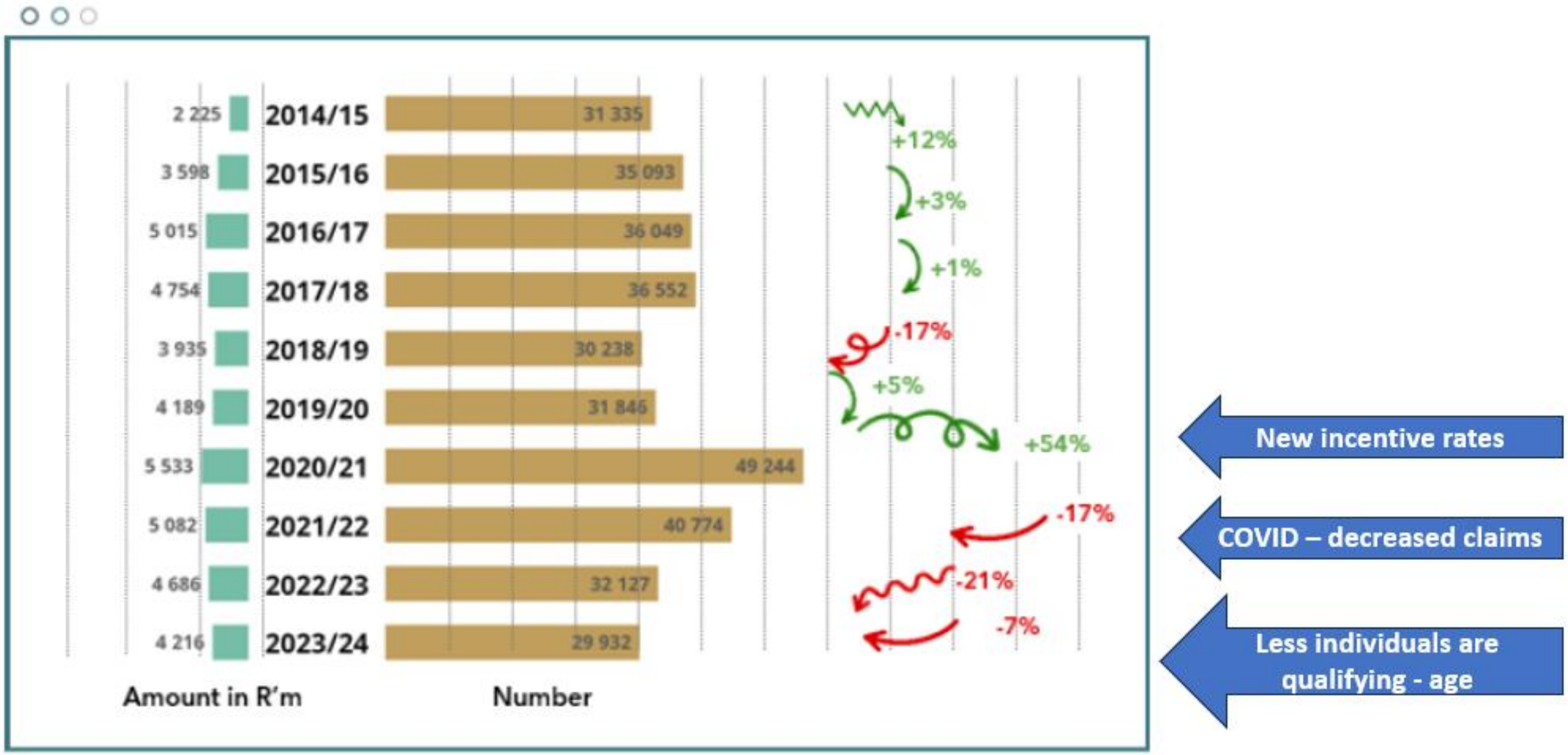
Big Ticket Items – scrutiny / audits etc



Items to keep an eye on

- **Some Interesting Stats**

Figure 2.13: Amount of ETI utilised and number of employers by year – March 2014 to March 2024



You be the judge as to how good / bad this budget was …
… we still have a long way to go !

Session 2

Budget Speech Implications:

Employees
&
Employers

Implications for Employees

- **Tax Tables – always the first point of departure**

Taxable Income	Rates of Tax – Last Year	Taxable Income	Rates of Tax – This Year
R 0 – R 237 100	18% of taxable income	R 0 – R 237 100	18% of taxable income
R 237 101 – R 370 500	R 42 678 + 26% of taxable income above R 237 100	R 237 101 – R 370 500	R 42 678 + 26% of taxable income above R 237 100
R 370 501 – R 512 800	R 77 362 + 31% of taxable income above R 370 500	R 370 501 – R 512 800	R 77 362 + 31% of taxable income above R 370 500
R 512 801 – R 673 000	R 121 475 + 36% of taxable income above R 512 800	R 512 801 – R 673 000	R 121 475 + 36% of taxable income above R 512 800
R 673 001 – R 857 900	R 179 147 + 39% of taxable income above R 673 000	R 673 001 – R 857 900	R 179 147 + 39% of taxable income above R 673 000
R 857 901 – R 1 817 000	R 251 258 + 41% of taxable income above R 857 900	R 857 901 – R 1 817 000	R 251 258 + 41% of taxable income above R 857 900
R 1 817 001 and above	R 644 489 + 45% of taxable income above R 1 817 000	R 1 817 001 and above	R 644 489 + 45% of taxable income above R 1 817 000

Bad news for everyone …

… increases are costing more and are being eroded by bracket creep – two consecutive years !!

NB – follow this closely as there have been rumours / suggestions about the table being changed to cater for bracket creep

Implications for Employees

- **Tax Tables – always the first point of departure**
  - **In practice – <u>table as is</u>**

Annual 2024/2025	Tax	Ave Rate	Annual 2025/2026	Tax	Ave Rate	Diff
R 190 000	R 16 965	8.93	R 190 000	R 16 965	8.93	0.00
R 300 000	R 41 797	13.93	R 300 000	R 41 797	13.93	0.00
R 450 000	R 84 772	18.84	R 450 000	R 84 772	18.84	0.00
R 680 000	R 164 642	24.21	R 680 000	R 164 642	24.21	0.00
R 800 000	R 211 442	26.43	R 800 000	R 211 442	26.43	0.00
R 1 500 000	R 497 284	33.15	R 1 500 000	R 497 284	33.15	0.00
R 3 000 000	R 1 159 604	38.65	R 3 000 000	R 1 159 604	38.65	0.00

Implications for Employees

- **Tax Tables – always the first point of departure**
  - **In practice – table as is but with a 5% increase in salary**

Annual 2025/2026	Tax	Ave Rate	Annual 2025/2026 with 5% inc	New Tax	Ave Rate	Diff
R 190 000	R 16 137	8.49	R 199 500	R 18 675	9.36	0.43
R 300 000	R 40 049	13.35	R 315 000	R 45 697	14.51	0.58
R 450 000	R 82 129	18.25	R 472 500	R 91 747	19.42	0.58
R 680 000	R 160 969	23.67	R 714 000	R 176 672	24.74	0.71
R 800 000	R 207 334	25.92	R 840 000	R 227 042	27.03	0.60
R 1 500 000	R 492 626	32.84	R 1 575 000	R 528 034	33.53	0.38
R 3 000 000	R 1 152 622	38.42	R 3 150 000	R 1 227 104	38.96	0.31

Implications for Employees

- **Tax Tables – always the first point of departure**
  - **In practice – <u>table adjusted by 5% with a 5% salary increase</u>**

Annual 2025/2026	Tax	Ave Rate	Annual 2025/2026 with 5% inc	New Tax	Ave Rate	Diff
R 190 000	R 16 137	8.49	R 199 500	R 17 813	8.92	0.44
R 300 000	R 40 049	13.35	R 315 000	R 43 886	13.93	0.58
R 450 000	R 82 129	18.25	R 472 500	R 89 010	18.84	0.59
R 680 000	R 160 969	23.67	R 714 000	R 172 873	24.21	0.61
R 800 000	R 207 334	25.92	R 840 000	R 222 013	26.43	0.51
R 1 500 000	R 492 626	32.84	R 1 575 000	R 522 146	33.15	0.31
R 3 000 000	R 1 152 622	38.42	R 3 150 000	R 1 217 582	38.65	0.23

Implications for Employees

- **Tax Tables – always the first point of departure**
  - **In practice – <u>the net effect</u>**

Annual 2025/2026	Annual 2025/2026 with 5% inc	Tax	New Tax With table adj.	Tax Value Diff	Tax % Diff
R 190 000	R 199 500	R 16 137	R 18 675	R 1 710	10.08 %
R 300 000	R 315 000	R 40 049	R 45 697	R 3 900	9.33 %
R 450 000	R 472 500	R 82 129	R 91 747	R 6 975	8.23 %
R 680 000	R 714 000	R 160 969	R 177 902	R 13 260	8.05 %
R 800 000	R 840 000	R 207 334	R 227 042	R 15 600	7.38 %
R 1 500 000	R 1 575 000	R 492 626	R 528 034	R 30 750	6.18 %
R 3 000 000	R 3 150 000	R 1 152 622	R 1 227 104	R 67 500	5.82 %

Implications for Employees

- **Tax Tables – always the first point of departure**
  - **In practice – current inflation rate effect**

    - Taxpayer in the 2023 tax year earns R40 000 per month, and enjoys a 5% salary increase per tax year.
    - In the 2023 tax year, tax paid is R113 000.
    - In the following years:
      - 2024 – 5% more tax (tax tables adjusted)
      - 2025 – 13% more tax, instead of 10%, (tax tables not adjusted)
      - 2026 – 26% more tax instead of 15% (tax tables not adjusted)

    - Inflation rate in South Africa in January 2025 was 3.2%
    - An average increase of 5% would be **slightly more** than the current inflation rate – putting employees in a **slightly better** position
    - The adjustment in the tax tables would be beneficial to the employee in the sense that even with an increase of 5%, the average tax rate would only increase with between 0.05 and 0.17%

Increase:	5.00 %
Inflation effect:	- 3.2 %
Tax bracket creep	- 1.11 %
"What's left" for the employee:	**0.69 %**

Implications for Employees

- **Rebates, Thresholds & Other Rates**

Item	This Year	Last year
Rebates:		
- primary (everyone)	**R 17 235**	**R 17 235**
- secondary (65 to 75)	**R 9 444**	**R 9 444**
- tertiary (75 and older)	**R 3 145**	**R 3 145**
Tax Thresholds:		
- below 65	**R 95 750**	**R 95 750**
- 65 to below 75	**R 148 217**	**R 148 217**
- 75 and older	**R 165 689**	**R 165 689**

Remember that employees who were just <u>below the threshold in recent years</u> will very likely find themselves above the threshold this year and thus need to <u>start paying tax.</u>

No doubt this will lead to queries from employees

Implications for Employees

- **Other Changes – Subsistence Allowances**

Item	This Year	Last year
Subsistence:		
- incidental costs inside SA	**R 176**	**R 169**
- meals and incidental costs inside SA	**R 570**	**R 548**

4. 5% - almost inflationary !!

- Considerations:
  - **Advance payments** – must be justification / must be in line with rate. 6 months max!
  - Be careful of **reimbursing expenses** as well. Can only be **one or the other** i.e., not both. SARS does check this, and a tax liability can accrue
  - Paying a subsistence allowance over **weekends** – must be able to justify. SARS can ask awkward **questions on audit**
  - Must be a **company policy** in place that allows for this:
    - same rate applies if **away for a day only** (e.g. between **06:00 and 18:00**)
    - **proof of expenditure** to be provided
    - must have **explicit instruction** from the Employer
    - SARS does not see this as a Subsistence Allowance – they see it as a **Reimbursement** – coincidental that the rate is the same i.e. **R 176**. This is what often causes confusion

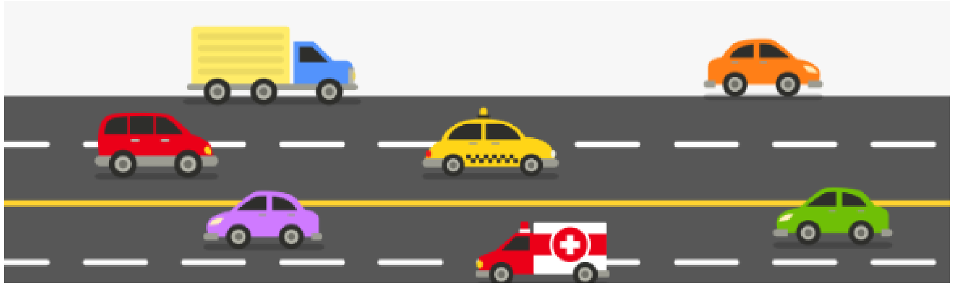
Implications for Employees

- **Other Changes – Car, Travel & Re-imbursive Tables**
  - The Prescribed Rate per Km **has been reduced** from R 4.84 to **R 4.76** per Km
  - **2025 / 2026 Travel Table:**

Where the value of the vehicle is:	Fixed Cost R	Fuel Cost Cents/km	Maint Cost Cents/km
Does not exceed R 100 000	R 33 940	146.7	47.4
Exceeds R 100 000 but does not exceed R 200 000	R 60 688	163.8	59.3
Exceeds R 200 000 but does not exceed R 300 000	R 87 497	177.9	65.4
Exceeds R 300 000 but does not exceed R 400 000	R 111 273	191.4	71.4
Exceeds R 400 000 but does not exceed R 500 000	R 135 048	204.8	83.9
Exceeds R 500 000 but does not exceed R 600 000	R 159 934	234.9	98.5
Exceeds R 600 000 but does not exceed R 700 000	R 184 867	238.9	110.5
Exceeds R 700 000 but does not exceed R 800 000	R 211 121	242.9	122.5
Exceeds R 800 000	R 211 121	242.9	122.5

Implications for Employees

- **Other Changes – Car, Travel & Re-imbursive Tables**
  - Example of using **the Prescribed Rate and applicable IRP5 codes**
    - Oscar travels for work with his own personal vehicle and is allowed to claim the kilometers he travelled at a **rate of R 4.76 p/km** for the 2025/2026 tax year.
    - He travelled 24 000 kms in the 2025/2026 tax year
    - The **total reimbursement claim** for the tax year would be:
      R 4,76 x 24 000 = **R 114 240.00**
    - The reimbursement needs to be declared on **IRP5 code 3703** – the value being **R 114 240.00**



Implications for Employees

- **Other Changes – Car, Travel & Re-imbursive Tables**
  - Example of using **above the Prescribed Rate and applicable IRP5 codes**
    - Carol travels for work with her own personal vehicle and is allowed to claim the kilometers she travelled at a **rate of R 5.00 p/km** for the 2025/2026 tax year.
    - She travelled 15 000 kms in the 2025/2026 tax year
    - The **total reimbursement claim** for the tax year would be: R 5.00 x 15 000 = **R 75 000,00**
    - The reimbursement needs to be declared to the following IRP5 codes:
      - **Amount that exceeds** the Prescribed Rate [15 000 x (R5.00 - R4.76)]: **Code 3722**
      - Amount that is **included in taxable remuneration**[15 000 x (R 5.00 – R 4.76)]: **Code 4582**
      - Amount that **does not exceed** the Prescribed Rate [15 000 x (R 4.76)]: **Code 3702**

Implications for Employees

- **Other Changes – Car, Travel & Re-imbursive Tables**
  - Example of using **the Prescribed Rate with a Travel Allowance and applicable IRP5 codes**
    - Mark travels extensively for business purposes, as a result, he receives a **monthly travel allowance of R 2 000**
    - He can also claim the business kilometers he travelled at a **rate of R4.76 p/km** for the 2025/2026 tax year.
    - He travelled 24 000 kms in the 2025/2026 tax year
    - Mark will mainly be using the vehicle for business travel and thus **only be taxed on 20%** of the travel allowance
    - The **total reimbursement claim** for the tax year would be:
      R 4.76 x 24000 = **R 114 240.00**
    - The total travel allowance for the year would be **R 24 000**

Implications for Employees

- **Other Changes – Car, Travel & Re-imbursive Tables**
  - Example of using **the Prescribed Rate with a Travel Allowance and applicable IRP5 codes**
    - The Travel Allowance and reimbursement needs to be declared to the following **IRP5 codes**:
      - Reimbursed at **not more** than the Prescribed Rate per kilometer :
        R 4.76 x 24 000 = R 114 240,00 **Code 3702**
      - Travel Allowance
        2 000 x 12 = R 24 000 **Code 3701**
      - Taxable Remuneration from Travel Allowance
        24 000 x 20% = R 4 800 **Code 4582**

Implications for Employees

- **Other Changes – Car, Travel & Re-imbursive Tables**
  - Summary of **IRP5 codes for Travel**

Scenario	Must PAYE be deducted	IRP5 Code
An employee receives only a **fixed travel allowance** for business travel	Yes (Based on the % of business travel done – 80/20 rule applies)	3701 – Full value of travel allowance. 4582 – Taxable portion of travel allowance.
An employee receives an allowance for **Fuel and expenses paid by the Employer** (e.g. petrol, garage and maintenance cards).	Yes (Based on the % of business travel done – 80/20 rule applies)	3701 – Full value of travel expenses. 4582 – Taxable portion of travel expenses.
An employee is reimbursed at **not more than the prescribed rate** per kilometer. The employee receives **no other travel allowance.**	No	3703 – Full value of the reimbursement amount claimed by the employee.

Implications for Employees

- **Other Changes – Car, Travel & Re-imbursive Tables**
  - Summary of **IRP5 codes for Travel**

Scenario	Must PAYE be deducted	IRP5 Code
An employee is reimbursed at **not more than the prescribed rate** per kilometer **and** they also receive **a travel allowance** or **the Employer pays for certain travel expenses**	No PAYE need to be deducted for the reimbursement. For the Travel Allowance or travel expenses there will be a PAYE liability (Based on the % of business travel done – 80/20 rule applies)	3702– Full value of the reimbursement amount claimed by the employee. 3701 – Full value of travel allowance and travel expenses. 4582 – Taxable portion of travel allowance and travel expenses.
An employee is reimbursed at a **rate exceeding the prescribed rate** per kilometer.	Yes - portion that exceeds prescribed rate per kilometer.	3722 – Value of the reimbursement that exceeds the prescribed rate per km. 4582 – Taxable portion of travel allowance and travel expenses. 3702– Value of the reimbursement amount that does not exceed the prescribed rate per km.

Implications for Employees

- **Other Changes – Car, Travel & Re-imbursive Tables**
  - Example of using **the Travel Table** and appropriate IRP5 codes
    - Richard's employer **needs to determine a travel allowance** for him for the 2025/2026 tax year. The details of his travel allowance are as follows:
      - The determined **value of his vehicle is R 450 000.00**
      - The **estimated kilometers** he will travel for the year is **30 000kms** which includes **80% for business purposes**
      - The **company will be paying for fuel**, **fixed and maintenance cost**
      - Based on the information the Employer can determine a travel allowance for Richard that would be in line with this information as follows:

Implications for Employees

- **Other Changes – Car, Travel & Re-imbursive Tables**
  - Determined value of Vehicle: **R 450 000**
  - Fixed cost per table: **R 135 048**
  - Fuel cost per table: **R 2.0480** per/km
  - Maintenance cost per table: **R 0.839** per/km
  - Estimated total Kilometers: **30 000** kms

  - Fixed cost per km: **R 4.5016** per/km
    - (R 135 048,00 / 30 000kms)
    - [Fixed cost per table / estimated total kilometers]

  - Determined Rate per Kilometer: **R 7.3886** per/km
    - (R 4.5016 + R 2.0480 + R 0.839)
    - [Fixed cost rate + fuel cost rate + maintenance cost rate]

  - Determined Annual Travel Allowance: **R 221 658.00**
    - (R 7.3886 x 30 000kms)
    - [Determined rate per km x estimated kms]

Implications for Employees

- **Other Changes – Car, Travel & Re-imbursive Tables**
  - **Some reminders**
    - **Bicycles** – can't claim anything (yet !). Parts of Europe do allow for this !!
    - **e-bikes** – can't claim anything for this mode of transport – not a motorbike
    - **Motor bikes** – fall into same category as a motor vehicle i.e. it is motorized
    - **Electric cars** – this is going to be difficult. No thought around this yet. In theory an electric car cannot fall under the travel table (Fuel cost is included in the travel table and no provision for electricity). **No ruling yet**
    - **Lift clubs** – no tax break on this
    - **Uber/Bolt/train/bus/Gautrain etc.** – can **claim the direct cost** i.e. what's on the invoice / slip. Treated as a normal business expense, similar to a flight cost
    - **Employer provided transport** – under most conditions it's deemed as a zero / no value benefit – see INT Note 111
    - **Use of pool car**:
      - Incidental / used by all Employees during office hours – **no tax implication**
      - Exclusive use – after hours etc. – **taxable benefit needs to be established**

Implications for Employees

- ## Other Changes – Medical Aid Tax Credits

Item	This Year	Last year
Medical Tax Credit: - main member + 1st dependent - all other dependents	 **R 364** **R 246**	 **R 364** **R 246**

- **Notes and Reminders:**
  - Employee must belong to a **bona fide scheme** – proof is required by Employer. Employee should provide **proof of payment on a regular basis for confirmation purposes**
  - Employee can belong to an **international scheme** – i.e., where the Employee pays direct. In this case the **employee is still entitled to the monthly MTC.** This is at the discretion of the Employer as there is normally an admin overhead
  - alternatively, the MTC can be claimed on assessment
  - **Additional Medical Tax Credits** for those over 65 – % of excess contributions can be processed via the payroll on a monthly basis – assists with cash flow

Implications for Employees

- **Other Changes – Medical Aid Tax Credits**
  - **Retired Employees:**
    - Contributions made and expenses paid on behalf of a **deceased or legally retired employee are not taxable if:**
      - **the Employee meets the definition** of a "legally" retired employee
      - continues to apply if Employee is **taken back on a contract basis**
      - was **still employed** at the time of death
      - contributions made on behalf of a surviving spouse are not taxable
    - The value must be recorded in **Code 4493**. **IT3 must be submitted**
  - **Contributions split / shared** between two individuals:
    - can't **both claim the MTC** – common trend. SARS can pick this up
    - can only **claim proportionately**. Employee to notify Employer

Implications for Employees

- **Other Changes – Accommodation**
  - **Residential Accommodation provided by the employer.**
    - The calculation of this fringe benefit is **based on a formula** (under certain circumstance)
    - The formula has various components i.e.:

FB = (A-B) * (C/100) * (D/12) less any payments made by the ee.

Where:

A = remuneration proxy
B = **R 95 750** (i.e. tax threshold for the year)
C = **17,18 or 19** depending on type of accommodation supplied and whether or not fuel / power is provided (see SARS guide on this)
D = **number of months** in the tax year that the employee had use of the accommodation

If there is a direct cost to the Employer – this becomes the FB value to the Employee e.g. where it's rented on behalf of the Employee.

The provision of holiday accommodation adheres to same principle !

Implications for Employees

- **Other Changes – Accommodation**
  - **Reminders**
    - Employees on **different remuneration levels could incur a higher fringe benefit value** for the same residential unit – can cause an HR issue if not managed / explained
    - There has been a proposal put forward to revisit the formula to cater for this problem (for years now !!) – our **progressive rates of tax** will cater for this if the FB value is equal
    - Where spouses work for the same Employer, and both are entitled to this benefit the **higher earner is generally used in the formula**. This practice is unclear and therefor is **often challenged**
    - The formula method **excludes** any additional costs incurred by the Employer (e.g., food, groceries, etc.) which must be taxed as an additional FB
    - There are many instances where the **concept / principle of how tax is calculated on residential accommodation seems unfair** and SARS is often requested to review specific cases. Some successful others not !

Implications for Employees

- **Other Changes – Bursaries & Scholarships – Some Basics**
  - **Employee**
    - **No limit** to value as long as its for the **benefit of the Employer**
    - **Salary Sacrifice** – originally encouraged but practice was discontinued from 2021
    - Ordinary on the job training does not constitute a bursary and is **non-taxable**
    - Individual **must agree to pay back the bursary** if not completed, for reasons other than:
      - death
      - illness
      - disability
    - Where the Employee is required to refund the Employer, and the Employer converts the bursary value into a **low interest loan or writes off the debt, a taxable benefit will arise**
    - **INT Note 66** provides some additional useful information and examples

Implications for Employees

- **Other Changes – Bursaries & Scholarships – Some Basics**
  - **Relative of Employee**
    - Employee Remuneration Proxy **must be less than R 600 000 p/a in order for a relative to qualify.** Benefit is aimed mainly at **lower end of tax table**
    - Once Remuneration Proxy exceeds R 600 000 p/a, the **benefit falls away**
    - **Salary sacrifice schemes** were discontinued as of March 2021. SARS deemed that this was a **loss of tax** that SARS already had – i.e. was "reclassified" income (Although – this was encouraged and allowable between 2006 and 2021 !)
    - A relative also includes a person for who the Employee is **liable for providing care and support**
    - For a disabled relative – **proof must be submitted** i.e. ITRDD
    - There are some restrictions regarding bursaries for retired Employees and their relatives. Check this
    - The tax exemption will only apply if the bursary is **not restricted** to relatives of Employees
    - The tax exemption **will not apply** if there has been an **element of a salary sacrifice**

Implications for Employees

- **Other Changes – Bursaries & Scholarships – Some Basics**
  - **Other items to consider**
    - There are some **legitimate salary sacrifice schemes** previously established and still need to run their course. **Have them checked** by a tax advisor / lawyer – just in case !
    - Where schemes cannot continue, and the benefit falls away – **Employees will be out of pocket** as the amount will be deemed as remuneration, thus taxable
    - Where an Employe is on a bursary and **moves from one company to another**:
      - new Employer **must take over the bursary** and its cost
      - previous Employer must **"settle the debt"**
      - **no tax implications** as long as Employee enters into **same agreement** re completing the bursary
    - All bursary benefits **must be disclosed on the IRP5** – previously many that were under a salary sacrifice scheme were not. Besides SARS requiring the info for tax calculation purposes it's also used by government to determine extent of utilization of these benefits – i.e. to assist in future planning

Any reward (i.e. cash, gold watch, etc) provided for completing / passing the bursary is deemed a taxable benefit

Implications for Employees

- **Other Changes – Bursaries – tax free values**
  - **Allowable tax-exempt values**

Item	Current Year	Comment
Bursaries – employee direct	No change	Should have rules in place that govern eligibility
Bursaries – Proxy Remuneration Ceiling	R 600 000	Applies where bursaries are provided to relatives of employees
Bursaries – for a disabled relative/s	R 30 000	Basic edu.– Grade R to 12
Bursaries – for a disabled relative/s	R 90 000	Higher edu. – NQF 5 to 10
Bursaries – for non-disabled relative/s	R 20 000	Basic edu. – Grade R to 12
Bursaries – for non-disabled relative/s	R 60 000	Higher edu. – NQF 5 to 10

Implications for Employees

- **Other Changes – Bursaries – values and IRP5 codes**

Type	Non Taxable portion		Taxable portion	
	Local	Foreign	Local	Foreign
Bursary Grants – Relative (Basic Education e.g. Grade R to 12)	3815	**3865**	3809	**3859**
Bursary Grants – Relative (Higher Education e.g. NQF 5 to 10)	3821	**3871**	3820	**3870**
Bursary Grants – Disabled Relative (Basic Education)	3830	**3880**	3829	**3879**
Bursary Grants – Disabled Relative (Higher Education)	3832	**3882**	3831	**3881**

IRP5 codes to be used where the benefit is provided to the relative of the Employee

Implications for Employees

- **Other Changes – Foreign Earnings Exemption**
  - **Reminders:**
    - Before March 2020, SA tax residents **could be exempt from foreign earnings if they met the "days" requirement**, but this was removed, making all foreign income taxable (up to 45%)
    - Thereafter, an annual threshold was introduced at R 1 000 000, later **increased to R 1 250 000**, meaning only earnings above this amount were taxed in SA
    - The section 6quat provision allowed a tax credit for foreign taxes paid, **preventing double taxation**
    - Section 10(1)(o)(ii) exemption **applies only to employees under a formal contract**, regardless of employer residency, but excludes independent contractors, government employees, and public office holders.

Implications for Employees

- **Other Changes – Foreign Earnings Exemption**
  - **Reminders:**
    - In South African law, ***residency*** refers to an individual's legal right to reside in the country, typically through citizenship, permanent residency, or a valid visa. ***Tax residency***, on the other hand, is determined by the individual's physical presence or their intention to reside in South Africa, **based on the *ordinarily resident* and *physical presence* tests** under the Income Tax Act
    - Being a tax resident means **global income is taxable in South Africa**, whereas **non-tax residents are only taxed on income sourced within South Africa.** Residency status affects access to social benefits and legal rights but does not determine tax obligations
    - From **1 March 2021**, only individuals who have been non-tax residents for **at least three consecutive years** can withdraw their retirement annuities or preservation funds

Implications for Employees

- **Other Changes – Tax on Retirement Funds – returning expats**
  - Under current tax rules, lumps sum payments from foreign retirement funds – i.e. pension and annuities etc. received by SA tax residents are **exempt from tax if they relate to work done whilst working outside of SA** (i.e. before they relocate back to SA)
  - There is currently **only a tax implication on those funds accumulated whilst still working and being a tax resident in SA**
  - This was an **incentive for those who had spent time outside of SA** and who then want to return, to **invest their funds back in SA**
  - The proposal is to in future tax these lumps sum payments in full
  - This will be a **potential deterrent** to those who are considering returning to SA

Session 3

Other SARS changes
and
initiatives this past year.

TLAB / TALAB – what's in and what's still in limbo

- **From prior years**
  - **Apportionment of retirement fund contribution cap across two tax periods** – mainly an issue for those individuals who are **ceasing to be a tax resident** / emigrating and closing off a tax period before Feb, which impacts retirement funding contribution, contributions to TFSAs – Now implemented
  - Individual with **two Tax Reference Numbers** – On the cards again this year as it is becoming a significant problem all round
  - Resolving the anomaly relating to **employer paid-contributions** to a retirement fund i.r.o. an individual who is subject to section 10(1)(o)(ii) – Now **included in employee's income** as a taxable benefit
  - **Solar energy tax credit** / rebate of R 15 000 – Discontinued
  - **Alternative Dispute Resolution (ADR)** – SARS looking at shortening the process by bringing forward the **appeals** stage – Still being evaluated

TLAB / TALAB – what's in and what's still in limbo

- **From July 2024**
  - Curbing the **abuse of the Employment Tax Incentive scheme** – i.e. deals with:
    - Training providers who manage employees and **claim** on the employer's behalf
    - **Creating fictitious employment** to exploit the incentive
    - The question of "who" does the individual **actually work for** – becoming a grey area
    - Further refining of **punitive measures** to address the abuse
  - Cross reference the definition of "**Remuneration Proxy**" to refer to the definition of an "**Associated Institution**" for purposes of:
    - Bursaries and scholarships,
    - Rental value of employer-provided accommodation
    - No value provision re the cash equivalent for employer-provided accommodation (i.e. low-cost housing)

TLAB / TALAB – what's in and what's still in limbo

- **From July 2024**
  - **Refunds under Section 11(*n*A):**
    - Occurring in the same year of assessment - **can be allowed as a deduction** – i.e. individual gets the tax back. More about this later
    - The income received **must be included in taxable income**
    - **Examples** – overpayment of sick/maternity benefits, retention bonus, bursary refunds
  - **Transfers between retirement funds** – members who reach retirement age before retirement date can transfer between funds **without incurring a tax liability**
  - **Clarifying the VAT treatment** of supply of services to non-resident subsidiaries of companies based in the Republic. Could be a problem for **intercompany charging for recovery of employee costs**

Policies and Procedures

- **Tax Directives**
  - **Recent SARS challenges:**
    - **Two Pot Retirement System**
      - massive volumes – caused delays. Many rejections
      - confusion between taxpayers and their administrators
      - misunderstandings re tax rates etc.
      - adjusting to new forms and processes
    - **System updates and testing**
      - all third parties (i.e. fund administrators) had to adhere to new layouts and procedures (new specs available for bulk uploads & testing)
      - changes to their processes – took longer with some
      - temporary slowdowns – due to volumes
    - **Submissions**
      - issues with **incomplete info** – i.e. other taxable earnings – which tax rates to be applied
      - no **Tax Ref Number** provided!
      - directives for other type of earnings still had to continue

Policies and Procedures

- **Tax Directives**
  - **Lump Sum Tax Directive types:**

Type of Tax Directive	Description	IRP5 Code	SARS Application Form
Gratuities / Severance Benefits (PAYE)	Paid when employment is terminated due to retrenchment, redundancy, or employer insolvency Severance benefits, as defined, paid/payable by an employer after 1 March 2011, if the employee: • is 55 years or older • became permanently incapable to be employed due to ill health, etc.; or • services terminated due to reduction of personnel or employer ceased trading	3901 / 3951	Form A and D
Special Remuneration	Special remuneration paid to proto-team members	3906 / 3956	IRP3(a)

Policies and Procedures

▪ Tax Directives

▪ Lump Sum Tax Directive types:

Type of Tax Directive	Description	IRP5 Code	SARS Application Form

Other lump sums	Other lump sum payments.
	
	Examples include:
	• A lump sum payment paid/payable by an employer due to normal termination of service (e.g. resignation or retirement), which is NOT a 'severance benefit', MUST be reflected under this code
	• 'Antedate salary/pension' extending over previous years of assessment
	• Lump sum payments from unapproved funds
	• Gratuities paid due to normal termination of service (e.g. resignation or a lump sum paid upon retirement where employee is below 55 years of age)
	• Proceeds from an employer-owned insurance policy (risk policy)where the employer premiums were NOT included as a taxable benefit in the employee's income since the later of:
	    • The date on which employer become policy holder; or
	    • From 1 March 2012.
	    • (i.e. proceeds/benefits are not exempt i.r.o. Section 10(1)(gG) of the Income Tax Act)
	• Proceeds paid from an employer-owned insurance policy (other than a risk policy) where the employer premiums were NOT included as a taxable benefit in the employee's income since commencement date of policy (i.e. proceeds/benefits are not exempt i.r.o. section 10(1)(gG) of the Income Tax Act).
		3907 / 3957	Form C and E

Policies and Procedures

- ## Tax Directives
  - ### Lump Sum Tax Directive types:

Type of Tax Directive	Description	IRP5 Code	SARS Application Form
Exempt Policy Proceeds	• Proceeds paid from an employer-owned insurance policy exempt i.r.o. section 10(1)(gG) of the Income Tax Act - where the employer premiums were included as a taxable benefit in the employee's income since the date contemplated in section 10(1)(gG) – see explanation under code 3907 (3957)– proceeds paid from an employer-owned policy • Income Protection Insurance policy lump sums which are exempt i.r.o. Section 10(1)(gI) of the Income Tax Act • Applicable from 1 March 2015 • Surplus apportionments on or after 1 January 2006 and before 1 March 2012 paid in terms of Section 15B of the Pension Funds Act of 1956	3908	Form C and E
Retirement / termination of employment lump sum benefits / Commutation of annuities	• Lump sum payments accruing after 1 October 2007 from a fund (pension/pension preservation/retirement annuity/provident/provident preservation fund) in respect of retirement or death • Lump sum payments accruing after 28 February 2009 from a pension or provident fund in respect of termination of services per sub-par. 2(1)(a)((ii)(AA) or (BB) of the Second Schedule of the Income Tax Act (e.g. retrenchment) must be reflected under code 3915 on the IRP5/IT3(a) certificate • Commutation of an annuity or portion of an annuity on or after 01 March 2011 in respect of paragraph 2(1)(a)(iii) of the Second Schedule of the Act Note: With effect from 2008 year of assessment, amounts previously included under codes 3903/3953 and 3905/3955 must be included in this code (3915) – i.e. if the date of accrual is from 1 October 2007	3915	Form A and D

Policies and Procedures

- **Tax Directives**
  - **Lump Sum Tax Directive types:**

Type of Tax Directive	Description	IRP5 Code	SARS Application Form
Lump sum withdrawal benefits	Lump sum payments accruing after 28 February 2009 from a pension / pension preservation / provident / provident preservation / retirement annuity funds in respect of withdrawal (e.g. resignation, transfer, divorce, housing loans payments, immigration withdrawal, withdrawal due to visa expiry, etc.). The insurers must also use this code where there is a transfer from a living annuity to another living annuity	3920	Form A and D
Living annuity and surplus apportionments (section 15C of the Pension Fund Act)	Lump sum payments accruing after 28 February 2009 from a pension / pension preservation / retirement annuity / provident / provident preservation fund in respect of withdrawal due to: • Surplus apportionments paid in terms of section 15C of the Pension Funds Act of 1956 • Withdrawal after retirement from a living annuity in terms of paragraph (c) of the definition of living annuity, where the value of the assets become less than the amount prescribed by the Minister in the Gazette, only effective until 28 February 2011. For living annuity withdrawals on or after 01 March 2011 source code 3915 must be used Note: With effect from 2010 year of assessment, amounts previously included under codes 3902/3952 and 3904/3954 (where applicable) must be included in this code (3921)	3921	Form A and D
Compensation i.r.o. death during employment	Compensation lump sum payments in terms of Section 10(1)(gB)(iii) in respect of the death of an employee in the course of employment Excl if 3922 <= R 300 000 PAYE if 3922 > R 300 000	3922	Form C

Policies and Procedures

- **Tax Directives**
  - **Lump Sum Tax Directive types:**

Type of Tax Directive	Description	IRP5 Code	SARS Application Form
Transfer on Retirement	Transfer of a retirement benefit on or after normal retirement age as defined in the rules of the fund but before retirement date [i.e. in terms of Par 2(1)(c) of the Second Schedule to the IT Act] This is applicable for a transfer from a pension or provident fund to a retirement annuity	3924	Form A and D
Savings withdrawal benefit (PAYE)	Withdrawal from a retirement fund from the savings component/pot • Definitions of “pension fund”, “pension preservation fund”, “provident fund”, “provident preservation fund”, and “retirement annuity fund” in section 1(1) of the Income Tax Act • paragraph 2(1)(d) of the Second Schedule” • paragraph 6B of the Second Schedule • Definition of “savings withdrawal benefit” read with paragraph (eD) of the definition of “gross income” in section 1(1) of the Income Tax Act • Paragraph 9(3)(a) of the Fourth Schedule to the Income Tax Act	3926	Form A and D

Policies and Procedures

- **Voluntary Disclosure Program (VDP)**
  - Still sometimes referred to at the “**amnesty program**”
  - Purpose is to **encourage voluntary compliance**
  - Benefits:
    - In most cases - no **criminal prosecution**
    - **Confidentiality guaranteed**
    - Potential to **get penalties etc. reduced**. Principle amount generally won’t be reduced – unless there is justification after audit findings
  - Very active this past year – **1475 applications due to:**
    - employer not paying over to SARS PAYE, SDL etc. – due to cash flow issues
    - not disclosing assets / undervaluing assets (i.e. HNWI’s)
  - SARS already netted **R 3.3bn this past year** from this program
  - The introduction and resulting **success of the SARS AI initiatives** has been a catalyst – **BUT** you need to “get in first” otherwise SARS will reject application
  - Enforcement methods currently under way:
    - **Soft enforcement** – via letters and other communication
    - **Hard enforcement** – via audits and legal action

Policies and Procedures

- **Voluntary Disclosure Program (VDP)**
  - Must be **full disclosure** – i.e. all tax types
  - **PAYE is the "easy pickings"** for SARS – most issues come from this tax type
  - Potential **personal liability** – i.e. shareholder, financial officer, director
  - Crypto assets:
    - Majority of recent applications are around **Crypto assets**. AI tools are starting to "connect the dots", as some traders / service providers are already submitting data (they are legally obliged to do this)
    - Recent estimates are that **5.8 million Crypto Assets** are being held by South Africans (this seems high)
    - SARS have started to **monitor known traders and owners** as very little has been declared, resulting in **CGT losses** for SARS (i.e. via the ITR12/14)

SARS is rapidly getting really smart around this – so get professional advice.

Policies and Procedures

- **SARS Rate of Interest**
  - **Reminders:**
    - The term "official rate of interest" is **defined in section 1(1) of the Income Tax Act 58 of 1962 (the Act)**
    - The "official rate" as defined in section 1(1) of the Act is **linked to the repurchase (Repo) rate plus 100 basis points (i.e. 1%)**
      - i.e. if the Repo rate is 7.50 % then the Official Rate of Interest for SARS purposes is 8.50 %, **effective the month following the announcement**
    - In short - a taxable benefit (i.e. fringe benefit) arises if an employee gets a loan from the employer either:
      - **at a lower interest rate** (i.e. less than the "official rate of interest"), or
      - **where no interest** is charged
      - this taxable benefit is the **difference between the amount which would have been payable if the loan had incurred interest at the official rate**, and the interest actually paid by the employee
    - **No tax implications** if :
      - the loan is for **bona fide study** purposes
      - aggregate loans **don't exceed R 3 000** in a year

Policies and Procedures

- **SARS Rate of Interest – some history**

DATE FROM	DATE TO	RATE
01.12.2015	31.01.2016	7.25%
01.02.2016	31.03.2016	7.75%
01.04.2016	31.07.2017	8.00%
01.08.2017	31.03.2018	7.75%
01.04.2018	30.11.2018	7.50%
01.12.2018	31.07.2019	7.75%
01.08.2019	31.01.2020	7.50%
01.02.2020	31.03.2020	7.25%
01.04.2020	30.04.2020	6.25%
01.05.2020	31.05.2020	5.25%
01.06.2020	31.07.2020	4.75%
01.08.2020	30.11.2021	4.50%
01.12.2021	31.01.2022	4.75%
01.02.2022	31.03.2022	5.00%
01.04.2022	31.05.2022	5.25%
01.06.2022	31.07.2022	5.75%
01.08.2022	30.09.2022	6.50%
01.10.2022	30.11.2022	7.25%
01.12.2022	31.01.2023	8.00%
01.02.2023	31.03.2023	8.25%
01.04.2023	31.05.2023	8.75%
01.06.2023	30.09.2024	9.25%
01.10.2024	30.11.2024	9.00%
01.12.2024	31.01.2025	8.75%
01.02.2025	Until change in Repo* rate	8.50%

* Repurchase rate as announced by the Reserve Bank

Remember this ??

Current

A decrease is good for those who have debt, BUT ….

… not so good for those who have savings (e.g. pensioners)

Policies and Procedures

- ## Section 11(*n*A) Refund - deduction from remuneration
  - New allowable deduction effective **1st March 2025**
  - New IRP5 / Tax Certificate **Code 4042 (amount actually deducted by employer in the tax year), code 4588 and 4589 (amount repaid by the employee per 11(*n*A) and 11(*n*B))**
  - Currently a joining / sign on bonus (for example) paid to an employee is **fully taxable** when paid to the employee (i.e. the employee receives the net value after tax) BUT:
    - Should the employee **terminate service** / leave before the contractual period that is tied to the bonus, a full or partial refund is due to the employer
    - The employee is required to **pay back the gross amount** – i.e. including the tax that was paid to SARS
    - The employee is:
      - **Out-of-pocket** for the amount of tax paid
      - Able to **claim this tax back** on assessment
  - This has become legal issue / challenge recently – due to the large amounts that the employee finds he / she **has to fund prior to assessment**, particularly:
    - Where **maternity benefits or sick leave benefits** have been paid

Policies and Procedures

- **Section 11(*n*A) Refund - deduction from Remuneration**
  - An example

Amount received from employer (IRP5 Code 3605)	Tax at Marginal Rate (45%) SARS received this (IRP5 Code 4102)	Employee take-home portion
R 1 000 000	R 450 000	R 550 000

Amount to be refunded by employee (Not recorded on IRP5)	Employee received this – so pays this back	Employee must also pay the tax back – can only claim this on assessment. The idea is to refund the tax via the payroll
R 1 000 000	R 550 000	R 450 000

Policies and Procedures

- **Section 11(*nA*) Refund - deduction from Remuneration**
  - An example

Earnings		Tax	
Normal	R 1 000 000		R 450 000
Bonus	R 1 000 000		R 450 000
	R 2 000 000		R 900 000
Less Refund by employee	R 550 000		
Plus tax pre paid	R 450 000	Tax due on assessment	R 0
Earnings as assessed	R 1 000 000	Over payment (ie Refund)	R 450 000

BUT:
If the employee moves to a higher tax bracket during the year there will be a shortfall – i.e. on assessment !

Session 3 – Other SARS Changes and Initiatives

	Mar	Apr	May	Jun	Jul	Aug
Basic	350,000.00	160,000.00	160,000.00	160,000.00	160,000.00	160,000.00
Bonus	1,000,000.00	- 1,000,000.00				
Total Earnings	**1,350,000.00**	**- 840,000.00**	**160,000.00**	**160,000.00**	**160,000.00**	**160,000.00**
Taxable Inc	1,350,000.00	- 840,000.00	160,000.00	160,000.00	160,000.00	160,000.00
YTD Taxable	1,350,000.00	510,000.00	670,000.00	830,000.00	990,000.00	1,150,000.00
Bonus Taxable Income YTD	1,000,000.00	-	-	-	-	-
Normal Taxable Income YTD	350,000.00	510,000.00	670,000.00	830,000.00	990,000.00	1,150,000.00
Annualised TI	***5,200,000.00***	***3,060,000.00***	***2,680,000.00***	***2,490,000.00***	***2,376,000.00***	***2,300,000.00***
Tax Bracket	45%	45%	45%	45%	45%	45%
Annualised PAYE Total	***2,166,839.00***	***1,203,839.00***	***1,032,839.00***	***947,339.00***	***896,039.00***	***861,839.00***
Annualised PAYE Bonus	450,000.00	-	-	-	-	-
Annualised PAYE Normal	1,716,839.00	1,203,839.00	1,032,839.00	947,339.00	896,039.00	861,839.00
Month PAYE calcualted	***593,069.92***	***- 392,430.08***	***- 334,860.17***	***- 277,290.25***	***- 219,720.33***	***- 162,150.42***
Month PAYE used on payslip	593,069.92	-	-	-	-	-
Total Deductions	**593,069.92**	**- 392,430.08**	**- 334,860.17**	**- 277,290.25**	**- 219,720.33**	**- 162,150.42**
Net	756,930.08	- 447,569.92	494,860.17	437,290.25	379,720.33	322,150.42

Session 3 – Other SARS Changes and Initiatives

Sept	Oct	Nov	Dec	Jan	Feb	YTD
160,000.00	160,000.00	160,000.00	160,000.00	160,000.00	160,000.00	
160,000.00	**160,000.00**	**160,000.00**	**160,000.00**	**160,000.00**	**160,000.00**	
160,000.00	160,000.00	160,000.00	160,000.00	160,000.00	160,000.00	
1,310,000.00	1,470,000.00	1,630,000.00	1,790,000.00	1,950,000.00	2,110,000.00	
-	-	-	-	-	-	
1,310,000.00	1,470,000.00	1,630,000.00	1,790,000.00	1,950,000.00	2,110,000.00	
2,245,714.29	*2,205,000.00*	*2,173,333.33*	*2,148,000.00*	*2,127,272.73*	*2,110,000.00*	
45%	45%	45%	45%	45%	45%	
837,410.43	*819,089.00*	*804,839.00*	*793,439.00*	*784,111.73*	*776,339.00*	
-	-	-	-	-	-	
837,410.43	819,089.00	804,839.00	793,439.00	784,111.73	776,339.00	
- *104,580.50*	- *47,010.58*	*10,559.33*	*57,569.92*	*57,569.92*	*57,569.92*	
-	-	10,559.33	57,569.92	57,569.92	57,569.92	776,339.00
- **104,580.50**	- **47,010.58**	**10,559.33**	**57,569.92**	**57,569.92**	**57,569.92**	
264,580.50	207,010.58	149,440.67	102,430.08	102,430.08	102,430.08	

Only at this point is PAYE back to a + value.

Any shortfall will be claimed on assessment

Policies and Procedures

- **Section 11(*n*A) Refund - deduction from Remuneration**
  - **Implications:**
    - **No tax deducted** for a few months
    - COIDA calc **needs to be adjusted**
    - When **tax is deducted again** from Nov – there will be a **query from the Employee**
    - If all the **tax is not recovered,** then the shortfall will need to be claimed back by the Employee on assessment
  - **Potential challenges**
    - When the amount is paid it's **deemed as remuneration**, thus UIF, SDL, COIDA, higher PAYE (i.e. potential move to a higher tax bracket / thus higher marginal tax rate) etc. are applicable
    - When the employee repays the amount, how does the UIF, SDL, COIDA, etc. get "reimbursed" / credited, if it's **not deemed as remuneration** when it's paid back ?. SDL Act deals with this. Check your payroll system calculations

Policies and Procedures

- **Section 11(*n*A) Refund - deduction from remuneration**
  - **Differentiation** between a “payroll admin error” vs “reneging on a contract”
    - correction of a “payroll admin error” – usually **corrected in next payroll run**
    - repayment of a Section 11(*n*A) payment – **must follow the new process**
    - both will have **implications re monthly submissions** – check how you currently handle this
  - **NB – see INT Notice 88**

Policies and Procedures

- **Duplicate Tax Reference Numbers**
  - **The problem** – An individual can have **two Tax Reference Numbers** due to:
    - the person was a **foreigner / asylum seeker / refugee** who was at some point granted residency and was subsequently employed by a SA based company
    - that persons Tax Reference Number was **initially generated using the passport / asylum seeker / refugee number** through the ITREG mechanism
    - some time later the person became a SA citizen and was hence **provided with a SA ID number**
    - through the subsequent ITREG process that person was **again registered as a taxpayer (i.e. a new Tax Reference Number)** but this time, with that persons new SA ID number
    - as such the same person now has **two Tax Reference Numbers** – SARS sees this person as **two individual taxpayers** – hence requiring tax returns etc. against both numbers
    - the taxpayer **assumes SARS has consolidated the two Tax Reference Numbers** - the resulting issues are self explanatory

Policies and Procedures

- **Duplicate Tax Reference Numbers**
  - The **proposed solution** – To ask **additional questions** at take-on and store the answers for ITREG purposes:
    - These are **only applicable when using the ITREG facility** – i.e. not needed for those already loaded with a correct Tax Reference Number
    - Questions:
      - has this employee **previously** been given a Tax Reference Number – i.e. have you previously registered for income tax – Y / N ?. If Y, then the Tax Reference Number **must be provided** (if one knows this, then why submit an ITREG ???)
      - what is your **Country of Birth** (table)
      - **previous ID** – enter if it's available
      - have you **previously had permanent residence, refugee ID** before receiving SA ID ? Additional similar Q's needs to be answered
      - question about **previous passports and expiry dates** (remember that many foreign passports, when renewed, get issued with a new number)

Check how your payroll provider has set these up

Policies and Procedures

- **Two Pot Retirement System**
  - Some basics:
    - As of Sept 2024, retirement contributions and prior savings have been put into **three "separate" pots**:
      - **The Vested Pot** – i.e. what was in retirement savings as at end Aug 2024
      - **The Savings Pot** – i.e. one third of the contributions from Sept 2024
      - **The Retirement Pot** – i.e. two thirds of the contributions from Sept 2024

Policies and Procedures

- **Two Pot Retirement System**
  - Some basics:
    - **The Vested Pot** – access to this is **prohibited until retirement age**. At retirement age one third can be withdrawn, **subject to the retirement withdrawal tax table:**
      - **R 550 000 will be tax free**, depending on whether or not a portion or all of this has been used in prior years
      - The balance of the one third will be **taxed as per the table**
      - The remaining two thirds must be used to **purchase a vehicle that will provide annuity income**
      - The annuity income will be **taxed at the prevailing tax table rates**
      - A **once-off transfer** to the new Savings Pot of 10% (R 30 000 max), per fund, as a means to initially fund (seed) the Savings Pot, was provided for
      - **No further contributions (i.e. from Sept 2024)** are made towards this pot

Bottom Line …

… the rules as per previous remain as is, except in cases of immigration etc.

Policies and Procedures

- **Two Pot Retirement System**
  - Some basics:
    - **The Savings Pot** – **one third** of the contributions made from Sept 2024 is put into this pot (plus the 10% or R 30 000). Access to this pot is allowed **once in a tax year only, and**:
      - A **Tax Directive** needs to be applied for by the fund/employer
      - **the amount will be subject to tax at the individuals tax rate** at the time – i.e. SARS will withhold the tax due on this withdrawal as it's **seen as taxable income** in the hands of the recipient. BUT no UIF, SDL etc. is applicable
      - SARS will then **deduct any outstanding fees / penalties, taxes** etc. due to them, with the balance then being paid out by the fund
      - NB - SARS requires earnings info from the taxpayer to **enable them to establish the tax rate to be applied** on the amount. Many taxpayers have fallen foul of SARS by purposefully **understating their earnings – i.e. to pay less tax**
      - The withdrawal amount is **subject to how much is in the Pot, with a minimum of R 2 000**

Policies and Procedures

- **Two Pot Retirement System**
  - Some basics:
    - **The Retirement Pot** – access to this is only allowed on retirement:
      - When it is paid i.e. on a monthly/quarterly basis, the amount paid is **subject to normal tax**.
      - **Roll over of excess contributions** (i.e. from one tax year to the next) are still permissible
      - The normal rules regarding **access to this Pot on emigration** still apply – i.e. the three-ear waiting period / proof of actually staying in the new country
      - The amount in the Savings Pot **can be transferred** to the Retirement Pot

Policies and Procedures

- **Two Pot Retirement System**
  - Reminder – current withdrawal tables:

2022/23		2023/24	
Taxable income (R)	**Rates of tax**	**Taxable income (R)**	**Rates of tax**
R 0 – R 500 000	0% of taxable income	R 0 – R 550 000	0% of taxable income
R 500 001 – R 700 000	18% of taxable income above R 500 000	R 550 001 – R 770 000	18% of taxable income above R 550 000
R 700 001 – R 1 050 000	R 56 700 + 27% of taxable income above R7 00 000	R 770 001 – R 1 055 000	R 39 600 + 27% of taxable income above R 770 000
R 1 050 001 and above	R 141 750 + 36% of taxable income above R 1 050 000	R 1 055 001 and above	R 143 550 + 36% of taxable income above R 1 055 000

Policies and Procedures

- **Two Pot Retirement System**
  - Reminder – current withdrawal tables:

2022/23		2023/24	
Taxable income (R)	**Rates of tax**	**Taxable income (R)**	**Rates of tax**
R 0 – R 25 000	0% of taxable income	R 0 – R 27 500	0% of taxable income
R 25 001 – R 660 000	18% of taxable income above R 25 000	R 27 501 – R 726 000	18% of taxable income above R 27 500
R 660 001 – R 990 000	R 114 300 + 27% of taxable income above R 660 000	R 726 001 – R 1 089 000	R 125 730 + 27% of taxable income above R 726 000
R 990 001 and above	R 203 400 + 36% of taxable income above R 990 000	R 1 089 001 and above	R 223 740 + 36% of taxable income above R 1 089 000

Policies and Procedures

- **Two Pot Retirement System**
  - So, what's happened since Sept:
    - **2.5m applications** – about 200 000 not approved due to wrong ID's provided, not registered as a taxpayer etc.
    - **200 000** – understated their income to lower their marginal rate. SARS has started the process of penalizing these individuals
    - Largest % of applicants – in the **R 60 000 to R 119 000** bracket
    - Second largest % of applicants in the **R 240 000 to R 359 000** bracket
    - Age-related – 75% of applicants were in the **31 to 51 age group**
    - Almost a quarter of claimants were from the **wholesale and retail sector** – i.e. clothing, food, appliances, building supplies etc.
    - **R 45 billion** paid out (average payout R 19 000)
    - Big win for SARS:
      - SARS collected **R 12 billion** from this initiative (i.e. 25% of the money)
      - **Cleared substantial backlog** of outstanding AA88's etc.

Policies and Procedures

- **Two Pot Retirement System**
  - What was the money used for:
    - **70%** went to pay off debt in some form or another i.e. car payment / maintenance, general accounts, school fees
    - The **next biggest %** went towards household items / essential living
    - Only **about 10%** went on spoiling themselves
  - Awareness re the impact:
    - 70% **plan to claim again** in the future
    - 86% **were happy** with their decision
    - 96% **know how their withdrawal will impact** their long term savings
    - 96% were aware that they were **going to be taxed** on the amount

For most individuals – their current financial needs outweighed the benefits of long-term savings for retirement. So, we seemed to have created a very short-term solution which is destined to rear its head again very soon !!.

Policies and Procedures

- **Two Pot Retirement System**
  - Other interesting findings / stats:
    - **Average cost** per withdrawal – **R 357 :**
      - some costs were as high as R 1 500
      - still under spotlight by the Financial Sector Conduct Authority (FSCA)
    - **7700 employers** deducted the contribution but did not pay it over. This impacted about **300 000 individuals**
    - Over **35%** said they would withdraw again in the next round (i.e. from March 2025)
    - Most common issues:
      - massive **volumes** – call centres and websites
      - **verification** – i.e. tax ref numbers / ID's
      - **payment delay** – was meant to be within 48 hours. Some took two weeks
    - **850 Funds** changed and submitted their new rules – mostly on time

Policies and Procedures

- **Two Pot Retirement System**
  - The downside:
    - Many **withdrew too little** – they were not fully aware of costs and tax implications, and only got out **half of what they expected**
    - **Catching up** in the long term:
      - **High price to pay** for the "benefit"
      - Need to **contribute more and increase by more than inflation** each year to maintain
    - The January increases **could push taxpayers into a higher tax bracket** – this could impact the tax deducted on the withdrawal. Will only be evident / visible in assessment
    - Assessment / audits this coming year **will increase** – i.e. most taxpayers will receive **multiple tax certificates.** For many the **Auto Assess process will not activate** and they will thus have to submit a return. Hopefully, SARS' systems will accommodate this somehow

Policies and Procedures

- **Two Pot Retirement System**
  - But there is an upside:
    - Taxpayers are now much **more educated and familiar with the process** Should be easier next time they withdraw
    - The funds are better geared from an **admin perspective** – i.e. receiving a withdrawal request, handling the tax directive, dealing with queries etc.
    - Taxpayers are now **aware of the tax implications** so can better estimate how much they will "net" from their withdrawal
    - Individuals can access a portion of their retirement savings **without having to resign**
    - Still **enforces saving** for retirement

Policies and Procedures

- **AA88's**
  - Legal tool used by SARS to **recover long outstanding tax (and other) debts due to SARS**
  - Employers **appointed to act as agents –** to deduct debt from salaries and pay amount over to SARS. The details are extracted from the most recent IRP5 on file – i.e. address, current employer etc.
  - Issued under Section 179 of the Tax Administration Act (TAA)
- **SARS Debt Recovery Process**:
  - **Final Demand**: SARS sends a letter via e-filing, giving the taxpayer **10 business days to pay**. The letter includes debt details and the **consequences of non-payment**
  - **Third-Party Appointment**: If still unpaid, SARS appoints employers or other entities to deduct the amount. Agents must deduct from salaries, bank accounts, annuities, or other controlled funds
  - **Notification**: AA88 notices sent electronically via e@syfile or e-Filing

Policies and Procedures

- **Managing AA88's on e@syfile**
  - Notices have a Transaction Status Code:
    - 02: Active, needs **employer action**
    - 04: Cancelled, **no action** needed.
    - 07: Defaulted, **no action** needed.
    - 09: Paid/settled, **no action** needed.
  - **Very Important:**
    - If an active notice **reaches it's end date**, it is no longer applicable – even if the transaction code is 02 (active)
    - Employers **must regularly sync** e@syfile for latest updates.

If AA88's are not resolved timeously …

… can go into what feels like a never-ending spiral / cycle, and even worse, the employer will ultimately be held liable and be subject to penalties and interest

Policies and Procedures

- **Auto Assessment**
  - Taxpayers who receive an IRP5 with earnings **below the tax threshold are automatically Auto Assessed**
  - Taxpayers who receive **two IRP5's/IT3's**, which when combined, are under the tax threshold, are **not being auto assessed**
  - The expectation from the SARS systems is then that the taxpayer then **needs to submit a return for assessment purposes**
  - At this level of earnings most individuals would **not know how to engage with SARS on this matter**. They would probably work in outlying areas and would thus not have the means to visit a SARS office, nor the understanding as to what is required
  - Due to the **requirement to submit a return not being met** by the taxpayer, at some point an AA88 would be issued

As each year goes by, so SARS gets more up to date and accurate information from an ever-increasing number of third parties. Don't underestimate this !!

Interpretation Notices

- **These are very important as they:**
  - **explain** how the existing laws around specific items should be applied – many of us get this wrong (to our detriment!)
  - are not intended to **change any laws**
  - provide useful / meaningful / **practical examples** (but not always though)
  - assist in providing **additional information** regarding complicated employee (and other) tax-related matters

Interpretation Notices

Number	Year	Subject
7	2002	**Restraint of Trade Payments – section 11(*n*A) considerations**
76	2014	**Taxation of tips** Deals with when and how these must be taxed Also covers UIF and SDL implications once these tips become deemed as remuneration
77	2014	**Employer-provided phone / computer equipment and / or internet connectivity services** NB – given the number of individuals working from home
16 (Issue 4)	2021	**Exemption from income – foreign employment income** Deals with: - apportionment of income where a taxpayer renders services inside and outside SA in a tax year - share gains and payments - handling of UIF and SDL

Interpretation Notices

Number	Year	Subject
111	2019	No value provision for travel benefits
89	2016	Tax on **withdrawals from a pension scheme** – maintenance orders claiming a portion of the investment are becoming increasingly common
45 (issue 3)	2018	Deduction of **security expenditure**
71	2013	**Long service awards – can now be split across cash, provision of services, use of company asset**
88	2016	Taxation of **employee-refunded amounts** – e.g. a retention bonus. Section 11(*n*A) payments.
17 (issue 5)	2019	Independent contractors / Traders in relation to Directors Refers to BGR 40 and 41
20 (issue 8)	2021	Learnerships – Additional deductions i.e. values, processes, requirements etc.

Interpretation Notices

Number	Year	Subject
54 and 80	2017 / 2014	Taxation of money acquired through corruption and theft Also deals with deductibility from a victim perspective
96	2017	Exemption from income – ship officers / crew Deals with types of ships, what's deemed as international waters, UIF and SDL implications
67 (issue 4)	2020	Connected persons. When are they "connected" etc. SARS taking special note of this in an audit
104	2018	Exemption from income. Foreign lumps sums and pension payments. Income from sources outside SA
10 (issue 4) 24 (issue 5)	2022	SDL and PBO's – conditions for being exempt
121	2022	Settlement of a medial contribution for a retired employee – ie lump sum which covers that employee for an agreed period

Interpretation Notices

Number	Year	Subject
14 (issue 5)	2021	Motor vehicle expenses / travel allowances / reimbursements What is anticipated travel and dealing with differences in actual travel Logbook / Records to be kept – i.e. detail of who, why etc. An advance vs an allowance – SARS view Expenses reimbursed in office hours vs out of office hours
43, 63, 63	2011	All to do with vesting of equity instruments, section 8C share, broad based employee schemes
28 (issue 3)	2022	Home office expenses etc. **Interest on bond – under scrutiny !!. Big implications if you claim these expenses and then sell the property (i.e. CGT)**
112(issue 2)	2023	Section 18A certificates and audits

Interpretation Notices

Number	Year	Subject
66	2012	Bursaries and scholarships
47 (issue 5)	2021	Wear and tear allowances
93 (issue 3)	2021	Tax on foreign dividends
55	2010	Taxation of Directors and employees vesting of equity instruments. Deals with Section 8c Shares
118	2020	Unclaimed benefits from a retirement fund. IRP5 considerations post 2009

Int Notice 84 …
… tax and VAT on gains / losses made from betting !!

Int Notice 54 …
… declare to SARS any income from corruption, theft, wealth from illicit activities – <u>before</u> you go to jail !!

Interpretation Notices

- **Watch out for these:**
  - **Variable Remuneration (section 7B).** Variable remuneration refers to pay components that fluctuate based on an employee's performance, hours worked or company results. Still a problem for many Employers:
    - Timing – payment vs accrual
    - Timing – current tax year vs previous tax year
    - Tax rate to be used – across tax years
  - Draft INT released to do with consequences of an **employer's failure to deduct / withhold employees tax**
    - Law states that SARS **can claim from both parties (not seen as double tax)**
      - Employer liable to deduct
      - Employee liable for the tax
    - Employer to **claim back from employee**
    - If written off it becomes a "**payment of employee's debt**"
    - SARS **tightening up** on enforcement and processes around this
    - Impacts **Fourth and Seventh** Schedules to the Act

Interpretation Notices

- **Watch out for these:**
  - **Long service awards** – company **must align** with SARS definition:
    - first **15 years** of unbroken service, then **every 10 years** unbroken service thereafter
    - e.g 15 years, 25 years, 35 years, 45 years etc.

Type	Long service consideration Y/N	Value	IRP5 code (include full amount)	Taxable portion	Non Taxable portion
Cash	Y	R 8 000	3622/3672	R 3 000	R 5 000
Cash	N	R 8 000	3601/3651	R 8 000	R 0
Use of a company asset	Y	R 10 000	3835/3885	R 5 000	R 5 000
Use of a company asset	N	R 10 000	3801/3851	R 10 000	R 0
Asset or acquisition of an asset at below actual value (includes vouchers)	Y	R 20 000	3835/3885	R 15 000	R 5000
Asset or acquisition of an asset at below actual value(includes vouchers)	N	R 20 000	3801/3851	R 20 000	R 0
Provision of a free / cheap service	Y	R 6 000	3835/3885	R 1 000	R 5 000
Provision of a free / cheap service	N	R 6 000	3806/3856	R 6 000	R 0

e@syfile and e-filing

- **Hijacking - how to Protect Your SARS e-filing Profile:**
  - **Use strong, unique passwords**: Avoid using the same password across different platforms and ensure that it's is difficult to guess
  - **Enable Two-Factor Authentication (2FA)**: Adding an extra layer of security makes it harder for attackers to gain unauthorized access
  - **Verify SARS Communications**: Be cautious when receiving unexpected emails or SMS messages. SARS will never ask for sensitive details via email or text
  - **Monitor your account regularly**: Frequently check for any unauthorized changes or suspicious activity on your profile

Because of recent issues – many taxpayers have reverted to making payments Direct from banking facilities and in some cases the SARS branches

e@syfile and e-filing

SARS
South African Revenue Service

OUTSTANDING TAX PAYMENT NOTICE
Settlement Due Date: 28 MARCH 2025

Enquiries should be addressed to SARS:

Contact Centre

SARS
ALBERTON
1528

Website: www.sars.gov.za

Details

Payment Reference:	**16349013010236**
Notice Issued Date:	**2025-03-01**
Notice Due Date:	**2025-03-28**

Payment information

Balance Due:	**R1,650.00**

Dear Taxpayer,

OUTSTANDING TAX PAYMENT NOTICE

This is an official notification regarding an outstanding tax payment of **R1,650.00** associated with your account. Prompt payment of this amount is required.

Please make the payment using the banking details provided below and include the specified payment reference. The payment should be made by no later than **28 March 2025**.

Payment Reference: 16349013010236 **Account Name: SARS**
Amount to pay: R1,650.00
Instant / Immediate payment to: **ABSA** **4080924892**
Important Notice: Only use the payment reference above to enable us capture your payment.

We hereby formally notify you that, in the event that payment is not received on or before the specified due date, the South African Revenue Service (SARS) reserves the right to take appropriate legal action, which may include initiating legal proceedings and imposing additional penalties. This action will be in accordance with Section 95(1)(a) of the Tax Administration Act 28 of 2011.

It is important to note that non-compliance with the requirements set forth, whether intentional or accidental, is considered a serious offense under South African law. Such non-compliance may result in severe consequences, including the imposition of further fines and, in some cases, imprisonment for a period of up to two years upon conviction. These legal ramifications are outlined within the provisions of the Tax Administration Act and are enforced to maintain the integrity of the tax system.

We strongly encourage you to take immediate and decisive action to settle this outstanding payment to avoid unnecessary complications. Timely resolution of this matter will not only ensure compliance with the law but also mitigate the risk of escalation to legal proceedings or additional penalties.

We trust that you will treat this matter with the urgency and seriousness it warrants. Should you require any clarification or assistance, please do not hesitate to contact us.

Sincerely

ON BEHALF OF THE COMMISSIONER FOR THE SOUTH AFRICAN REVENUE SERVICE

Payment Reference: 16349013010236 SARS Notice 2025.03.01 01/01

e@syfile and e-filing

Figure 1.9: Composition of main channels of payment (by value), 2019/20 - 2023/24

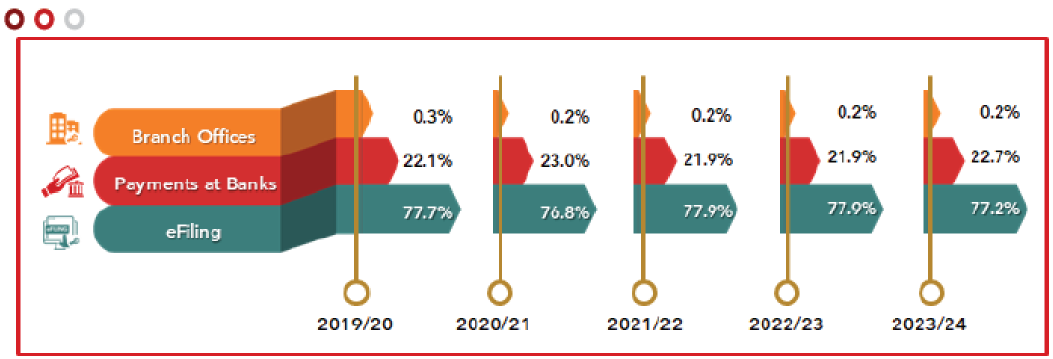
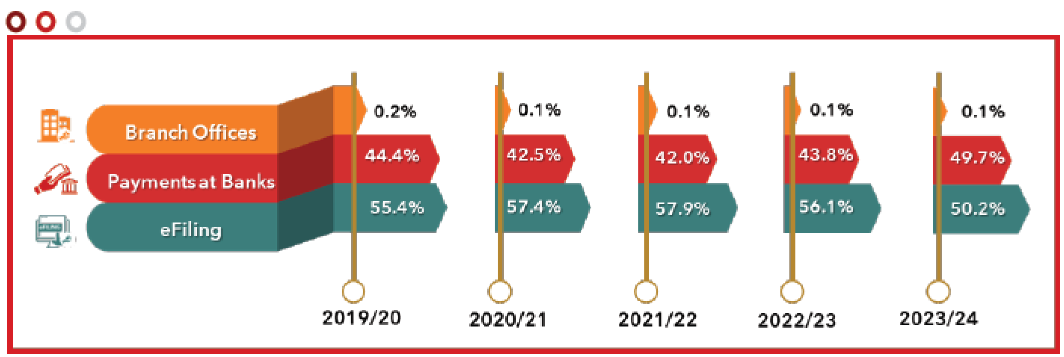


Figure 1.10: Composition of main channels of payment (by number), 2019/20 - 2023/24



e-filing hacking – bank payments increased / e-filing decreased

e@syfile and e-filing – Filing Season reminders

- Download / install latest version of e@syfile – thin client version (i.e. V8.00 or higher)
- Do a few "**test**" IRP5's – i.e. a sanity check. Once submitted and accepted by SARS, to **resubmit is not an easy process**
- **Check the validation errors** produced by e@syfile. Don't ignore them – fix them on e@syfile and at the source i.e. your payroll system
- **Recon your IRP5 code values** to your income, deductions, company contributions and fringe benefits - to make sure your **reporting codes are correct**
- Update your company tax affairs before the end of February to **fully utilise all ETI credits**
- After submission – **check your submission status** to confirm SARS has received your reconciliation
- Keep an eye out for an **ETV file returned** by SARS and **correct any discrepancies** that may have been logged in this file.

Don't wait until the last few days …

… no sympathy from SARS because of bottlenecks and slow response if you can't get through at the 11th hour !!!

Business Requirements (BRS)

- **Potential New codes for ITREG purposes only (mid year)**
  - ITREG is used to auto generate a Tax Ref Number for an individual
  - New codes aimed at avoiding the creation of two Tax Ref Numbers for an individual

Code	Description	Mandatory	Comment
3061	Question re refugee, asylum seeker, perm resident	Y	To establish if an ID based on asylum ref no or refugee already exists
3062	Previous ID number	Y	Must be a valid SA ID number / DOB check
3071	Question re passport	Y	To establish if docs have expired
3072	Expired passport number	Y	To prevent a new Tax Ref Number being created when one already exists using the old passport

Business Requirements (BRS)

- **Potential New codes for ITREG purposes only (mid year)**

Code	Description	Mandatory	Comment
3081	Country of Birth	Y	To validate passport Validated against table
3101	Have you previously registered for income tax ?	Y	To check if a number exists. To ensure only one exists for the individual

Purpose …

… to ensure no **new Tax Reference Number is created** for an individual who has already received a Tax Reference Number based on an asylum seeker / refugee / foreign passport number

Business Requirements (BRS)

- Changed codes for ITREG purposes only (mid year)

Code	Description	Mandatory	Comment
3100	Income Tax Reference Number	Y	If 3101 is "Y" then this field is mandatory
3065	Alternate ID type	Conditional	Depends on value entered in code 3020 – Nature of Person

Although not a widespread problem, when it does raise its head, it causes major issues for the taxpayer – i.e. with old number constantly being non-compliant due to non-submission of returns. The result is the issuing of AA88's

Business Requirements (BRS)

- **New codes for IRP5/IT3(a) purposes only**

Code	Description	Mandatory	Comment
3622	Long service cash award Applicable from 2023 year of assessment	Depends on earnings	A long service cash award given to an employee that complies with the initial 15 years and any subsequent 10 years unbroken period of service
3835	Long Service Award Applicable from 2023 year of assessment	Depends on earnings	A long service award given to an employee that complies with the initial 15 years and any subsequent 10 years unbroken periods of service
3926	Savings withdrawal benefit (PAYE) Applicable from 2025 year of assessment	Depends on earnings	Withdrawal from a retirement fund from **the Savings Component/Pot**

Business Requirements (BRS)

- New codes for IRP5/IT3(a) purposes only

Code	Description	Mandatory	Comment
4042	Amounts refunded in terms of s11(*n*A) and 11(*n*B) for overpayment made: Recoupment of overpaid remuneration / clawback of commission received by the employee for his or her own benefit. **Note:** The total remuneration received by the employee must be declared under the relevant income code.		This is a deduction against earnings (i.e. a reduction of taxable earnings) for amounts that were paid **and taxed** but are then subsequently refunded by the employee in a future month in the same tax year, or in another tax year By deducting this amount from total earnings for the year a **recalculation of tax** will also be done, which could cause the employee to **have zero tax for a period** until all tax paid by the employee is recovered
4588 / 4589	Amount repaid by the employee in the tax year for a s11(*n*A) or (*n*B)		

Business Requirements (BRS)

- **<u>Changes to codes </u>for IRP5/IT3(a) purposes only**

Code	Description	Mandatory	Comment
3923	Transfer of unclaimed benefits (PAYE) Applicable from 2018 to 2024 year of assessment	Depends on earnings	Transfer of unclaimed benefits (as per the Pension Fund Act No. 24 of 1956) not yet claimed and transferred to an unclaimed preservation fund
3137	Employee fax no	N	No longer required
2039	Employer contact person: fax no	N	No longer required

Monthly Submission of Data (PIT 2024)

- **Purpose / objective**
  - SARS needs a more **real-time view** of taxpayer earnings and deductions etc.
  - Monthly submission process of EMP201 **could be more efficient**. Also applies to the EMP501 / year-end certificate submission process
  - **Too much effort** during two short periods in the year – i.e. mid-year submissions and year-end balancing and submissions
    - Error-prone due to large volumes
    - submission bottlenecks, query volumes
    - SARS only gets to see real issues (i.e. non-payment) once a year
    - taxpayers get on wrong side of SARS by not declaring certain income during the year, and on assessment a shortfall in tax paid becomes evident
  - More **regular data means**:
    - better budgeting, estimating and forecasting abilities
    - management of collection targets
    - more accurate / more regular employment stats and resulting trends
    - balancing interest income and loss of interest more regularly
    - more up-to-date information when dealing with tax disputes

Monthly Submission of Data (PIT 2024)

- **Current Status**
  - Was planned for testing in **Sept 2025**
  - Real parallel testing planned from **March 2026 to Feb 2027** – i.e. current and new methods to run concurrently for that tax year. Most thorough way to test this
  - NB - The above **dates are not achievable** as other initiatives in SARS have taken priority, so this project will be revisited later in the year and new dates advised. Most **payroll systems have already largely catered for this**. Will just need some final fine tuning

- **Supporting initiatives to get us used to monthly recons:**
  - **Section 11(*n*A)** – refund recons during the year as apposed to year-end
  - **Disclosure of multiple sources of income** during the year:
    - additional disclosures (i.e. as a result of the Two Pot withdrawals)
    - allowing for additional PAYE deductions (i.e. voluntary tax deductions)
  - **Penalizing employer and employee** for under-deductions uncovered on assessment. Making both entities liable for any shortfall. Forcing this to be reconciled more regularly
  - **API's**. Major area of development currently

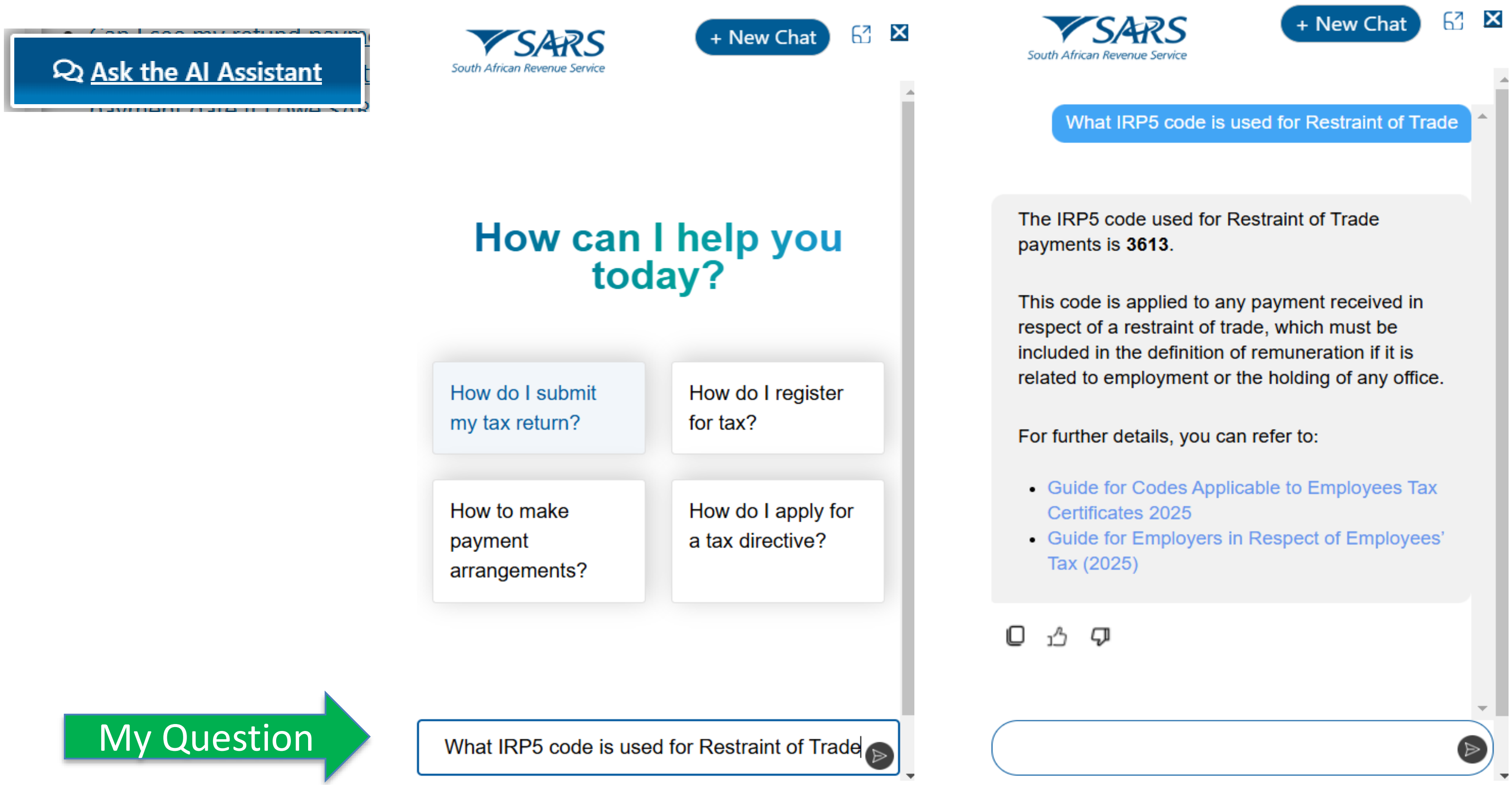
AI and Chatbots

- AI and other automation initiatives have **revolutionised** the management of tax calculations and tax administration
- SARS is beginning to **lead the charge** – through introducing **innovative initiatives and supporting technology – note that:**
  - enhanced data collection is now resulting in **cleaner and from multiple new sources**
  - integration (APIs) to more and more third parties, such as institutions that manage Crypto assets
  - still in its infancy so there are some **"funnies".** Ignore this emerging phenomena at your peril !
- **EMP501 detailed recon with ITR14's** – i.e. directors / shareholders declarations and earnings
- **Beneficial Ownership Reporting** – assists in combating tax evasion and money laundering
- **International data sources**. All those undisclosed income and assets

ChatBot

AI and Chatbots

- A sample of what's available:



AI and Chatbots

- Another example - Always check your answers:

	ChatGPT	DeepSeek	SARS	Grok
What is bigger 9,00158 or 9,002	9.002 is bigger than 9.00158. Since 9.002 has a greater value in the thousandths place compared to 9.00158, it is the larger number.	Since the decimal part of 9.002 is larger than that of 9.00158, ... entire number 9.002 is great...	This question broke ... at...	...nt 9,158 vs. 9,002, then 9,158 is bigger than ...u intended 9,00...8 vs. 9,002, then 9,002 is ... . Please c... I misinterpreted your ...mbers!
What is IRP5 code 3605 used for in South Africa	In South Africa, IRP5 code 3605 is used for reporting pension fund contributions (employee contributions only) on an employee's IRP5/IT3(a) tax certificate. This amount represents contributions made to a pension fund by the employee and is used in calculating allowable deductions for tax purposes.	In South A... 360... indicate Employ... to a Retirement Ann... an employee's tax c...		... IRP5 code 3605 is used on an ...nual ...e-off or annual ... bonus, performance ...-sum payment made to an ...r regular salary. These ...onthly wages and are ... the South African Revenue ...ure accurate tax calculations. ...ARS track and tax these ...iately for the tax year.
Under wich IRP5 code should I declare Overtime in South Africa	In South Africa, overtime should be declared under IRP5 code 3601, which is used for income (regular and overtime remuneration). This code covers basic salary, wages, overtime, bonuses, and commission paid to an employee.	In So... payments to employees a... declared under IRP5 code 3701 on the IRP5 tax certific...	...rtime pa...nts ...ld be de...d under IRP5 code 3601.	...rica, overtime pay sh...ld be declared on ...ificate under source code 3601. This code is used fo... ncome (Taxable)," which generally covers basic salary and other taxable earnings, including overtime. Overtime is considered part of an employee's taxable remuneration, as it is additional income earned for hours worked beyond normal working hours, typically paid at a higher rate (e.g., 1.5 times the normal wage as per the Basic Conditions of Employment Act).

NB

Chatbot responses could be different every day ...

... remember that they learn new things every time someone asks a Q !!

Other Initiatives to keep an eye on

- **SARS' risk engine –** "eyeballing" Audit Certificates for Section 18A entities and the issuing of the certificates to donors
- **Traveler Management System** – linked to exit and entry information
- **HNWI's** – i.e. those with complex financial structures, are linked to a Trust and who have "unique" assets
- **SARS webinars** – further educating taxpayers re digital channels and how to use them
- **Taxpayer Statement of Account** updates – in preparation for monthly submissions
- **IRP3q**. Where tax is being deducted by a foreign employer in a foreign country, this new directive is available to provide relief on a monthly basis – previously relief only allowed on assessment, creating cash flow issues for the individual
- **Use of APIs** from additional third parties – the more data received electronically the more smarter their SARS' AI will get
- **e@syfile / e-filing** – continuous updating with new features. Your window into SARS and their window into you !!
- **Digital Nomad Visa**. Introduced in May 2024. 3-year visa. Minimum earnings of R 1 000 000 p/a (**recently changed to R 650 000**)

Other Initiatives to keep an eye on

- **Willfully or Negligently.** Possible removal of the word "willfully" has been on the cards for some time now, and has generated some debate as "negligence" is much easier to prove. Could potentially be a significant risk for tax / payroll practitioners. Still on the radar.

Fourth Schedule par 30 reads:

30.

(1) Any person who—

(*a*) **wilfully** uses or applies any amount deducted or withheld by him or her by way of employees' tax for purposes other than the payment of such amount to the Commissioner; or

(*b*) not being an employer and without being duly authorised by any person who is an employer, **wilfully** issues or causes to be issued any document purporting to be an employees' tax certificate,

is guilty of an offence and is liable, upon conviction, to a fine or to imprisonment for a period not exceeding two years.

[Sub-para. (1) amended by s. 45 of Act No. 21 of 1995, by s. 44 of Act No. 53 of 1999, by s. 271 read with para. 97 (*a*)-(*d*) of Sch. 1 of Act No. 28 of 2011 and by s. 19 of Act No. 23 of 2015 and substituted by s. 8 (*a*) of Act No. 24 of 2020.]

(1A) Any person who—

(*a*) **wilfully or negligently** fails to deliver to any employee or former employee any employees' tax certificate as required by paragraph 13;

(*b*) being a registered employer under paragraph 15 (1), **wilfully or negligently** fails to notify the Commissioner of having ceased to be an employer as required by paragraph 15 (3); or

(*c*) **wilfully or negligently** fails to submit to the Commissioner any estimate of his or her taxable income as required under paragraph 19,

is guilty of an offence and is liable, upon conviction, to a fine or to imprisonment for a period not exceeding two years.

Other Initiatives to keep an eye on

- **Resident and non-resident employers**. Distinction to be removed i.r.o of PAYE, UIF, SDL etc. obligations – i.e. must comply
  - must have a **registered representative** employer in SA
  - payment of taxes / levies now **cannot be avoided** by non-SA resident employers
- **Recommencement of SA residency.** For various "push or pull" reasons many individuals have decided to reinstate their SA tax residency:
  - SARS will **review worldwide income and assets**
  - This could cause all these to be **taxed again** !
  - Very important to get proper advice on this

Other Initiatives to keep an eye on

- **Representation in a Tax Court**. Currently a duly admitted legal practitioner needs to represent the taxpayer in the tax court. Proposed:
  - To allow a **natural person** to do this
  - **Must be qualified** – i.e. a payroll technician or practitioner
- **Recovery of legal costs by SARS**. To be applicable in lengthy and expensive legal cases where the taxpayer loses the case i.e.:
  - Where SARS previously absorbed the cost, they are now looking at **recovering this cost**
  - Meant to be a **deterrent** to "taking on" SARS unless there is a very strong case
  - Does not however apply the other way !!

Payroll System Checklist

Item	System	Change Y/N	Comment
Tax Table	Payroll	N	Impacts overall tax calc
Rebates	Payroll	N	Impacts overall tax calc
Threshold	Payroll	N	Impacts overall tax calc
Subsistence Allowance	Payroll	Y	Can be done on assessment
Medical Tax Credits	Payroll	N	Can be done on assessment
Prescribed per km Rate	Payroll	Y	Can be reconciled on assessment
Travel Table	Payroll	Y	Can be resolved on assessment
Accommodation formula	Payroll	N	Can be resolved on assessment
Foreign Earnings Exemption	Payroll	N	Can be resolved on assessment

Payroll System Checklist

Item	System	Change Y/N	Comment
IRP5 codes: Two Pot System – 3926 New Refund Code – 4042 New ITREG codes	Payroll	Y	Impacts overall tax calc e@syfile - issues if not done
ETI: Actual employee Y/N Remuneration Calc	 HR Payroll	 N Y	Watch this – SARS scrutinizing extensively at present
Medical Tax Credits	Payroll / HR	N	Correct MTC % split – **multiple funders**
Additional Medical Tax Credits	Payroll	N	Check the calc
Official Rate of Interest	Payroll	Y	Watch this – regular changes
Transfer / Relocation Costs	Payroll / HR	N	Taxation of Settling in costs

Payroll System Checklist

Item	System	Change Y/N	Comment
Bursaries – salary sacrifice. Check this	Payroll	N	The previous method of substituting a portion of salary for a bursary is no longer allowed
UIF – earnings limit	Payroll	N	Will be audited if / when employee needs to claim
COIDA – earnings ceiling	Payroll	Y ?	Impacts annual ROE
BCEA – earnings ceiling	Payroll	Y	Impacts various legislative calculations
National Minimum Wage	Payroll	Y	Update table if in the Payroll
SDL – Total salaries for the year	Payroll	N	Register / Deregister if total salaries for the next 12 months will be less than the limit

Payroll System Checklist

Item	System	Change Y/N	Comment
Retirement Fund contribution limits – i.e. 27.5% of taxable income	Payroll	**N**	Check if the maximum monthly limit (i.e. R350 000 / 12) is set up
ER contributions to a DB fund – split out portion that represents a contribution to life / disability facility	Payroll	**N**	Get advice as how contributions are split within the fund and how the formula works various between the various fund
Retirement Fund withdrawals – tax table	Payroll / HR	**N**	Some employers load these tables into their HR/Payroll applications for scenario planning / “what if” calculations

Payroll System Checklist

- **In-house vs onsite**:
  - Most of these changes **will be done by your online service / SAAS provider** – check / confirm anyway
  - If system is still standalone / onsite – get your **config / IT team to confirm**
- **Timing**:
  - Do the changes **asap.** Could have **implications on assessment** for the employee
  - Undoing something you incorrectly submitted to SARS can **cause untold headaches**
  - The employee impacted **may leave the company or the country** before you have a chance to sort it out. SARS will look to the employer to "make good"
  - If implemented late, **systems generally can smooth** / sort out tax liability over remaining months in the tax year. Not really good business practice to do this Remember - you won't be able to do this when **monthly tax submissions** kick in.
- **Always do sanity checks**:
  - Will assist in **avoiding surprises** – and by then it's too late to do anything
  - Select **random** and **different** employees / groups of employees
  - Go down to production of actual **payslip level** – that's where most issues get picked up

Session 4
(Time permitting)

Other Legislative Changes, Challenges and Headaches

Snapshot:

- **BCEA:**
  - Earnings threshold in has been increased to **R 261 748.45** as of 1 April 2025
  - An increase of **2.9% (Gazette no 52232)**
- **COIDA:**
  - Earnings threshold has been increased to **R 633 168 p/a effective 1 March 2025.**
  - Still confusion about 4th Schedule remuneration effective date
  - Audits and backdated penalties an ongoing issue
  - Submission period for 2025 – 1 April 2025 to 30 June 2025. **See <u>Gazette 52069</u>**
  - Info gathering / cleansing initiative. Do not ignore this. **See <u>Gazette 52333</u>**
- **UIF:**
  - No change in ceiling
  - u-filing platform still a problem
  - Electronic request for Letter of Good Standing – "status quo" remains
  - BUSA stands by its call to put them under administration
- **Learnerships**
  - Evaluation / sunset clause extended to **Apr 2027**
  - No change in rebates etc.

Snapshot:

- **NMW:**
  - Inflationary increase in all categories **effective March 2025**
  - Rate per hour has **increased from R 27.58 to R 28.79**
  - Recent court ruling re the determination of “what makes up the wage” – ongoing discussions re ER contributions / benefits etc.
- **ETI:**
  - Remuneration limits have increased:
    - From R 2 000 to R 2 500
    - From R 6 500 to R 7 500
- **Employment Equity:**
  - Amendments approved by Parliament in **May 2022** and signed by the President in April 2023 (Gazette No 48418, 14 **April 2023).** Now effective **1 Jan 2025**
- **POPIA:**
  - Many companies brought to book
  - Excessive fines have been imposed

BCEA – Some Basics

- The Basic Conditions of Employment Act (BCEA), 1997 (Act No. 75 of 1997), **regulates employment conditions** in South Africa
- It sets **minimum standards** for working hours, wages, leave and termination to protect vulnerable workers and promote fair labour practices
- As of **1 April 2024**, the Basic Conditions of Employment Act earnings threshold in South Africa is **R 254 371,67** per year
- This has been updated to **R 261 748.45** as of 1 April 2025. An increase of **2.9% (Gazette no 52232)**

BCEA – Some Reminders

- Employees earning **above the remuneration threshold** are exempt from certain provisions of the BCEA, including:
  - Ordinary hours of work
  - Overtime
  - Compressed working week
  - Averaging of hours of work
  - Meal intervals
  - Daily and weekly rest periods
  - Pay for work on Sundays
  - Night work
- **Variable Wage Calculations**
  - When wages fluctuate significantly, payments (including leave pay) must be calculated based on:
    - Average remuneration during the preceding 13 weeks, or
    - The shorter period if the employee has not been employed for 13 weeks

UIF – Some Basics

- The unemployment insurance system in South Africa is governed by the following legislation:
  - Unemployment Insurance Act, 2001 (the UI Act) – deals with **benefits** etc.
  - Unemployment Insurance Contributions Act, 2002 (the UIC Act) deals with **collection of contributions**
- employee contributions are 1% of remuneration, with employers matching this for a total of 2%. Contributions do not apply to earnings above:
  - From 1 Oct 2012: R 14 872/month (R 178 464 p/a)
  - From 1 June 2021: R 17 712/month (R 212 544 p/a)
  - Next change in this rate – not planned yet

The UIF mandate …

…to collect contributions from employers and workers (SARS does most of the work here) and during times of financial distress or lack of earnings, enable eligible contributors to easily apply and timeously receive financial assistance in the form of a small benefit

UIF – Recent Challenges

- **Current UIF pitfalls:**
  - The UIF Online system (u-filing) has been **unavailable** since September 2024
  - On 30th August 2024, the Pretoria High Court issued an interim interdict **blocking a new service provider** from managing UIF online services
  - This disruption **affected UIF's online platforms**, including u-filing, Unstructured Supplementary Service Data (USSD), and Virtual Office
  - Recent reports confirm that UIF online systems were fully restored on 17th October 2024, after a six-week disruption
  - However, users have reported **ongoing intermittent downtime**
  - **No feedback / communication** – employers and claimants are very frustrated

Since Jan 2024, just under 500 000 individuals …
… joined the ranks of the unemployed (Stats SA)

UIF – Some Challenges

- **Other important items to consider**
  - employers with **foreign nationals** need to load these employees directly on the u-filing online portal
  - The EDEC file (submitted via email) usually includes these foreign national employees. However, this **channel does not accept and process** them to the UIF database
  - The **UIF Compliance Certificate remains suspended** - This was done to help with service delivery and economic recovery.
  - This suspension, implemented via Circular No. 2/2022, **removed the need for companies to provide the certificate** when doing business with the government or other entities
  - **UIF appointed auditors** (360) continue to visit employers
  - employers suspected of **TERS' related fraud** are their prime target
  - The original TERS initiative is being **re-introduced and has an increased budget**

BUSA (Dec 2024) calls for the UIF to be put under Administration

COIDA – Some Basics

- **As legislated under the Act (No. 30 of 1993) - requirements:**
  - All registered business are required to register with the Fund
  - All are required to submit a separate return for each entity
- **The Act provides for:**
  - **compensation** for disablement caused by:
    - An **occupational injury**
    - **A disease** sustained, or contracted, by an employee whilst in employment of the employer
    - For **death** resulting from an injury or a disease

COIDA – Some Basics

- **Funding:**
  - The Fund receives a compulsory annual payment from all registered employers, based on a percentage of the employer's annual wage bill.
  - Different percentages apply in certain industries – industries that are deemed to have a higher "risk" pay a higher percentage
- **The ROE:**
  - The return includes all permanent, temporary and casual employees (including Directors and/or Members who need to be recorded separately)
  - It also includes learners and students on a work-related assignment (i.e. gaining work experience). Any stipends, allowances etc. paid to these individuals need to be included in the return
  - The report must include all earnings **up to a maximum of R 597 328 per employee per annum** (this is the applicable limit for the period March 2024 to Feb 2025)
  - The earnings threshold has been increased to **R 633 168 p/a effective 1 March 2025**

COIDA – Some Basics

- **Reminders:**
  - The return **requires an estimate** (for provision purposes) of remuneration, as well as the number of employees **for the next submission period**. This is used by the Fund for budget / planning purposes
  - Based on these estimates the Fund is able to **establish the new earnings ceiling** for the coming period
  - A recently introduced **online service** is available to facilitate:
    - The ROE submission
    - Assessment status
    - Payment of levy
    - Production of the "Good Standing" document

COIDA – Recent Changes / Updates

- **What are earnings / remuneration for COIDA purposes:**
  - It is gazetted that the **definition of Remuneration** for COIDA purposes **will adhere** to the definition of remuneration according the Fourth Schedule. Still confusion re **effective date**
  - **Changes in remuneration** (Government Gazette 48673):
    - Any other **remuneration in cash or kind provided** to an employee by virtue of his / her contract of service must now be included
    - **Overtime worked occasionally** - was removed from the specifically excluded items
    - **Ex gratia payments** - was removed from the specifically excluded items
  - **Year of Assessment** – Previously this was April to March but has been aligned with the annual tax year, being from March to February

COIDA – Recent Changes / Updates

- **What are earnings / remuneration for COIDA purposes:**
  - **Historic calculations** – i.e. current audit findings – employers that have been audited received audit findings based on recent changes / thinking, and which should **not be applicable to historical data.** No current recourse other than litigation
  - The **number of employees** that need to be declared is determined on an averaging basis for **employees who did not work a full year i.e.:**
    - (actual number of periods worked by employees multiplied by the number of employees) **divided by the total number of periods** that could have been worked by all employees

COIDA – Recent Changes / Updates

- **What are earnings / remuneration for COIDA purposes:**
  - Application of **monthly equivalent** of annual earnings limit
    - The COIDA earnings threshold is published in a Gazette as an annual amount – **no monthly equivalent is published**
    - In a Gazette (48673) that was published on the 30th of May 2023, the annual ceiling limit is specifically said to be **applied annually regardless of the months worked**
    - Implications for this is that:
      - COIDA "**double dips**" into the Annual limit where an employee moves between employers
      - employers now need to **include higher remuneration values** in reporting for employees who did not work a full year and did not reach the annual limit for the partial annual period worked

COIDA – Issues and Challenges

- **Recent confusion:**
  - The use of the monthly equivalent of the **Remuneration Ceiling**:
    - The COIDA remuneration ceiling is published annually, with **no official guidance on the monthly application**
    - Discussions on aligning it with 4th Schedule remuneration under the Income Tax Act have **not led to any official updates**
    - To be safe, **many companies are already adopting** 4th Schedule Remuneration – albeit expensive in some cases
  - Many employers undergoing COIDA audits have received findings on ROE submissions due to overstated or understated COIDA remuneration This is causing concern as legislation does not clearly specify inclusions or exclusions

FYI - there have been 3 different COIDA Maximum Earnings for Provisional assessments published from 1 March 2023 to 28 February 2024.

COIDA – Final Comments

- **Amended Act – Act 10 of 2022 – (Gazette 48431)**:
  - **Key amendments:**
    - Focusses heavily on **rehabilitation, re-integration, return to work policies**
    - Regulates **health care services**
    - More stringent **admin penalties**
    - **Accidents** during training, or whilst traveling – now covered
    - Employers' **obligation to report accidents** – i.e. 7 days
    - Dealing with **temp / partial disablement**
    - **Claiming back of medical expenses** incurred by the employer
  - **Admin / Audit items:**
    - Currently **20 000 new inspectors** undergoing training
    - Inspectors given **more power** !!
    - **Objections and appeals** – some changes in this this process
    - **COMPEASY** – still a major problem. It's still dysfunctional

National Minimum Wage – Some Basics

- **Objective:**
  - **Ensure fair compensation** for work done
  - **Adjustment for inflation** / rise in cost of living
  - **Level** the "playing fields" across the different type of workers
  - **Business sustainability** – particularly the smaller business. Prohibits growth
- **The annual increase:**
  - Reflects government efforts to **address economic pressures and improve living standards** for workers
  - The increase is **influenced by**:
    - Recent CPI indicators
    - Inflation and cost-of-living challenges
    - Current wage levels and collective bargaining outcomes
    - GDP levels
    - Productivity/performance levels and employer viability
    - Potential impact on employment practices
    - Input from the general public

National Minimum Wage – Some Basics

- **Important reminders:**
  - **Unilateral changes to hours of work are prohibited** (i.e., to maintain current costs). Deemed as an unfair labour practice
  - The NMW **covers ordinary hours of work only**
  - **Excludes allowances** such as transport, food, accommodation, tools
  - **Excludes payments in kind** such as board and lodgings, tips, bonuses, gifts
  - Employers with financial constraints (justifiable) can apply for a **12-month relief concession** from the DOL i.e. employers with large headcounts
  - Take the Labour Appeals Court Judgement into account when calculating wage – i.e. referring to **what's included** in the "wage" makeup:
    - Contractual / non-discretionary bonus
    - Employer-paid contributions on behalf of an employee to a provident fund

National Minimum Wage – Recent Changes / Updates

- The new NMW comes into effect from **1st March 2025 (Gazette No 52053)**
- The rate per hour has **increased from R 27.58 to R 28.79** – i.e. a 4.4% increase
- **Other specific categories:**
  - **Farm Workers** - up to R 28.79 p/h
  - **Domestic Workers** - up to R 28.79 p/h (now in line with other worker categories as this was lagging behind in recent years)
  - **Workers on an expanded works program** - up to R 15.83 p/h
  - Weekly wage rates of **learners** working under learnership agreements as per section 17 of the Skills Development Act have increased by 4.4% (per NQF level)
  - Hourly Rates for the **contract cleaning sector** have increased
  - **Wholesale and Retail** hourly rates have also been increased
  - See **Gazette 52053** for the detail on these categories

Don't forget – Candidate Legal Practitioners (Gazette No. 51050)
New minimum rate p/m in rural areas R 6 000 p/m (i.e. R 72 000 p/a)
New minimum rate p/m in urban areas R 8 000 p/m (i.e. R 96 000 p/a)

National Minimum Wage – Recent Changes / Updates

- **Employment Impact**:
  - Higher labor costs may lead businesses to **reduce their workforce**
  - Industries with **tight profit margins** could struggle, increasing unemployment risks
  - Vulnerable groups, such as young workers, may face **fewer job opportunities**
- **Employer Non-Compliance**: Some businesses, particularly in the informal sector, may **not adhere to the minimum wage laws.** Workers could be underpaid despite legal protections
- **Living Wage concerns**: Critics argue that the minimum wage is still insufficient to cover basic living expenses. There are ongoing calls for a higher wage that aligns with the cost-of-living
- **Sector-specific Issues**: Industries such as agriculture have different labor dynamics, making uniform wage policies difficult to implement. Variations in market conditions across sectors may require tailored wage regulations

SDL – Some Basics

- **Reminder**
  - What is the "leviable" amount :

" the total amount of remuneration paid or payable, or deemed to be paid or payable, by an employer to its employees during any month, as determined for the purpose of determining employees' tax in terms of the Fourth Schedule to the Income Tax Act, whether or not such employer is liable to deduct or withhold such employees' tax."

  - It **includes**:
    - Those employees for whom no tax was deducted (i.e., **they fall below the tax threshold)**
    - Directors of private companies (and close corporations)
  - It **excludes amounts paid**:
    - To labour brokers or who have an exemption certificate
    - Re disability, pension, superannuation, retiring allowance
    - To learners.

SDL – Some Basics

- **Be careful**
  - Even if the **employer is exempt** (e.g. falls **below the R 500 000** annual remuneration limit, is a PBO, is a municipality, etc.) – this **does not absolve** the employer from PAYE registration
  - Determination of **leviable amount**:
    - It's the **balance of remuneration** after the deduction of allowable deductions i.e.:
      - Retirement fund contributions
      - RAF contributions
      - Donations
  - **Misconceptions** re what can be excluded include:
    - Payments from employee share schemes (i.e. Section 8B and 8C)
    - Restraint of trade payments
    - Gratuity payments / "golden handshakes"
    - Service awards

SDL – Recent Changes / Updates

- **Be careful**
  - **CCMA Awards**:
    - The argument continues re **whether the award is subject to SDL and UIF**
    - The general feeling is that the payment of the award is “**after the employment relationship ends**”
    - The Act **does not state this** (i.e. is silent), hence the ongoing argument / debate
    - The safest position is to apply the “**definition of an employee**” test in the Act
    - The **route of least risk** is to apply the SDL and UIF levies to these payments

SDL – Recent Changes / Updates

- **Some challenges:**
  - **Unequal access to training**: Disparities in skills development opportunities across provinces. Limited reach of training programs in rural and underserved areas
  - **Inefficiencies in SETA management**: Poor administration and mismanagement of funds by Sector Education and Training Authorities (SETAs). Delays in disbursing funds for training initiatives
  - **Persistent skills gap**: Despite the levy, critical skills shortages remain in key industries. Mismatch between training programs and labor market needs
  - **Quality of training**: Concerns over the relevance and effectiveness of training provided. Inadequate oversight of training providers leading to inconsistent standards

SDL – Recent Changes / Updates

- **Recent challenges:**
  - **Compliance and administrative burdens**: Smaller businesses struggle with the administrative complexity of SDL. Non-compliance issues reduce the effectiveness of the levy system
  - **Limited impact on unemployment**: The system fails to significantly reduce unemployment due to inefficiencies. Training initiatives do not always translate into job placements

ETI – Some Basics

- **Purpose**
  - Provide **work opportunity / experience and skills acquisition** – for young employees who have never previously worked
  - Provide an **incentive for employers** to adopt the scheme through a **rebate** mechanism against the employers monthly PAYE liability
- **Qualifying (eligible) employer**
  - Must be registered for PAYE
  - Must be in good standing with SARS (fully SARS/tax compliant)
  - Must not be a government employer, public entity or municipal entity
  - Must not replace former employees with ETI-qualifying employees (no employee displacement)
  - Must comply with any industry-specific or legislative conditions
  - Must pay such employees according to rules regarding minimum wage

ETI – Some Basics

- **Qualifying employee**
  - Must be a **natural person**
  - Cannot be a **connected person**, domestic worker, or independent contractor
  - Must be **employed after 30th September 2013**
  - Must be **between 18 and 29 years old** at the end of the claim month (turning 30 disqualifies the employee)
  - Age rule does not apply if working mainly in a Special Economic Zone (SEZ)
  - Must have a **valid ID or asylum-seeker permit**
  - If **wage regulations apply**, pro-rated wage must meet or exceed the regulated amount
  - If **no wage regulations** apply, pro-rated wage must be ≥ R 2 000 and remuneration ≤ R 6 500 **(R 2 500 and R 7 500 as from 1 April 2025)**

ETI – Recent Changes and Updates

- **Increase in value of the rebate – 1 March 2022**
  - If both the employer and employee qualify for ETI, the ETI can be calculated per qualifying employee making use of the following SARS issued table:

	Prior to 1 March 2022		After 1 March 2022	
	Formula		Formula	
Where the employee's Monthly Remuneration is:	If the employee month count is 12 or less	If the employee month count is more than 12	If the employee month count is 12 or less	If the employee month count is more than 12
R0 to R1 999,99	**50%** of Monthly Remuneration	**25,0%** of Monthly Remuneration	**75%** of Monthly Remuneration	**37,5%** of Monthly Remuneration
R2 000 to R4 499,99	**R1 000,00**	**R500,00**	**R1 500,00**	**R750,00**
R4 500 to R6 499,99	**R1 000** – (**50%** x (monthly remuneration – R4500))	**R500** – (**25%** x (monthly remuneration – R4 500))	**R1 500** – (**75%** x (monthly remuneration – R4500))	**R750** – (**37.5%** x (monthly remuneration – R4 500))

  - Understanding the **ETI Month Count**:
    - The month count **tracks eligibility** by increasing by 1 for each **qualifying employee per month** where they meet ETI requirements
    - Increments apply **regardless of whether the employer claims the ETI** or reports it on the EMP201, ensuring consistent monitoring and remains static only when an employee ceases to qualify

ETI – Recent Changes and Updates

- **Increase in value of the rebate – 1 April 2025**
  - Caution – the first draft of the updated ETI formula had an error in it. A new draft to section 7 of the Act has been published.
  - New version is as follow:

Monthly remuneration	Formula (first 12 months) Month: 1-12	Formula (second 12 months) Month: 13-24
R0 — R2 499.99	60% of monthly remuneration	30% of monthly remuneration
R2 500 — R5 499.99	R1500	R750
R5 500 — R7 499.99	R1500 — (75% x (monthly remuneration — R5500))	R750 — (37.5% x (monthly remuneration — R5500))

ETI – Some Basics – Recent Changes / Updates

- **Considerations**
  - The most **common form of a wage regulation measure is the National Minimum Wage**. Where another form of a formal wage regulation measure is issued which is less than the National Minimum Wage, then that **Wage Regulation Measure** should be used
  - Closer **scrutiny by SARS**:
    - "who" is on the scheme – i.e. are they real employees who have a bona fide employee / employer relationship?
    - Some of the training schemes out there have **sailed very close to the wind**
    - SARS will always look at **"intention"**
  - **Almost 350 cases on appeal** at the moment
  - **Recent proposal** – to implement **additional punitive measures**

ETI – Challenges

- **Incorrect EMP201** – employers don't complete the relevant section correctly. Also – the carried forward section is incorrect causing many employers to forfeit the rebate
- **Unresolved Discrepancies** – Discrepancies from prior periods that have not been resolved prevent / block the carried-forward ETI
- **Disqualification** – Other tax types are not compliant (e.g. outstanding returns or VAT payments etc.)
- **Missing / incorrect employee details –** Employee eligibility not being validated correctly. Sometimes only picked up at EMP501 submission times, causing penalties/ refunds, interest, etc.
- **Calculation Errors –** Particularly where manual calculations and submissions are done
- **Insufficient PAYE in the period –** Preventing the full ETI from being claimed, and no subsequent roll over / carried forward balance being administered

Learnerships – Some Basics

- **Section 12H incentive (Reminder)**
  - Provides employers who implement formal learnerships and accredited workplace training (i.e. apprenticeships) with an additional deduction over and above their normal tax deductions
  - The intention is to encourage employers to create jobs and train employees in a regulated environment
  - Initially available from **1 Oct 2001 to 1 Oct 2016**
  - After evaluation, the scheme's sunset clause was extended to **1 Apr 2022**
  - Extended again to **1 Apr 2024**. (see SARS INTERPRETATION NOTE 20 (Issue 8).
  - Evaluation / sunset clause extended to **Apr 2027**
  - The current **allowances** are :

Qualification Level	Annual Allowance Abled Learner	Annual Allowance Disabled Learner	Completion Allowance Abled Learner	Completion Allowance Disabled Learner
NQF Level 1 - 6	R 40 000	R 60 000	R 40 000	R 60 000
NQF Level 7 - 10	R 20 000	R 50 000	R 20 000	R 50 000

Employment Equity Reporting – Some Basics

- **Purpose**
  - **Promote workplace equality** – The EE Act aims to eliminate unfair discrimination and promote equal opportunities in the workplace
  - **Diversity and Inclusion** – Encourages the representation of historically disadvantaged groups, including Black people, women, and persons with disabilities
  - **Affirmative Action** – Requires designated employers to implement measures that promote equitable representation across all occupational levels
  - **Compliance requirement** – Employers above a certain size must submit annual EE reports to the Department of Labour
  - **Accountability & transformation** – Supports the broader goal of economic transformation by addressing historical inequalities

Employment Equity Reporting – Recent Changes / Updates

- **Employment Equity Amendment Bill**
  - Introduced in **September 2018**
  - Approved by Parliament in **May 2022** and signed by the President in April 2023 (Gazette No 48418, 14 **April 2023**)
  - Constant delays – various reasons
  - Now effective **1 Jan 2025**

- **Sector Targets**
  - Revised draft regulations for **sectoral targets** were published for public comment (**Gazette No. 50058**)
  - Equity plans with sectoral targets will start afresh once the Amendment Act takes effect

Targets for certain sectors have been published – check the DOL website

Employment Equity Reporting – Recent Changes / Updates

- **Equity Targets are being published - example**

Sector	Gender	Top Management	Senior Management	Professionally Qualified	Skilled Technical	Disability
		Designated Groups	Designated Groups	Designated Groups	Designated Groups	
Administrative and Support Activities	Male	33.2%	42.3%	49.2%	49.8%	3.0%
	Female	36.7%	43.5%	46.1%	46.1%	
	Total	69.9%	85.8%	95.3%	95.9%	
Agriculture, Forestry	Male	13.2%	21.6%	34.7%	49.8%	3.0%
	Female	20.8%	31.0%	41.7%	44.0%	
	Total	34.0%	52.6%	76.4%	93.8%	

Employment Equity Reporting – Recent Changes / Updates

- **Designated employers now only include:**
  - A person who **employs 50 or more** employees
  - A municipality, as referred to in Chapter 7 of the Constitution
  - An organ of state as defined in section 239 of the Constitution, but excluding the National Defense Force, the National Intelligence Agency and the South African Secret Service
- **A sector is defined to mean:**
  - "An industry or service or part of any industry or service"
- **Objection to Sectoral Targets:**
  - Will allow the Minister to set **race-based quotas** in the private sector – which will be enforceable by **multimillion rand fines**
  - Employers are **bound to use sectoral targets** fixed by the Minister
  - Consultation with employees / Unions will then be meaningless

Employment Equity Reporting - Considerations

- **Key Reminders for Employment Equity Reporting**
  - **Deadline compliance** – employers must submit EE reports by the specified due date to avoid penalties
  - **Accurate data submission** – Reports should reflect actual workforce demographics and progress toward EE targets
  - **Consultation with employees** – employers must engage with employees and consult EE committees in developing and implementing EE plans
  - **Alignment with EE Plan** – Reports should align with the company's EE plan, outlining goals, strategies, and timelines
  - **Record-keeping** – employers must keep records of their EE plans and progress for inspection by labour authorities

Employment Equity Reporting - Considerations

- **Some payroll implications / considerations:**
  - **Turnover threshold** for designated employers is now removed
  - employers with **fewer than 50 employees** are **no longer** designated employers (thus, excluded from Chapter III (Affirmative Action) and equity reporting)
  - **Employers no longer seen as designated employers only need to comply with**:
    - Chapter II of EE Act – Unfair Discrimination (CCMA-finalised cases)
    - National Minimum Wage Act
  - Non-designated employers can still tender even though a "certificate of compliance" **is no longer issued if they meet Chapter II (Unfair Discrimination)** requirements and the **National Minimum Wage requirements**
  - Sectoral targets now **only apply to EEA2 headcount reports**

Items to keep an eye on from a payroll perspective

- **Domestic Workers** – Getting constant review / legislative updates. Households being audited
- **POPI** – More and more legal cases due to breaches in confidentiality, loss of personal data and unsolicited marketing initiatives
- **PAIA** – Access to information. Increase in use of this by disgruntled employees
- **GDPR / ISO** – Security of IT systems and data (technology) under constant scrutiny, particularly by corporates and listed entities. Moving target - constantly being updated / evolving since the advent of AI
- **NHI** – Medical Tax Credits are under constant review :
  - Still **debating funding options** i.e. VAT, MTC's, increased taxes, mandatory payroll levies – this will be the "straw that breaks the camels back"
  - The created narrative is coming back to haunt government – momentum needs to continue BUT there is **simply no money and no proper plan**
- **Electronic Payments** – Banks will soon start adhering to **new security requirements** (e.g. formats) which may impact current EFT formats
- **Pre-pay day advances** – Rapidly gaining momentum (i.e. approx. 500 000 employees already using the various schemes)

Items to keep an eye on from a payroll perspective

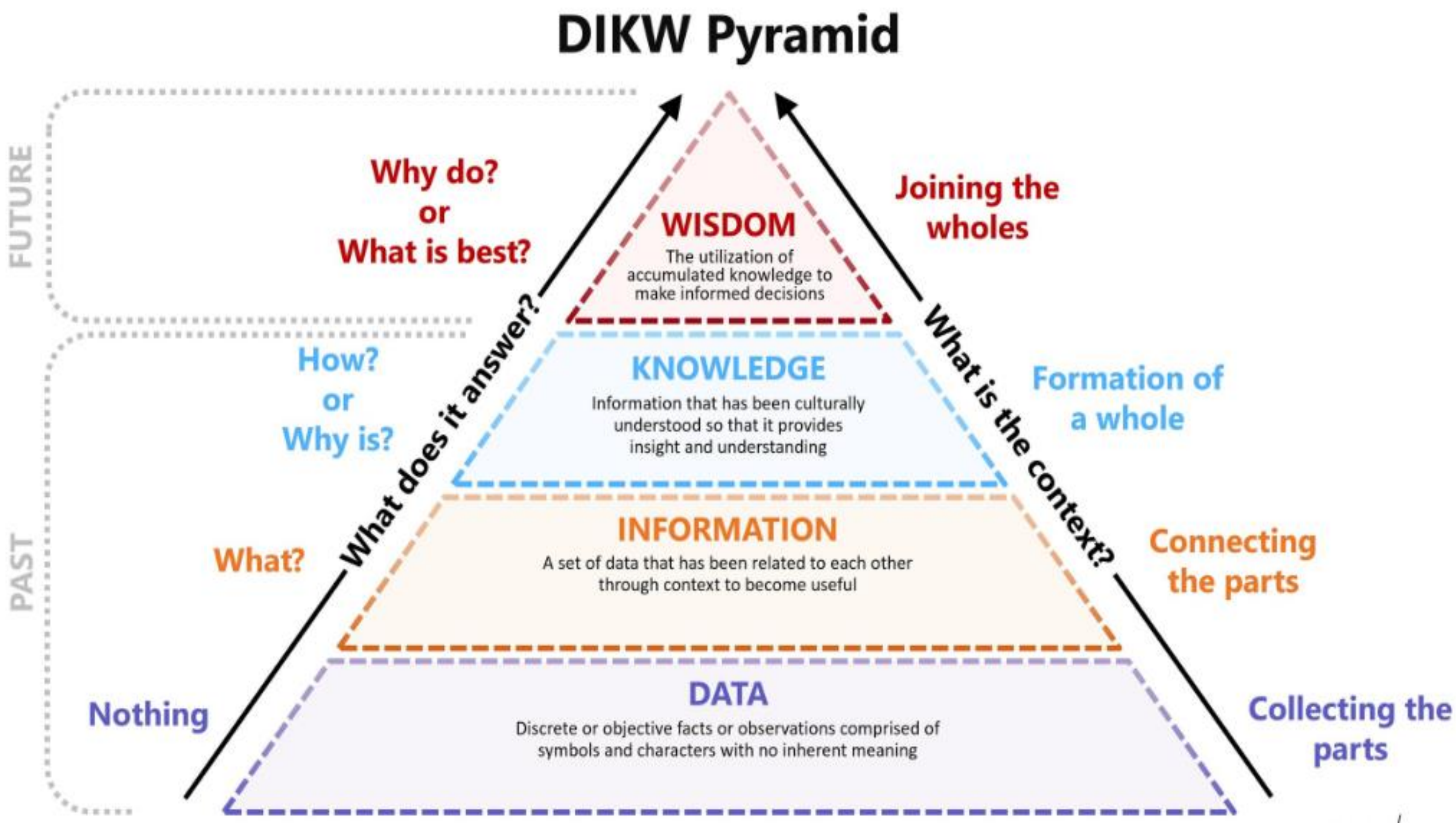
- **AI and Analytics**
  - **This rapidly advancing technology –** will make mundane tasks simpler, faster
  - **Dealing with data and legislation** – fines, penalties etc. are on the rise
  - **Encouragement to use BUT caution in becoming reliant during the early months** – we are still along way from absolute accuracy

Raw data / words = mainly meaningless
Logically grouped and matched = it becomes information
Information = insights and understanding
Insights and understanding = knowledge
Knowledge = predictions and foresight

The goal of AI = wisdom

Items to keep an eye on from a payroll perspective

- **AI and Analytics**



PAYROLL MANAGERS
TAX YEAR END
SEMINAR

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& ASSOCIATES

End of Workbook

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