

Covid-19 lockdown: How it will affect your employer's finances

 By Yolandi Esterhuizen

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With South African businesses facing an unprecedented crisis, many are worried about whether they will be able to afford to pay their employees when they close down operations for the 21-day national shutdown. Some employers are concerned about the morale of employees in these difficult times.



Image source: www.pixabay.com

South Africa's President Cyril Ramaphosa has announced some measures to provide financial relief for distressed employers during this difficult time. Although we are waiting for details on how all of this should be implemented, employers must take note of the following:

Employment Tax Incentive (ETI) reimbursements

Employers can claim the ETI on a monthly basis if they employ qualifying employees. If this is not claimed (and certain conditions are met), then SARS reimburses the employer after the six-month and 12-month reconciliation period is completed. SARS will speed up the payment of these reimbursements to monthly payments.



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Delayed PAYE payments

If you are a tax compliant employer, with a turnover of less than R50m, SARS will allow you to postpone the payment of up to 20% of your PAYE (Pay-As-You-Earn) bill over the next four months. It needs to be clarified how this will be implemented and whether the first allowable postponement will apply to PAYE due on or before 7 April (based on salaries for March), or whether it would only be applicable to PAYE due on 7 May (based on salaries for April).

Temporary employer/employee relief scheme (TERS)

The Department of Employment and Labour has approved a temporary employer/employee relief scheme (TERS). This

enables employers to pay employees with funds made available by the UIF as a TERS allowance. Certain conditions must be met for the UIF to pay the amount to the employer. The maximum TERS allowance payable for each employee, is R17,242 per month.



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Tax subsidies

There will be a tax subsidy of up to R500 per month for the next four months for employees in the private sector who earn less than R6,500. This will be implemented under the Employment Tax Incentive (ETI) scheme. It is yet to be clarified how this will be applied and whether the employer or the employee, or both would benefit from the tax subsidy.

UIF and SDL contributions

Government is exploring the possibility of reducing UIF and Skills Development Levy (SDL) contributions. This will only be applicable for a short period of time. Currently, both an employee and an employer contribute 1% of remuneration (which is subject to UIF) towards UIF, and an employer contributes 1% of remuneration (which is subject to SDL) towards SDL.



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Even though employers are experiencing stressful and difficult times, it shouldn't stop them from running a compliant payroll. The deadline for the employer annual reconciliation (EMP501) remains the end of May.

Employers must not use the PAYE withheld from employees as a cash-flow tool, as this is prohibited by law. They should withhold and pay SARS the correct amount of PAYE and use the other measures available to navigate these times.

ABOUT YOLANDI ESTERHUIZEN

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