



Covid-19 Payroll Webinar

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Outline of the Covid-19 Payroll Webinar

- Absence from Work
 - Compensation Fund Benefit
 - ETI Relief Measure
 - PAYE Relief Measure
 - UIF Benefits
 - Payroll Administration Problems
-
- Queries can be submitted – dealt with at the end



Introduction

- Today's webinar focuses on Covid-19 and Payroll Tax Relief Measures
- Announcements by State President Ramaphosa –
 - On 15 March 2020 - National Disaster
 - On 23 March 2020 - 'Lockdown' of SA for 3 weeks from 26 March to 16 April
- Relevant Legislation for today –
 1. GG 43096 – National State of Disaster
 2. GG 43126 – Compensation Fund Notice
 3. GG 43147 – COGTA Notice of Instructions
 4. GG 43148 – COGTA Regulations
 5. GG 43161 – DoEL 'C19 TERS' Directive
 6. GG – MoF draft Disaster Management Tax Relief Bill
 7. GG – MoF draft Disaster Management Tax Relief Administration Bill



Compensation Fund Relief Measures

Conditions for approval of the Benefit

- Compensation for a previously 'Covid-19 free' employee requires -
 1. Occupationally-acquired i.e. arising out of the 'course of employment'
 2. Occupational exposure to a known source of Covid-19
 3. In the workplace, or outside of the workplace i.e. business trips
 4. Chronological sequence from work exposure to start of Covid-19 symptoms
 5. Reliable diagnosis of Covid-19 as per the WHO guidelines
- Occupations are classified according to 'Exposure' risks -
 1. Very High: Doctors, nurses, paramedics, laboratories, mortuaries
 2. High: Workers in healthcare, medical transport, mortuaries
 3. Medium: Frequent or close contact (within 2 meters)
 4. Low: Little or no close contact (within 2 meter)



Compensation Fund Relief Measures Benefits and Claims Procedures

- Following benefits are provided for –

Type of Benefit

If Approved by the Fund

1. Temporary disablement: CF will pay (up to 30 days)
 2. Permanent disablement: CF will assess each case on merit
 3. Death benefits: CF will pay for burial and pensions
 4. Confirmed cases: CF will pay from diagnosis (up to 30 days)
 5. Unconfirmed cases: Employer must continue to pay
- Compensation claims: Use code U07.1 –
 - Online: CompEasy www.labour.gov.za
 - Manual: Email to covid19claims@labour.gov.za



Tax Relief Measures

PAYE

- The tax relief measures –
 1. Focuses on assisting small to medium businesses
 2. Are limited to tax compliant businesses
 3. Relief assists employers, but thereby saving jobs and assisting employees
- Draft legislation published 1 April 2020 –
 - Disaster Management Tax Relief Bill
 - Disaster Management Tax Relief Administration Bill
- Effective from 1 April 2020 until 31 July 2020
- Tax relief measures that impact on employers and payrolls are –
 1. Deferral of employer's monthly PAYE liability
 2. Expansion of the Employment Tax Incentive



Tax Relief Measures

Deferral of Employers PAYE liability ... *continued*

- Deferral of payment is limited to –
 1. 'Qualifying taxpayers'
 2. A deferral of 20% of PAYE (not SDL and UIF)
 3. Four months starting April (7 May EMP201) and ending 31 July (7 Aug EMP201)
- 'Qualifying taxpayer' is a company, trust, partnership or individual that –
 1. Is tax compliant (all tax returns have been submitted, and no outstanding tax debt)
 2. Has gross income less than R50 million [*Note: some specified income types restricted*]
- Repayment of the deferred PAYE liability in -
 - Six equal monthly instalments
 - Starting Aug 2020 i.e. EMP201 of 7 Sep 2020
 - Ending Jan 2021 i.e. EMP201 of 7 Feb 2021
- Penalties and interest -
 - Not raised on deferred PAYE (if correctly calculated), but raised on repayment defaults



Tax Relief Measures

Deferral of Employers PAYE liability ... *continued*

Deferral of PAYE liability for four months

PAYROLL MONTH	EMP201 PAYE liability	LESS 20% deferral	EQUALS 80% payable	SUBMIT BY
April 2020	R150 000	R30 000	R120 000	7 May 2020
May 2020	R145 000	R29 000	R116 000	5 Jun 2020
June 2020	R155 000	R31 000	R124 000	7 Jul 2020
July 2020	R150 000	R30 000	R120 000	7 Aug 2020
CASH FLOW BENEFIT		R120 000		

Repayment of Deferred Total of R120 000

PAYROLL MONTH	AMOUNT PAYABLE	SUBMIT BY
August 2020	R20 000	7 Sep 2020
September 2020	R20 000	5 Oct 2020
October 2020	R20 000	6 Nov 2020
November 2020	R20 000	7 Dec 2020
December 2020	R20 000	7 Jan 2021
January 2021	R20 000	5 Feb 2021
TOTAL DEFERRED PAYE	R120 000	



Employment Tax Incentive

Principles of ETI

- Purpose of the Employment Tax Incentive Act -
 - To share costs with Government by reducing the PAYE liability on the EMP201
 - '*Eligible employers*' are incentivised to hire '*Qualifying employees*'
- '*Eligible employers*' -
 - Are (broadly) private sector employers that are registered for PAYE
- '*Qualifying employees*' are those that satisfy -
 1. Six standard qualifying tests
 2. The 'age test' (18 to 29 years of age)
- '*Eligible employers*' benefit from ETI for 24 'qualifying' months to a
 -
 - 1. Maximum of R1,000 pm for the 1st 12 'qualifying' months
 - 2. Maximum of R 500 pm for the 2nd 12 'qualifying' months



Employment Tax Incentive Expansion of the 'Age test'

- '*Qualifying employees*' are now those that satisfy –
 1. The six standard qualifying tests
 2. The *expanded* 'age test'
- The *expanded* age test now has 2 new components -
 1. 18 to 29 years old (within the 24 qualifying' months) *[Test unchanged]*
 2. 18 to 29 years old (outside of the 24 qualifying' months) *[New test]*
 3. 30 to 65 years old *[New test]*
- The *expanded* age test applies only –
 1. From 1 April 2020 to 31 July 2020, and
 2. To employers who were registered for PAYE on or before 1 March 2020



Employment Tax Incentive Increase to the value of the ETI

INCREASE TO THE BASE VALUE BY R500 AND ADJUSTMENTS TO THE FORMULAE

Monthly Remuneration	First 12 'Qualifying' Months	Second 12 'Qualifying' Months	Expanded Age Tests (1 April 2020 up to 31 July 2020)
Apply to ->	Qualifying employees (18 to 29 years old)	Qualifying employees (18 to 29 years old)	1. Qualifying employees aged 18 to 29 <u>and</u> outside of the 24 qualifying months 2. Qualifying employees aged 30 to 65
R0 to R2 000	R500 + (50% x monthly remuneration)	R500 + (25% x monthly remuneration)	R500
R2 000 to R4 500	R1 500	R1 000	
R4 500 to R6 500	R1 500 - (75% x (remuneration - R4 500))	R1 000 - (50% x (remuneration - R4 500))	R500 - (25% x (monthly remuneration - R4 500))

- **Note:**

1. The increased ETI values in **red** only apply from 1 April 2020 to 31 July 2020
2. The last column indicating the 'expanded age test' is only in effect from 1 April 2020 to 31 July 2020
3. The above tables do not indicate the 'age test' relaxation from August 2018 for Special Economic Zones



Employment Tax Incentive

ETI Reimbursements paid Monthly

- ETI Act Section 10 amendment -
 - Reimburses monthly when ETI exceeds monthly PAYE
 - Amended to assist employers with their cash flow for four months
- Change to the ETI reimbursement payment principle –
 1. Up to 31 March 2020: Bi-annual reimbursements
 2. From 1 April 2020: Monthly reimbursements
 3. From 1 August 2020: Bi-annual reimbursements
- Reimbursement value is the EMP201 'ETI Carry Forward' value
- Non-compliant employers will not be reimbursed



UIF Benefit Relief Measures Principles

- UIF Benefit types available for Covid-19 scenarios –
 1. Unemployment Uses Credit days
 2. Illness Uses Credit days
 3. Reduced Work Time (RWT) Uses Credit days
 4. C19 TERS Does not use Credit days
- Types of Layoff's –
 1. Permanent Retrenchment Unemployment benefit
 2. Temporary 'Short time' RWT benefit
 3. 'Forced' Layoff 'Lockdown' RWT or C19 TERS benefit



UIF Benefit Relief Measures

Benefit Calculation

- UIF 'Credit Days' -
 - 1 Credit day for every 4 calendar days in a 'contribution' month
 - Credit days x Income Replacement Rate per day = Benefit value
 - Credit days are then reset to zero
- Fixed period' benefits use the specified days –
 - Maternity: 4 months = 17.32 weeks = 121 days
 - Parental leave: 10 days
 - Adoption leave: 10 weeks = 70 days
- C19 TERS days for its benefit calculation –
 1. 21 days 27 March to 16 April, or
 2. 16 days 1 April to 16 April



UIF Benefit Relief Measures

Illness Benefit

1. Employee is not ill but self-isolates -
 - Employer and employee must confirm this arrangement in writing
 - Medical certificate is not required if there is a confirmation letter
 - In this scenario, a sick benefit will be paid for a maximum of 14 days
2. Employee has contracted Covid-19 –
 - Diagnosis and medical certificate required
 - Apply for illness leave as normal
- The illness benefit calculation –
 - Uses credit days



UIF Benefit Relief Measures

Reduced Working Time Benefit (RWT)

- Use the RWT benefit if 'Short time' has been agreed to
- The RWT benefit calculation –
 - Uses, and then resets to zero, credit days
 - Applies the Income Replacement Rate sliding scale (38% to 60%)
 - Takes wage paid by the employer into account to reduce the benefit
- Caution:
 - It may not be beneficial for employees to use the RWT benefit
 - Employees will have different credit days, therefore different benefits
- Can be used for Lockdown's but the C19 TERS is a better option



UIF Benefit Relief Measures

Temporary Employer/Employer Relief Scheme

- C19 TERS benefit should be used for Covid-19 lockdown relief
- Confusing documentation and opinions abound ...
- Application for C19 TERS -
 - Only if your lockdown is as a direct result of Covid-19
 - Send email: Auto-response will email you the application documents
 - MoA should be completed even if you have less than 10 employees
 - Spreadsheet fields discussed on the next slide



UIF Benefit Relief Measures

C19 TERS: Spreadsheet fields

- Contentious fields specified on the application spreadsheet –
 1. Shutdown From: UIF expect 27 Mar or 1 Apr, but flexible
 2. Shutdown Till: UIF expect 16 Apr, but flexible
 3. Remuneration: Last full month's remuneration can be used
 4. Leave Income: Income paid by employer during the shutdown
 5. Sector min wage: The NMW rate will be the default
 6. Bank account: Employer's bank account is the best option
- Ongoing discussions re the difficulties with the spreadsheet



UIF Benefit Relief Measures

C19 TERS Benefit Calculation

- The C19 TERS benefit calculation –
 1. Does not use or reset credit days
 2. Uses the benefit limit of R17 712 to limit remuneration per day
 3. The benefit value can not be less than the sector minimum wage?
 4. Takes wage paid by the employer into account to reduce the benefit
- Point 4 –
 - Only if the employer pays in full there will be no benefit
(Gazette 43161: Directive clause 5.3)
 - See 'Leave Income' previous slide



Payroll Administration Problems During a Lockdown

1. Weekly payrolls –
 - Even if there is no income for all employees, the payroll must still roll-over to the next week
2. Payments to medical schemes, retirement funds, etc.
 - Employer-paid contributions must be paid
 - Employee-paid contributions will have to be paid by the employer
 - Moratorium arrangement?
3. Employee loan repayments will have to be frozen
4. No remuneration will mean no SDL, UIF and no expanded ETI

I think that that is enough for now ...



In Closing ...

Let's just say that there is still some water that must flow under the bridge ...

THANK YOU

Rob Cooper



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