



# Tax and Legal News



July 2020

## Emergency Tax and UIF Relief for the Employer

On 25 July 2021, the President of South Africa announced that additional Tax and Unemployment Insurance Fund (UIF) relief measures would be introduced to counter the adverse impact of the COVID-19 pandemic and to assist in the process of reconstructing businesses destroyed by the recent unrest in South Africa.

The announcement was followed by a National Treasury Media Statement and Draft Explanatory Notes (issued on 28 July 2021) providing further detail on these relief measures.

**This alert highlights the relief measures in relation to the following:**

- UIF COVID19 Temporary Employee/Employer Relief Scheme (C19 TERS);
- Deferral of Employees' tax also known as Pay-As-You-Earn (PAYE); and
- The Employment Tax Incentive (ETI).

### UIF C19-TERS

The C19-TERS will be extended to mainly cover those who have lost their jobs due to the lockdowns.

The UIF will also provide support to people who lost their jobs due to the recent unrest. Details to follow once it has been provided by the Minister of Labour and Employment.

### Deferral of PAYE

It is proposed that the PAYE deferral relief measure be reinstated for another limited three-month period from 1 August 2021 to 31 October 2021 as follows:

- The deferral of the payment of 35% of the PAYE liability, without SARS imposing administrative penalties and interest for the late payment.
- The deferred PAYE liability for the three-month period of August to October 2021 must be paid to SARS in equal instalments over a four-month period commencing on 1 November 2021, (i.e. the first payment must be made on 7 December 2021).
- The proposal will be available to small or medium sized businesses conducted by a company, partnership, individual or trust with a gross income **not exceeding R100 million** for the year of assessment ending on or after 1 April 2021 but before 1 April 2022.
- The inclusion of a limitation that gross income should not include more than 20 per cent of income derived from interest, dividends, foreign dividends, royalties, rental from letting fixed property, annuities and any remuneration received from an employer.
- Rental income derived from the letting of fixed property excludes rental income derived by a person whose primary

trading activity is the letting of fixed property and substantially the whole of the gross income is rental from fixed property.

- The employer must be tax compliant in terms of the Tax Administration Act when making a reduced payment.
- To qualify for this relief measure, the employer should also be registered as an employer with the South African Revenue Service (SARS) by 25 June 2021.

#### The Employment Tax Incentive

It is proposed that an expansion of the ETI be reinstated for another limited four-month period from 1 August 2021 to 30 November 2021, following the design implemented in 2020.

- A R750 increase to the maximum monthly amount of ETI allowable as follows:
  - Employees eligible under the current ETI Act from R1 000 to R1 750 in the first qualifying twelve months and from R500 to R1 250 in the second twelve qualifying months.
  - Allowing a monthly ETI claim in the amount of R750 during this four-month period for employees from the ages of 18 to 29 who are no longer eligible for the ETI as the employer has claimed ETI in respect of those employees for 24 months, or they were in the employer's employ before 1 October 2013.
  - Allowing a monthly ETI claim in the amount of R750 during this four-month period for employees from the ages 30 to 65 who are not eligible for the ETI due to their age.
- Formulae to determine the amount of the ETI claim, will apply to calculate the value of the incentive relative to remuneration received, to introduce the incentive at a positive rate for wages between R0 and R2 000 per month, at a constant value for wages between R2 000 and R4 500 per month, and at a declining rate for wages between R4 500 and R6 500.
- The calculation of the ETI claim based on actual remuneration paid in that month where the employee worked less than 160 hours a month (the remuneration paid to the employee would not need to be grossed-up).
- Where ETI is claimable in instances where the employee was employed for less than 160 hours a month, the incentive claimable will bear the same ratio that the number of hours the employee was remunerated bears to 160 hours. In other words, the incentive would need to be grossed down.
- The inclusion of an anti-avoidance measure to wages below R2 000, which is aimed at limiting potential abuse where an employer claims the incentive despite having significantly reduced the employee's wages.
- Accelerating the ETI reimbursements from twice a year to monthly as a means of getting cash into the hands of tax compliant employers as soon as possible.
- To qualify for this relief measure, the employer should also be registered as an employer with SARS by 25 June 2021.

The Draft Bill in relation to the emergency tax relief measures have not yet been released.

If you have any queries, or require any assistance in ensuring that you take advantage of the above relief measures, please contact us:



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