

# Employers COVID-19 Tax Relief User Guide

## What is the COVID-19 Tax Relief available to Employers?

On 21<sup>st</sup> April 2020 President Ramaphosa announced additional measures to assist employers to provide financial stability to their employees. One of these measures includes a 35% deferral on the monthly PAYE liability owed to SARS for the months of April, May, June and July. In addition, SARS will not impose any penalty or interest on the deferred PAYE liability amount. This means that employers are still liable to pay the remaining 65% as per normal.

Employers making use of this tax relief must pay back the total deferred PAYE liability amount in six equal instalments. These instalments must be paid as follows:

- August 2020 – payment due by 7 September 2020;
- September 2020 – payment due by 7 October 2020;
- October 2020 – payment is due by 6 November 2020 (last business day before the 7<sup>th</sup>);
- November 2020 – payment is due by 7 December 2020;
- December 2020 – payment is due by 7 January 2021;
- January 2020 – payment is due by 5 February 2021;

If an Employer default on the payment of the instalment, penalty and interest will be imposed for the month defaulted.

In addition, a payment holiday for SDL payments for the months May to August was also announced. This means that employers do not have to declare any SDL liability on the EMP201 returns and make payment for the period.

## Which employers qualify for the COVID-19 Tax Relief for PAYE?

To qualify for the COVID-19 Tax Relief for PAYE, employers, excluding Government or Municipality departments, must:

- Be either an:
  - Individual;
  - Partnership;
  - Trust; or
  - Company/ Close Corporation/ Shareblock/ Co-operative'
- Have a gross income of R100 million or less during the year of assessment ending on or after 1 April 2020, but before 1 April 2021; AND
  - That gross income must not include more than 10% of income derived from interest, local & foreign dividends, rental from letting of fixed property and any remuneration received from an employer; OR
  - Is a qualifying micro business who meet the requirements set out in the Sixth Schedule.

**Note:** For further details, please refer to the guide as per the following link:

<https://www.sars.gov.za/TaxTypes/TT/Pages/default.aspx>

- Be fully tax compliant, meaning:
  - Is registered for all required taxes;
  - Have no outstanding returns for any taxes registered for;
  - Have no outstanding debt for any taxes registered for;
- Be registered for PAYE as at 1 March 2020.

## What does it mean to be tax compliant?

Tax compliance means that you:

- Are registered for all required taxes;
- Have no outstanding returns for any taxes you are registered for;
- Have no outstanding debt for any taxes you are registered for, excluding
  - Instalment payment arrangement;
  - Compromise of tax debt;
  - Payment of tax pending objection or appeal
  - Tax debt of R100 or less or any other amount the Commissioner of SARS may determine;

### How can I check if I am tax compliant?

To determine if you are tax compliant, you can:

- Request the latest Statement of Account for the taxes you are registered for to confirm if you have any outstanding returns or debt;
- View your MCP page on eFiling;
- Call the SARS Contact Centre to request your compliance status;

### For which periods can I claim the COVID-19 Tax Relief for PAYE?

The COVID-19 Tax Relief for PAYE is available for the four-month period from 1 April 2020 to 31 July 2020. The first deferment can be claimed in your April 2020 EMP201 return

### How much can I claim for the COVID-19 Tax Relief for PAYE?

The COVID-19 Tax Relief for PAYE is the payment of 65% of the total liability and deferral of 35% of the total PAYE liability for the month.

**Note:** The 35% deferral is only applicable on the PAYE liability declared on the original EMP201 return submitted to SARS. Any increase in the PAYE liability through a request for correction will not be taken in consideration when the 35% deferral is calculated.

### How do I claim the COVID-19 Tax Relief for PAYE?

You can claim the COVID-19 Tax Relief for PAYE on the EMP201 return that you submit monthly. To claim the COVID-19 Tax Relief for PAYE, you must do the following steps:

- Complete the EMP201 as per normal with the **full PAYE Liability**  
**Note:** The form will calculate the PAYE payable at 100%. You cannot change this value;
- Determine the actual amount payable to SARS as follows:
  - Submit the EMP201 to SARS. SARS will issue a statement of account, which will reflect the COVID-19 Tax Relief (deferred amount) for PAYE and the total amount payable for that respective period, to you;

**OR**

- Calculate the Total Payable as (65% of the PAYE Liability) plus SDL Payable plus UIF Payable;  
**Note:** If you make a late payment, you will forfeit the benefit of the COVID-19 Tax Relief for PAYE and SARS will impose penalty and interest on the calculated Total Payable.

**Note:** Check your statement of account 48 hours after submitting the EMP201 to ensure SARS has not revoked the discount due to non-compliance

Please note that no amounts reflecting or indicating the COVID-19 Tax Relief for PAYE will be displayed on the EMP201 form. You have to view your statement of account to see the effect on your account.

Example:

PAYE Liability	35% Tax Relief	PAYE payable	SDL Liability	UIF Liability	Total Payable amount
5 000	1 750	3 250	0	100	3 350
20 000	7 000	13 000	0	400	13 400
54 000	18 900	35 100	0	1 080	36 720

### Can I claim the COVID-19 Tax Relief for PAYE if I claim ETI?

Yes, all qualifying employers can claim the COVID-19 Tax Relief for PAYE regardless of whether they claim ETI or not.

If you claim ETI, you must do the following steps:

- Capture the **full PAYE Liability**  
**Note:** The form will calculate the PAYE payable at 100%. You cannot change this value;
- Capture the ETI Calculated;
- Calculate 65% of the PAYE Liability;
- Limit the ETI Utilised to the lesser of ETI Calculated or 65% of the PAYE Liability;
- Calculate the Total Payable as (65% of the PAYE Liability) less ETI Utilised plus SDL Payable plus UIF Payable;  
**Note:** If you make a late payment, you will forfeit the benefit of the COVID-19 Tax Relief for PAYE and SARS will impose penalty and interest on the calculated Total Payable

**Note:** Check your statement of account 48 hours after submitting the EMP201 to ensure SARS has not revoked the discount due to non-compliance

Please note that no amounts reflecting or indicating the COVID-19 Tax Relief for PAYE will be displayed on the EMP201 form. You have to view your statement of account to see the effect on your account.

Example:

PAYE Liability	ETI Calculated	65% of PAYE liability	ETI Utilised	PAYE Payable	SDL Liability	UIF Liability	Total Payable amount
15 000	12 000	9 750	9 750	0	0	300	300
20 000	18 000	13 000	13 000	0	0	400	400
54 000	20 000	35 100	20 000	15 100	0	1 080	16 180

### Am I obliged to make use of the COVID-19 Tax Relief for PAYE?

The COVID-19 Tax Relief is an option made available to Employers who requires assistance to provide financial stability to their employees during the COVID-19 lockdown period. Should you decide not to make use of this option, you must complete your EMP201 as per normal and make the full payment to SARS by the due date. If you make a late payment, SARS will impose a penalty and interest on the full amount due.

### **How will I know how much to pay back for the deferred PAYE?**

After the 7<sup>th</sup> of August, SARS will determine the six equal payments for total amount that you have deferred and include it in the monthly Statement of Account, which you can request from the 15<sup>th</sup> of August

### **When must I pay back the deferred PAYE?**

The instalments must be paid as follows:

- August 2020 – payment due by 7 September 2020;
- September 2020 – payment due by 7 October 2020;
- October 2020 – payment is due by 6 November 2020 (last business day before the 7<sup>th</sup>);
- November 2020 – payment is due by 7 December 2020;
- December 2020 – payment is due by 7 January 2021;
- January 2020 – payment is due by 5 February 2021;

If you default (short payment or no payment) on the payment of the instalment, penalty and interest will be imposed for the month defaulted.

### **What is the SDL Payment Holiday?**

For the four month period from May to August 2020, employers who are registered for SDL do not have to declare and pay SDL to SARS

### **How do I qualify for the SDL Payment Holiday?**

All employers who are registered for SDL automatically qualify for the SDL Payment Holiday

### **How do I claim the SDL Payment Holiday?**

The SDL payment holiday will be automatically provided. The zero amount SDL Liability will be defaulted on the EMP201 return for the four month period from May to August 2020

### **What is the COVID-19 Tax Relief for ETI?**

On 23<sup>rd</sup> March 2020 President Ramaphosa announced measures to assist employers to provide financial stability to their employees who earn not more than R6500 per month. These measures include an extension of employees who qualifies for ETI, an additional amount up to R750, and the monthly refund payment of any excess ETI claimed.

### **Which employers qualify for the COVID-19 Tax Relief for ETI?**

If you are an ETI qualifying employer and you are fully tax compliant, you qualify for the COVID-19 Tax Relief for ETI.

To determine if you are an ETI qualifying employer, visit the ETI page on the SARS Website at <https://www.sars.gov.za/TaxTypes/PAYE/ETI/Pages/Work-out-if-you-qualify-for-ETI.aspx>

### What does it mean to be tax compliant?

Tax compliance means that you:

- Are registered for all taxes;
- Have no outstanding returns for any taxes you are registered for;
- Have no outstanding debt for any taxes you are registered for, excluding:
  - Instalment payment arrangement;
  - Compromise of tax debt;
  - Payment of tax pending objection or appeal
  - Tax debt of R100 or less or any other amount the Commissioner of SARS may determine;

### How can I check if I am tax compliant?

To determine if you are tax compliant, you can:

- Request the latest Statement of Account for the taxes you are registered for to confirm if you have any outstanding returns or debt;
- View your MCP page on eFiling;
- Call the SARS Contact Centre to request your tax compliance status;

### For which periods can I claim the additional ETI?

The COVID-19 Tax Relief for ETI is available for the four month period from April 2020 to July 2020. The first extended ETI can be claimed in your EMP201 for April 2020

### How much additional ETI can I claim?

An additional amount up to R750 can be claimed for each qualifying employee.

### For which employees can I claim additional ETI?

- Employees who are currently eligible for ETI;
- Employees for whom you have exhausted ETI claims according to the existing rules of the 24 month qualifying cycle, provided the employee is between the age of 18 and 29 (inclusive) and is still in your employ;
- Employees who are between the age of 30 and 65 (inclusive), provided they meet the salary bands and other qualifying criteria;

### How do I calculate additional ETI

Additional ETI is calculated as follows:

- Employees who are in the first qualifying cycle for ETI:

Monthly Remuneration	Determination	Monthly Calculated ETI Amount
R0 – R1999	(50% x monthly remuneration) + R750	R750 – R1749.50
R2000 - R4499	Fixed at R1750	R1750

<b>R4500 – R6499</b>	Formula: $X = A - (B \times (C - D))$ X = monthly calculated amount A = R1750 B = 0,75 C = Monthly Remuneration D = R4500	R 1750 – 250.75
<b>R6500 and more</b>	Nil	R0.00

- Employees who are in the second qualifying cycle for ETI:

Monthly Remuneration	Determination	Monthly Calculated ETI Amount
<b>R0 – R1999</b>	$(25\% \times \text{monthly remuneration}) + R750$	R 750 – R1249.75
<b>R2000 - R4499</b>	Fixed at R 1250	R1250
<b>R4500 – R6499</b>	Formula: $X = A - (B \times (C - D))$ X = monthly calculated amount A = R1250 B = 0,50 C = Monthly Remuneration D = R4500	R1250 – 250.50
<b>R6500 and more</b>	Nil	R0.00

- Employees for whom you have exhausted ETI claims according to the existing rules of a 24 month qualifying cycle, provided the employee is between the age of 18 and 29 (inclusive) and is still in your employ, and;
- Employees who are between the age of 30 and 65 (inclusive), provided they meet the salary bands and other qualifying criteria, you can claim:

Monthly Remuneration	Determination	Monthly Calculated ETI Amount
<b>R0 - R4499</b>	Fixed at R 750	R 750
<b>R4500 – R6499</b>	Formula: $X = A - (B \times (C - D))$ X = monthly calculated amount A = R750 B = 0,25 C = Monthly Remuneration D = R4500	R750 – 250.25
<b>R6500 and more</b>	Nil	R0.00

Example:

Employer has three employees. The employer claims ETI for employee A, the employer exhausted ETI claims for 27-year old employee B two years ago, and Employee C is 34 years old. The employees each earn R4 500 per month. The Employer will be able to retain R3 250 per month.

	Remuneration	ETI	Additional ETI	Total
Employee A	4500	1000	750	1750
Employee B	4500	0	750	750
Employee C	4500	0	750	750
<b>Total</b>	13500	1000	2250	3250

### How do I claim additional ETI?

Additional ETI must be claimed on the monthly EMP201 as follows:

- Calculate ETI as per the existing rules;
- Calculate the total additional ETI amount for the qualifying employees;
- Capture the sum of normal ETI and additional ETI on the EMP201;

Example:

Employer has three employees. The employer claims ETI for employee A, the employer exhausted ETI claims for 27-year old employee B two years ago, and Employee C is 34 years old. The employees each earn R4 500 per month. The Employer will be able to retain R3 250 per month. This amount must be captured in the ETI calculated field on the EMP201.

	ETI	Additional ETI	Total
Employee A	1000	750	1750
Employee B	0	750	750
Employee C	0	750	750
<b>Total</b>	<b>1000</b>	<b>2250</b>	<b>3250</b>

### How will I qualify for an ETI Refund?

ETI can only be offset against the PAYE payable to a maximum of either the PAYE Liability or the ETI calculated for the month. If the PAYE liability is less than the ETI calculated, the excess (ETI carried forward) will be paid as a refund, provided that you are fully tax compliant

Example:

PAYE Liability	ETI Calculated	ETI Utilised	ETI Carried Forward	PAYE Payable	SDL Liability	UIF Liability	Total Payable amount
15 000	20 000	15 000	5 000	0	150	300	450
20 000	18 000	18 000	0	2 000	200	400	2 600
36 500	40 000	36 500	3 500	0	365	730	4 595
54 000	20 000	20 000	0	34 000	540	1 080	35 620

### When will my ETI refund be paid?

During the COVID-19 tax relief, the ETI refund will be paid within 10 days after your EMP201 has been successfully processed, provided that you are fully tax compliant, you have not been selected for an audit and SARS has valid bank details for you.

**Note:** If you are non-compliant for a month, the ETI credit will be carried forward to the next month. However, this credit will be only paid to you at the end of the reconciliation period even if you have resolved your tax compliance status.

### Must the additional ETI be included in the IRP5/IT3(a) certificate?

All additional ETI must be included on the IRP5 certificates. An additional qualifying cycle option must be used for employees who are not normally eligible for ETI either due to the age restriction, or because you have already claimed ETI for the allowable 24 months. For employees who are normally eligible for ETI, use the current options.

Example:

Employer has three employees. The employer claims ETI for employee A, the employer exhausted ETI claims for 27-year old employee B two years ago, and Employee C is 34 years old. The employees each earn R4 500 per month. The Employer will be able to retain R2 500 per month.

	<b>Qualifying Cycle</b>	<b>Remuneration</b>	<b>Calculated ETI</b>
Employee A	1	4500	1750
Employee B	3	4500	750
Employee C	3	4500	750