

COVID-19: Implementation of employees' tax relief in RSA

Article by **Khanyisa Cingo-Ngandu CA (SA)** & **Nokukhanya Madilonga CA (SA)**, Khanyisa is a Director in tax consulting, Nokukhanya is a Senior Specialist in employees' tax.

In terms of current publications by government, employers who expect to earn total gross income of R100 million or less for financial years (years of assessment) ending after 1 April 2020 but before 1 April 2021 do not need to submit an application for the 35% deferral of employees tax.

What this means is, if your financial year end is February, you will need to look at your gross income for the financial year ending on February 2021 as this will be the year of assessment ending after 1 April 2020 but before 1 April 2021 to determine whether or not you qualify for the automatic deferral.

What does government mean when they say the relief is automatic for businesses whose gross income does not exceed R100 million?

- The relief is automatic once you have calculated and submitted your EMP201 return including 100% of employees' tax, SARS will issue a statement showing the 35% deferral of the amount payable, or
- Once you have submitted the EMP201 reflecting the full liability you calculate the amount payable as 65% of the employees' tax liability submitted to SARS. It is important to note that the payment must include other payables like UIF and SDL at 100%.
- **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.

Businesses that do not qualify for the automatic deferral because their gross income exceeds R100 million will need to submit applications to SARS in order to apply the 35% deferral.

Businesses applying for the deferral will need to show SARS that they are not able to make the full payment for employees' tax liability because of COVID-19. i.e show a link between cash-flow difficulties/reduction in revenues and COVID-19. Small to Medium businesses who wish to defer more than the automatic 35% deferral can also submit applications to SARS under the same programme.

If you estimate that your gross income will not exceed R100 million and apply the 35% automatic deferral but the actual gross income for the year exceeds R100 million, SARS will impose the normal interest and penalties on late payment of employee's tax on the amount deferred.

If you would like to apply for the deferral our employees' tax team working with other specialists can assist with;

- Performing a tax risk health check to ensure that you are compliant before you apply the deferral. Where your business is not tax compliant we can assist with resolving outstanding issues to ensure compliance.
- If your gross income exceeds R100 million or you qualify for the automatic 35% deferral and would like to apply for a deferral of a higher amount, assist you with the application for a deferral.
 - o The team will make use of our scenario analysis team to estimate the gross income up to the financial year-end ,
 - o Determine if there is a link between the decrease in revenues and /or cash-flows and COVID-19 using the same software used for scenario analysis and provide the resulting evidence where applicable as part of the application process,
 - o Clear any queries raised by SARS, we will walk with you until the final outcome of the application.