

Disaster Management Tax Relief FAQ's for Employees' Tax, ETI and Provisional Tax

- Updated on 17 April 2020 with one new question, number 12 below.
- Updated on 8 April 2020 with two new questions, numbers 9 and 11 below.
- First published on SARS website on 3 April 2020.

No	Question and Answer
1	<p>Q: What are the tax reliefs announced?</p> <p>A: The following tax reliefs were announced -</p> <ol style="list-style-type: none"> 1. The expansion of the Employment Tax Incentive (ETI); 2. Employees' Tax Deferral of 20% of an employer's total employees' tax liability; and 3. Provisional Tax Deferral of 35% of a taxpayer's provisional tax liability.
2	<p>Q: When does the tax relief take effect?</p> <p>A: All tax relief will take effect from 1 April 2020.</p>
3	<p>Q: Who are qualifying taxpayers?</p> <p>A: For employees' tax: a company, trust, partnership or individual.</p> <p>A: For provisional tax: a company, trust, or individual.</p>
4	<p>Q: What are the requirements to claim the tax relief?</p> <p>A: There are two set of requirements that applies to both employees' tax and provisional tax.</p> <p>First requirement:</p> <ul style="list-style-type: none"> ✓ A taxpayer who is conducting a trade with a gross income of 50 million or less for the year of assessment the period payment is being made for relates to; and ✓ The gross income must not include more than 10% of income derived from interest, dividends, foreign dividends, rental from letting fixed property and any remuneration received from an employer. <p>Second requirement:</p> <ul style="list-style-type: none"> ✓ The taxpayer must be fully tax compliant. That is to say, returns across tax types must have been filed and tax debts paid or arrangements made with SARS regarding any outstanding tax debts. It is important for you to ensure you are compliant for Registration, Filing and Payment of all taxes that you are liable for. ✓ An additional requirement for PAYE and ETI, is that employers must have been registered as an employer with SARS by 1 March 2020 to be able to qualify for these tax reliefs.
5	<p>Q: What if I am not tax compliant?</p> <p>A: You must rectify your tax compliance before submitting the relevant returns for these tax periods. Where a return is received for the stated tax periods, and the taxpayer is identified as non-compliant, no tax relief will be granted.</p>
6	<p>Q: What is the Employment Tax Incentive (ETI) tax relief?</p> <p>A: The expansion of the ETI involves</p> <ul style="list-style-type: none"> ✓ an increase of R500 in the maximum incentive available in respect of qualifying employees (18 – 29 years). This increases the maximum incentive from R1000 to R1500 for the first 12 months of employment and from R500 to R1000 for the second 12 months. ✓ The expansion also covers qualifying young employees after their first 24 months of employment, as well as qualifying employees from 30 to 65. In these cases, the maximum incentive is R500.

	<p>✓ In addition, any unused ETI amounts will be refunded monthly for these stated tax periods “for employees’ tax returns due on 7 May 2020 through to 7 August 2020.”</p>																																																								
7	<p>Q: When are the ETI measures effective from? A: The ETI measures will be available to employers who registered as employers with SARS by 1 March 2020. The measures will form part of the normal ETI system administered by SARS and will take effect from 1 April 2020, running through to 31 July 2020. SARS is working hard to ensure that it will be in a position to refund employers whose ETI exceeds their employees tax liability by the time returns are due for the first period covered. This means that refunds will be available from 7 May 2020, instead of later in the year in the current six monthly cycle of refunds.</p>																																																								
8	<p>Q: What is the Employees’ Tax Deferral? A: The employees’ tax deferral allows qualifying taxpayers to defer 20% of their employees’ tax liability for each tax period from 1 April 2020, running through to 31 July 2020. The remaining 80% must be paid by the relevant due dates.</p> <p>Illustration:</p> <table border="1"> <thead> <tr> <th>Payroll</th> <th>Gross liability</th> <th>20% deferral</th> <th>80% Payable</th> <th>Date due of the 80%</th> <th>Payroll</th> <th>Amount payable</th> <th>Date due</th> </tr> </thead> <tbody> <tr> <td>April</td> <td>150 000</td> <td>30 000</td> <td>120 000</td> <td>07-May</td> <td>August</td> <td>20 000</td> <td>07-Sep</td> </tr> <tr> <td>May</td> <td>145 000</td> <td>29 000</td> <td>116 000</td> <td>05-Jun</td> <td>September</td> <td>20 000</td> <td>05-Oct</td> </tr> <tr> <td>June</td> <td>155 000</td> <td>31 000</td> <td>124 000</td> <td>07-Jul</td> <td>October</td> <td>20 000</td> <td>06-Nov</td> </tr> <tr> <td>July</td> <td>150 000</td> <td>30 000</td> <td>120 000</td> <td>07-Aug</td> <td>November</td> <td>20 000</td> <td>07-Dec</td> </tr> <tr> <td>Cash flow benefit</td> <td></td> <td>120 000</td> <td></td> <td></td> <td>December</td> <td>20 000</td> <td>07-Jan</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>January</td> <td>20 000</td> <td>05-Feb</td> </tr> </tbody> </table> <p>No penalties and interest on the deferred amounts.</p> <p>SARS is also working hard to ensure that its systems are updated to accommodate this change by the time returns are due for the first period covered, which is 7 May 2020.</p>	Payroll	Gross liability	20% deferral	80% Payable	Date due of the 80%	Payroll	Amount payable	Date due	April	150 000	30 000	120 000	07-May	August	20 000	07-Sep	May	145 000	29 000	116 000	05-Jun	September	20 000	05-Oct	June	155 000	31 000	124 000	07-Jul	October	20 000	06-Nov	July	150 000	30 000	120 000	07-Aug	November	20 000	07-Dec	Cash flow benefit		120 000			December	20 000	07-Jan						January	20 000	05-Feb
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9	<p>Q: What amount must I declare on my EMP 201? A: The <u>full employees’ tax liability</u> withheld or deducted from remuneration must be declared (that is, as per normal process). If you are a qualifying taxpayer, only pay 80% of this employees’ tax liability by the relevant due dates. SARS will defer the 20% employees’ tax liability and not impose/charge any penalties and interest on this deferred amount. Note that the full SDL and UIC liability must be calculated and paid as per normal rules.</p>																																																								
10	<p>Q: What is the Provisional Tax Deferral? A: The provisional tax deferral allows qualifying taxpayers to pay –</p> <ul style="list-style-type: none"> • First provisional tax period = 15% of total estimated tax liability • Second provisional tax period = 65% of total estimated tax liability • Third provisional tax period = deferred 35% <p>This applies to first provisional tax payments that are due during the period from 1 April 2020 to 30 September and to second provisional tax payments that are due during the period from 1 April 2020 to 31 March 2021.</p> <p>Illustration:</p> <table border="1"> <tbody> <tr> <td>Estimate Taxable Income</td> <td></td> <td>R 10 000 000.00</td> </tr> <tr> <td>Tax at 28%</td> <td></td> <td>R 2 800 000.00</td> </tr> <tr> <td>First Provisional Tax Period</td> <td>15%</td> <td>R 420 000.00</td> </tr> <tr> <td>Second Provisional Tax Period (Note)</td> <td>65%</td> <td>R 1 400 000.00</td> </tr> <tr> <td>Third Provisional Tax Period</td> <td>35%</td> <td>R 980 000.00</td> </tr> </tbody> </table>	Estimate Taxable Income		R 10 000 000.00	Tax at 28%		R 2 800 000.00	First Provisional Tax Period	15%	R 420 000.00	Second Provisional Tax Period (Note)	65%	R 1 400 000.00	Third Provisional Tax Period	35%	R 980 000.00																																									
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11	<p>Q: What amount must I declare on my IRP6 (provisional tax return)?</p> <p>A: The <u>total estimated tax liability</u> must be declared (that is, as per normal process). If you are a qualifying taxpayer, only pay 15% (first provisional tax period) or 65% (second provisional tax period) of the tax liability by the relevant due dates. The deferred tax liability will not attract any penalties and interest.</p>										
12	<p>Q: Please explain the difference between the current rules for ETI versus the expanded ETI as per the draft Bill?</p> <p>A: The table below provides an overview of the new proposed rules: (1) first 12 months, second 12 months; and two new categories which are only applicable for the months of April, May, June and July 2020.</p> <table border="1" data-bbox="248 696 1560 2024"> <thead> <tr> <th data-bbox="248 696 746 792"><u>Section 7 (2) – current rules for first 12 months</u></th> <th data-bbox="746 696 1240 792">Changes for the months of April, May, June & July 2020</th> <th data-bbox="1240 696 1560 2024"></th> </tr> </thead> <tbody> <tr> <td data-bbox="248 792 746 1964"> <p>(2) During each month of the first 12 months in respect of which an employer employs a qualifying employee, the amount of the employment tax incentive in respect of that qualifying employee, if the monthly remuneration of the employee is—</p> <p>a) less than R2 000, <u>is an amount equal to 50 per cent of the monthly remuneration of the employee;</u></p> <p>b) R2 000 or more but less than R4 500, <u>is an amount of R1 000;</u></p> <p>c) R4 500 or more but less than R6 500, is an amount determined in accordance with the following formula: $X = A (B \times (C D))$ in which formula—</p> <p>i. “X” represents the amount of the monthly employment tax incentive that must be determined;</p> <p>ii. “A” represents the amount of <u>R1 000;</u></p> <p>iii. “B” represents the number 0,5;</p> <p>iv. “C” represents the amount of the monthly remuneration of the employee; 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	<p style="text-align: center;">New insertion - section 7(3A) For the months of April, May, June & July 2020</p>	<p style="text-align: center;">New insertion - section 6(a)(i) For the months of April, May, June & July 2020</p>	
	<p>"(3A) During each month—</p> <p>a) after the first 24 months that the same employer employs a qualifying employee contemplated in section 6(a)(i)(aa)^{NEW} or 6(a)(ii) or (iii); or</p> <p>b) that the employer employs a qualifying employee contemplated in section 6(a)(i)(bb)^{NEW},</p> <p>the amount of the employment tax incentive in respect of that qualifying</p>	<p>(aa) is not less than 18 years old and not more than 29 years old at the end of any month in respect of which the employment tax incentive is claimed; or</p> <p>(bb) is not less than 30 years old and not more than 65 years old at the end of any month in respect of which the employment tax incentive is claimed;".</p>	<p>Summary: For months of April May, June & July 2020—</p> <p>For employees 18 to 29 years that have exhausted the 24 month period & meet all other criteria, an employer may claim –</p>

	<p>employee, if the monthly remuneration of the employee is—</p> <p>i. less than R4 500, <u>an amount of R 500</u>;</p> <p>ii. R4 500 or more but less than R6 500, an amount determined in accordance with the formula: $X = A - (B \times (C - D))$ in which formula— (aa) 'X' represents the amount of the monthly employment tax incentive that must be determined; (bb) 'A' represents the amount of R500; (cc) 'B' represents the number 0,25; (dd) 'C' represents the amount of the monthly remuneration of the employee; and (ee) 'D' represents the amount of R4 500; or</p> <p>R6 500 or more, an amount of nil.</p>		<ul style="list-style-type: none"> • Where remuneration is less than R4 499 = R500 • R4 500 to R6 499 = formula <p>For employees 30 to 65 & meet all other criteria of an qualifying employee, an employer may claim –</p> <ul style="list-style-type: none"> • Where remuneration is less than R4 499 = R500 • R4 500 to R6 499 = formula
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