

TERS payments are exempt from PAYE

Businesses registered with the Unemployment Insurance Fund (UIF) that are suffering financial distress as a direct result of the Covid-19 pandemic qualify to receive financial relief from the Temporary Employee / Employer Relief Scheme (TERS). TERS entitles businesses to receive salary benefits on behalf of its employees for a maximum period of three months, that is, for April, May and June 2020 salaries.

 By [Graeme Palmer](#) 25 May 2020



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How are these TERS payments treated when it comes to paying employees' tax (PAYE)?

Usually an employer is required to deduct PAYE from an employee's remuneration paid or payable. When an employer makes TERS applications it does so for and on behalf of the affected employees. It is the employees who are entitled to the TERS payment not the employer. The employer is only distributing the benefits to the employees on behalf of the UIF. The Covid-19 Directive explains that the employer is distributing the TERS benefits because of the need for social distancing and to avoid individual employee applications being made in person at the Department of Labour.

The TERS payments being distributed by the employer to the employee are made in accordance with the Unemployment Insurance Act, 2001 (UIA). There is a specific exemption from normal tax in section 10(1) (mB) of the Income Tax Act, 1962, of any benefit or allowance payable in terms of the UIA.

Payments made by employers, on behalf of the UIF, to its employees are not remuneration. Therefore, TERS payments should not be reflected as such on employees' payslips, nor should they be included in their PAYE. When calculating other benefits, such as retirement fund contributions, or when claiming employment tax incentives, TERS benefits should also not be considered.

TERS benefits can be paid by employers in advance and the advance payments may be set-off against the payments received by the employer from the UIF. When an advance TERS payment is made, it should be

made to an employee on the explicit understanding that it is an advance on a TERS benefit and not remuneration. PAYE would not then be withheld on such advance payment of benefits.

ABOUT GRAEME PALMER

Graeme Palmer is a director in the commercial department of Garlick & Bousfield.
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