

How to calculate employees Covid-19 UIF TERS benefit payout

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How do we calculate the benefits payable to employers, on behalf of their employees, in terms of the Covid-19 TERS?



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Step 1

The employer must calculate the employee's daily income. The calculation will depend on whether the employee is a weekly or monthly earner.

Daily income for weekly earners is calculated by multiplying the employee's weekly rate by 52 and dividing same by 365. For example: R1,000 a week multiplied by 52 (R52,000) divided by 365 equals R142.47 a day.

Daily income for monthly earners is calculated by multiplying the employee's monthly rate by 12 and dividing same by 365. For example: R15,000 a month multiplied by 12 divided by 365 equals R493.15 a day.

Where an employer's remuneration is over R17,712, however, then a maximum amount of R17,712 must be utilised to calculate the daily wage. For example: R17,712 a month multiplied by 12 divided by 365 equals R582.31.

Step 2

The Income Replacement Rate (IRR) must be determined. It is the percentage of the employee's daily income to which they are entitled to in the form of benefits. The daily income determined in step 1 is used to calculate the IRR. The maximum IRR is 60% and the minimum is 38%. The daily income multiplied by the IRR will provide the daily UIF benefit amount payable by the UIF to the employee.

The IRR is calculated in accordance with the following formula:

$$\text{IRR} = 29.2 (7173.92 / (232.92 + \text{Daily rate of income})).$$

For example, $29.2 + (7173.92 / (232.92 + R142.47))$ equates to 48.31%.

Step 3

Once the daily rate and the IRR have been calculated, then the UIF benefit amount can be calculated. First, one must calculate the daily UIF benefit as follows:

R142.47 multiplied by 48.31% equates to R68.83 per day.

Next, this amount can be multiplied by the amount of days. For instance, R68.83 multiplied by 30 days equates to R2,064.90.

The above calculation process is subject to the following provisos (some of which have already been alluded to above) –

First Proviso: an employee will receive a minimum of R3,500 (subject to the employee not ending up with more than 100% of his/her remuneration once this UIF benefit is added to any other remuneration received);

Second Proviso: an employee may receive no more than R6,638;

Third Proviso: an employer may top up the employee's remuneration provided the top up, taken in conjunction with the UIF benefit (and any remuneration received) may not exceed 100% of the employee's salary.

Step 4

The employer may decide on whether an advance payment, based on the benefit calculation, will be made. If it is an advance payment, the employer must not disclose it in their application for the benefit. If it is disclosed, it will be deemed remuneration / salary which could have an effect on the benefit amount.

Step 5

The employer may decide to pay the employee a portion of their salary during the lockdown. However, the employer must note that the UIF benefit payable to the employee and the salary paid by the employer to the employee should not exceed the employee's total remuneration. If it does, it will have an effect on the UIF benefit amount (as discussed in the above).

Example:

The employee's normal remuneration is R18,640.76, then –

- a. The daily rate will be R17,712 a month multiplied by 12 divided by 365 equals R582,31;

- b. The IRR will be $IRR = 29.2 (7173.92 / (232.92 + 582,31))$ equals 38%;
- c. The UIF benefit amount will be R6,638.40.

However, if the employee receives, for example, a salary of R15,000 during the lockdown period. The UIF benefit will be reduced to R3,640.76 (not R6,638.40) otherwise the employee would end up with more than 100% of R 18,640,76.

Step 6

As discussed above, once the UIF benefit has been paid to the employee, the employer has the option to top up. The top up and the UIF benefit paid to the employee by the UIF must not exceed the employee's total remuneration. If it does, the employer will owe the difference to the UIF. For this reason it would be preferable to obtain the benefit first before electing to make any top up so as to ensure no amounts will have to be paid back to the UIF.

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