BIZCOMMUNITY

Further tax measures to combat impact of Covid-19

By Juanita van der Merwe

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As part of the second phase economic response to the Covid-19 pandemic, National Treasury has published another draft bill to formalise the tax relief measures available to small businesses. The draft legislation aims to clarify several matters which were previously the subject of uncertainty and introduces additional tax measures.

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Employee Tax Incentives

The existing Employee Tax Incentive (ETI) scheme provides for employers to claim a rebate against monthly PAYE payments required to be made to Sars. Employees aged 19 to 29 earning up to R6,500 per month currently qualify for a R1,000 rebate per month for the first 12 months of their employ, whereafter it is reduced to R500 for the next 12-month period.

The relief mechanisms introduced (effective for the four monthly remuneration cycles commencing 1 March 2020 only) provides as follows:

- Employers registered for the ETI will qualify for a R500 monthly claim on each employee between the ages of 30 and 65 (provided they too earn maximum R6,500 per month), as well as for each employee for which the incentive has been exhausted (since it has already been claimed for 24 months in relation to that employee); and
- Rebates qualifying in terms of the existing regime will be increased by R500 per month.

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Expediting VAT refunds

The relief is aimed to expedite VAT refunds – Category A and B vendors that are in a net refund position may apply and submit their VAT returns monthly instead of once every two months effective May 2020.

The relief will operate for a maximum period of four months. It applies to Category A vendors from their April to July 2020 tax periods, and for Category B vendors from their May to August 2020 tax periods.

Provisional tax relief

Taxpayers are eligible for the relief if they are both fully tax compliant in relation to all other matters and have gross income (as defined in the Income Tax Act) not exceeding R100-million annually and do not earn more than 20% of its income from interest, dividends, foreign dividend, fixed property rental and any remuneration received from an employer. The proposed relief only applies to qualifying taxpayers with a year-end between 1 October 2020 and 31 March 2021. The deferral of a portion of the payment of the first and second provisional tax liability will not attract any administrative penalties and interest for the late payments of the deferred amounts.

A first provisional tax payment will be based on 15% of the estimated total tax liability for the relevant tax year, whereas the second provisional tax estimates to be submitted will be based on 65% of the estimated total tax liability. The normal provisions in respect of an underestimation penalty will however apply.

In order to avoid any interest, the deferred provisional tax payments (i.e. the 20% deferred portion) are to be paid by the third provisional top-up date which is no later than 6 months after year-end, or 30 September 2021 if the taxpayer has a February year-end.

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PAYE

In terms of the additional relief measures announced on 21 April 2020, the initial 20% deferment on the monthly PAYE liability owed to Sars for the four-month period 1 April until 31 July has been increased to 35%. Employers are still liable to pay the remaining 65% as per normal.

In terms of the relief the deferred PAYE liability are to be repaid in 6 equal monthly instalments commencing 7 September 2020. The deferred payments will not carry any penalties or interest to the extent that the employer does not default on any of the payments of the instalment, otherwise the standard 10% late payment penalty and interest will be applied and the employer will forfeit the benefit.

SDL

Employers are exempt of the liability and payment of SDL for the months May to August 2020. This means employers do not have to declare or pay any SDL liability for these stated periods.

Donations

The current tax-deductible limit for donations is 10% of taxable income. In terms of the relief, taxpayers will be eligible for an additional 10% deduction in respect of donations made to the Solidarity Fund during the 2020/2021 tax year.

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Taxpayers may opt to make the donations to the Solidarity Fund through their employers. The employers will adjust the PAYE calculations based on the donations made and this will ensure that the employees get the deduction earlier and would not have to wait until their final assessment to claim the deduction. Individuals can donate up to 33.3% of their monthly remuneration for 3 months, or alternatively, 16.66% of their remuneration for 6 months by 30 September 2020.

ABOUT THE AUTHOR

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