

*Tax Facts
South Africa
2019 to 2020*

*Company Taxes and
Fund contributions*



**THE PEOPLE
SOLUTIONS
COMPANY**

Companies Tax Rates 2019 vs 2020

Changes for Tax Year 2020

- SBC Income threshold increase.
- ETI Income threshold increase.

Companies Tax

Financial years ending on any date between	Rate of Tax
Companies - 1 April 2019 - 31 March 2020	28%
Companies in Special Economic Zones	15%

Small Business Corporation (SBC)

Businesses with an annual turnover of R20 million or less.

Financial years ending on any date between 1 April 2019 and 31 March 2020:

Taxable Income (R)	Rate of Tax (R) 2020
0 – 79 000	0% of taxable income
79 001 – 365 000	7% of taxable income above 79 000
365 001 – 550 000	20 020 + 21% of taxable income above 365 000
550 001 and above	58 870 + 28% of the amount above 550 000

Taxable Income (R)	Rate of Tax (R) 2019
0 – 78 150	0% of taxable income
78 151 – 365 000	7% of taxable income above 78 150
365 001 – 550 000	20 080 + 21% of taxable income above 365 000
550 001 and above	58 930 + 28% of the amount above 550 000

Companies Tax Rates 2019 vs 2020

Turnover Tax

Qualifying micro-businesses with an annual turnover of R1 million or less. Period ending between 1 March 2019 and 29 February 2020.

Taxable Turnover (R)	Rate of Tax (R) 2019
0 – 335 000	0% of taxable income
335 000 – 500 000	1% of taxable income above 335 000
500 001 – 750 000	1 650 + 2% of taxable income above 500 000
750 001 and above	6 650 + 3% of the amount above 750 000

Registering for Employee PAYE, UIF and SDL

Client Information System

SARS's Client Information System allows taxpayers and registered representatives to register, maintain and view all its associated tax and customs registrations in a consolidated tax profile. You would only be required to visit a branch once to verify your identity, address and bank details. All additional tax registration can be performed from eFiling, www.sarsefiling.co.za

Employee Tax

Employers are required to withhold employee's tax and pay it over to SARS before the 7th of each month.

UIF (Unemployment Insurance Fund)

Any employer, who is registered with SARS for Employees' Tax, also needs to register to pay UIF contributions. Employers not registered for PAYE must pay the contributions to the Unemployment Insurance Commissioner. The payment can be made using the online link www.ufiling.co.za

- The amount of the contribution due by an employee, must be 1% of the remuneration paid by the employer to the employee.
- The employer must pay a total contribution of 2% (1% contributed by the employee and 1% contributed by the employer) within the prescribed period.
- Annual Income used to calculate UIF is limited to R178 464 per annum. For the monthly calculation the income limit is R14 872.
- The Minister of Labour announced on 17 March 2017 that the limit has been increased to R212 539 a year, but this has not been published by the Minister of Finance yet, and is therefore not yet effective in the contribution.

SDL (Skills Development Levy)

Where an employer is liable to pay SDL, the employer must register with SARS and show the jurisdiction of the Skills Education and Training Authority in South Africa (SETA) within which they must be classified.

An employer is exempt from SDL, if the SDL leviable amount due/paid to all its employees over the next 12 month period won't exceed R500 000.

The SDL is determined on the balance of remuneration after the deduction of all allowable deductions. See SDL Act.

1. Determine total remuneration.
2. LESS: Allowable deductions, balance of remuneration (e.g. pension fund contributions, provident fund contributions, RAF contributions and donations)
3. Leviable amount x prescribed percentage 1%
4. = Skills development levy payable

ETI (Employee Tax Incentive)

The ETI is planned to be in operation until 28 February 2019.

Certain criteria must be met for the employer, as well as the employees to qualify. The employee must meet the following:

- Have a valid South African ID or be an Asylum Seeker.
- Be 18 to 29 years old (unless the company operates in a SEZ)
- Was employed by the employer on or after 1 October 2013
- Is paid a wage of at least R2 000 and not more than R6 000.
- The remuneration amount must be 'grossed up' to 160 hours.

Monthly Remuneration (Rand)	ETI per month during the <u>first</u> 12 months of employment	ETI per month during the <u>next</u> 12 months of employment
0 - 2 000	50% of Monthly Remuneration	25% of Monthly Remuneration
2 001 - 4 500	R1 000	R500
4 501 - 6 500	R1 000 – (0.5 x (Monthly Remuneration – R4 500))	R500 – (0.25 x (Monthly Remuneration – R4 500))

SARS Payments and Reconciliations

The Monthly Employee Declaration (Emp201)

- The amounts deducted or withheld by you, the employer, must be paid to SARS on a monthly basis by completing the EMP201.
- You need to submit your EMP201 and the payment, if applicable, within 7 days after the end of each month, e.g. by the 7th of each month. (If the 7th falls on a weekend or public holiday, you need to submit your EMP201 together with your payment, if applicable, by the last business day before the weekend or public holiday.)
- The EMP201 allows you to adjust an earlier submitted declaration or reallocate credits, whether it is for this period or prior period, for Pay-As-You-Earn (PAYE), Skills Development Levy (SDL), Unemployment Insurance Fund (UIF) and/or Employment Tax Incentive (ETI).

The Bi-Annual Employee Reconciliation (Emp501)

The Employer Reconciliation process is where an employer is required to submit accurate reconciliation declarations (EMP501) in respect of the EMP201 submitted, the payments made and the IRP5/IT3(a) certificates for the:

- Interim period – which is for the transaction period 1 March to 31 August or
- Annual period – is for the full tax year 1 March to 28/29 February.

The Employer Reconciliation process can be completed using the e@syFile™ software.

VAT (Value Added Tax)

Who should register for VAT?

- A vendor making taxable supplies of more than R1 million per annum must register for VAT.
- A vendor making taxable supplies of more than R50 000 but not more than R1 million per annum may apply for voluntary registration.

How does VAT work?

- All prices charged, advertised or quoted by a vendor must include VAT at the applicable rate. Certain supplies and services are subject to a zero rate or are exempt from VAT.
- VAT is now levied at the standard rate of 15% on the supply of goods and services by registered vendors. The tax rate was 14% until 31 March 2018.

The VAT201 return

- The vendor reports to SARS at the end of every tax period on a VAT201 return, where the input tax incurred and other deductions are offset against the output tax collected for a specific tax period and the resulting net liability is paid to or net refund claimed from SARS
- Vendors should normally submit their VAT returns by no later than the 25th day of the first calendar month after the end of the tax period concerned.
- Vendors who are registered to submit their returns electronically via eFiling have until the last business day of the said calendar month to submit their VAT201 together with the payment.

Compensation Fund

Who must register?

Employers - All persons who employ one or more employees for the purpose of their business or farming activities are required to register and to pay annual assessments to the Compensation Fund.

What is the return of Earnings (ROE)?

- At the end of January each year, forms are sent to all the registered employers. These forms must be completed and returned not later than 31 March. The information on the form assists with the raising of assessment.
- The CF-Filing website allows you to electronically file, pay and receive your Letter of Good Standing, www.cf-filing.co.za
- the maximum amount of earnings from R403 500 to R430 944 per annum with effect from 01 March 2018

Which income must be excluded?

- ✓ Payments of a reimbursive nature.
- ✓ Overtime worked occasionally.
- ✓ Ex Gratia payments.
- ✓ Intangible fringe benefits such as subsistence and traveling costs.
- ✓ Travel and other allowances paid occasionally.
- ✓ If a director/member's remuneration is profit sharing.

What are the benefits of the Fund?

- The act makes provision for compensation to the employees for occupational injuries and diseases.
- The employer is protected against all civil claims which may be instituted against him in the event of an injury on duty, even in the event of alleged negligence.

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