

*"In order to minimise the loss of jobs during this critical period, Government proposes expanding the ETI programme for a limited period of 4 months". – National Treasury*

### **EMPLOYEE TAX INCENTIVE ("ETI") PROGRAMME EXPANSION**

*Effective from 1 April 2020 to 31 July 2020*

#### **1. The maximum amount of ETI claimable is increased for employees under the current ETI Act**

Qualifying employees are employees who:

- has a monthly remuneration of less than R6500; and
- are between the ages of 18 and 29

The **new monthly ETI claimable** per qualifying employee is:

- limited to **R1500** in year 1 of employment; and
- **R1000** in year 2 of employment

#### **2. A monthly ETI of R500 is claimable during this 4-month period for the following employees:**

Employees who:

- has a monthly remuneration of less than R6500;
- are between the ages of **18 and 29** who are no longer eligible for the ETI as ETI has already been claimed for 24 months; and
- are between the ages of **30 and 65** (previously not eligible for the ETI due to their age)

#### **3. The ETI payments are accelerated from being paid out twice a year to monthly**

p. 3 – 4 on [Draft Explanatory Memorandum](#)

## **COVID-19 TAX RELIEF MEASURES**

*"Tax compliant small to medium sized businesses play an important role in stimulating economic activity, job creation, poverty alleviation as well as the general improvement of living standards, and are expected to be amongst the hardest hit". – National Treasury*

### **Deferral of the payment of EMPLOYEES' TAX LIABILITY for Small to Medium Sized Businesses**

*Effective from 1 April 2020 to 31 January 2021*

#### Qualifying employers:

A tax compliant resident small or medium sized business is business with an annual turnover of **≤ R50 million for years of assessment ending between 1 April 2020 and 1 April 2021**

#### The proposal:

- **20% of PAYE may be deferred** for the 4-month period 1 April 2020 – 31 July 2020
- SARS won't impose any penalties and interest for the late payment of PAYE

Thus the first payment where cashflow benefits will be realised is on 7 May 2020.

#### The recovery:

The deferred PAYE must be paid to SARS in equal instalments over 6 months from 1 August 2020 to 31 January 2021.

Interest and penalties will apply if the employer has understated the PAYE liability for any of the 4 months in which the deferral is allowed or if the payment plan is not honoured.

p. 5 - 6 on [Draft Explanatory Memorandum](#)

### **Deferral of the payment of PROVISIONAL TAX LIABILITY for Small to Medium Sized Businesses**

*Effective for 12 months starting 1 April 2020 and apply to:*

- the 1<sup>st</sup> provisional tax payments due between 1 April 2020 to 30 September 2020; and
- the 2<sup>nd</sup> provisional tax payments due between 1 April 2020 to 31 March 2021

#### Qualifying employers:

A tax compliant resident small or medium sized business is business with an annual turnover of **≤ R50 million**.

The eligibility criteria for **individuals** carrying on a business is yet to be finalised, but one possibility is that they will be eligible if their **turnover is ≤ R5 million** and no more than **10% of their turnover** is derived from interest, dividends, foreign dividends, rental from fixed property and any remuneration from an employer.

#### The proposal:

- The 1<sup>st</sup> provisional tax payment will be based on **15%** of the estimated total tax liability (usually 50%); and
- the 2<sup>nd</sup> provisional tax payment will be based on **65%** of the estimated total tax liability (as opposed to 100% less the first provisional tax payment)

#### The recovery:

The deferred amount being **35%** of the total estimated tax liability will need to be paid with the 3<sup>rd</sup> provisional tax payment (i.e. the top up payment) within 6 months after year end to avoid penalties and interest being levied by the SARS.

p. 6 - 9 on [Draft Explanatory Memorandum](#)