



Media Statement

UIF TERS Top-up confusion

By Juanita Steenekamp, SAICA Project Director: Tax

Johannesburg, 25 April - With the payment of the first COVID-19 Temporary Employee / Employer Relief Scheme (TERS) benefits, various misunderstandings have come to the forefront.

Following the President's announcement on 23 April 2020, employers and employees assumed that the UIF would top up salaries to the normal salary that the employee would ordinarily receive. The Directive published by the Minister of Employment and Labour, the COVID-19 TERS as amended states that the total of the benefit together with any additional payment by the employer in any period may not be more than the remuneration that the employee would have ordinarily received (clause 3.5). This led to the conclusion by employers and employees that the UIF will top up the remuneration of employees. For example, where an employee receives a normal salary of R6 000 and the employer can now only pay the employee R2 800, the expectation was that the UIF TERS benefit would cover the R3 200 - that is, the difference between the maximum salary of R6 000 that the employee would have received and what the employer can now pay.

Salary paid by employer R2 800

Anticipated UIF TERS benefit R3 200

Total received by employee R6 000

This is unfortunately not the way that the UIF is calculating these benefits.

Based on feedback from the public where UIF TERS benefits were already paid, as well as calculations performed using the UIF formula for benefits, SAICA can confirm that the following is the actual calculation:

For a salary of R6 000 where the employer pays the employee a partial salary of R2 800 the UIF TERS benefit for 35 days is:

The UIF TERS benefit = R3 500 (which is the National Minimum Wage) divided by 30.414 days (which is the average number of days per month used by the UIF) = 115.07 (which is the National Minimum Wage per day), x 35 days (from 27 March to 30 April - all days counted) = R4 027.45

Less amounts paid by employer: $R2\ 800 / 30.414 \times 35 = R3\ 222.20$

The UIF TERS benefit to be paid = R805.25

Employers that were calculating it incorrectly need to immediately correct their payroll and engage their staff, especially where staff were under the impression that the UIF TERS benefit would top up their salary, and employers paid them on this basis before receiving the TERS benefit from the UIF.

SAICA is also of the view that employers that claim the UIF TERS benefit without informing the UIF that they are paying a portion of the salary and then later top-up the salary are not acting within the requirements of the legislation as the UIF specifically requires employers to inform them if they can afford to pay a portion of the salary.

Using the previous example, if the employer could not pay the employee at all and therefore only claimed the UIF TERS benefit, the employee would receive the benefit of R4 027.45 for 35 days.

TERS benefit = R3 500 (National Minimum Wage) divided by 30.414 days (which is the average number of days per month used by the UIF) = R115.07 which is the National Minimum Wage per day x 35 days (from 27 March to 30 April - all days counted) = R4 027.45

UIF TERS benefit to be paid = R4 027.45

The employer cannot now top-up this amount with R1 972.55 to ensure that the employee receives a total salary of R6 000.

Employers and employees need to take note of the difference when calculating the UIF TERS benefit and ensure that they account for the UIF TERS benefit correctly.

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