



PAYE Audits and EMP501's

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Outline

- Managing the EMP501 process effectively is always a difficult task. This year will be particularly difficult due to all the changes implemented during the lockdown period. In this webinar we will explore solutions to the practical problems and difficulties experienced and discuss what SARS expects from us from a compliance perspective.



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EMP501 and Covid considerations



Some useful links

- www.acts.co.za
- www.sars.gov.za
 - Under “Legal & Policy” will find a current copy of the Act, all Practice Notes and all cases
- Specific to Employees Tax
 - <http://www.sars.gov.za/home.asp?pid=187> SARS > Tax Types > PAYE
 - <http://www.sars.gov.za/TaxTypes/SDL/Pages/default.aspx>
 - <http://www.sars.gov.za/TaxTypes/UIF/Pages/default.aspx>

Relevant Interpretation/Practice Notes

- Interpretation Note 5: Directors of Private Companies
- Interpretation Note 16: Foreign employment exemption – update Feb 2017
- Interpretation Note 17: Independent contractors – updated 2018
- Interpretation Note 34: Remuneration for ship crews
- Interpretation Note 35: Personal Service Providers and Labour Brokers – updated 2018
- Interpretation Note 55: Taxation of Directors and employees on vesting of equity instruments

COVID Specific issues

- <https://www.sars.gov.za/Media/Pages/CoronaVirus.aspx>
- <https://www.sars.gov.za/Media/Pages/Tax-Relief-measures.aspx>
- <https://www.sars.gov.za/TaxTypes/PAYE/Pages/FAQs%20Employers---Tax-Relief.aspx>

2020 Reconciliation Process



August 2020 process

- Latest Business Requirements Specification (BRS) available - <https://www.sars.gov.za/TaxTypes/PAYE/Pages/default.aspx>
- EMP501's – submission period will be 14 September to 31 October

Reconciliations

- Additional help?
 - <http://www.sars.gov.za/TaxTypes/PAYE/Pages/PAYE-Annual-Reconciliations.aspx>
 - A Step-by-step Guide To The Employer Reconciliation Process
 - Guide For Validation Rules Applicable To Reconciliation Declarations 2021
 - Guide For Codes Applicable To Employees Tax Certificates 2021

Employers admin obligations - cont

- A copy of the SARS guide is always available on the SARS website
- Responsibility to furnish returns (Para 14)
 - Returns have to be furnished each time PAYE is paid (EMP 201 process)
 - IRP5's can't be issued until EMP 201's are done. Deadlines for EMP 201's at SARS discretion.
 - Penalty of up to 10% of unpaid PAYE if returns not submitted
- Reminder: EVERY employer must register (para 15)
- Reminder: Full value of fringe benefits must be on IRP5

Practical problems

- Payroll related:
 - PAYE deferral
 - ETI
 - TERS

Payroll issues

- Qualifying employers only need to pay 65% of PAYE for payroll months April to July. The remaining 35% is to be repaid in 6 equal instalments on this basis:
 - August 2020 - payment due by 7 September 2020;
 - September 2020 - payment due by 7 October 2020;
 - October 2020 - payment is due by 6 November 2020 (last business day before the 7th);
 - November 2020 - payment is due by 7 December 2020;
 - December 2020 - payment is due by 7 January 2021;
 - January 2021 - payment is due by 5 February 2021;

Payroll issues

- How are you keeping track of this?
- EMP501 reconciliation for August?
- Do you have the cash flow?
- Uncertain how SARS is going to manage this on the EMP201.

Last but not least – did you qualify on final requirements?

- a gross income of R100 million or less during the year of assessment ending on or after 1 April 2020, but before 1 April 2021; AND
 - that gross income must not include more than 20% in aggregate of interest, local & foreign dividends, royalties, rental from letting of fixed property and any remuneration received from an employer;
 - if the rental of fixed property is the primary trading activity and the rental income is substantially the whole of the gross income (at least 90%), disregard this exclusion test; and
 - for purposes of a partnership, use the aggregate partner's gross income from the partnership; or
 - is a qualifying micro business who meet the requirements set out in the Sixth Schedule.
Note: For further details, please refer to the guide on the [Turnover Tax webpage](#).
- Be fully tax compliant, meaning:
 - Is registered for all required taxes;
 - Have no outstanding returns for any taxes registered for;
 - Have no outstanding debt for any taxes registered for;
 - Be registered for PAYE as at 25 March 2020

ETI

- Qualifying employees who are in the first qualifying (12 month) cycle for ETI; or
- Employees who were employed prior to 1 October and who renders services mainly within a SEZ:

Monthly Remuneration	Determination	Monthly Calculated ETI Amount
R0 – R1999	87,5% of monthly remuneration	R0 – R1749.13
R2000 - R4499	Fixed at R1750	R1750
R4500 – R6499	Formula: $X = A - (B \times (C - D))$ X = monthly calculated amount A = R1750 B = 0,875 C = Monthly Remuneration D = R4500	R 1750 – 0.875
R6500 and more	Nil	R0.00



Qualifying employees who are in the second qualifying (12 month) cycle for ETI:

Monthly Remuneration	Determination	Monthly Calculated ETI Amount
R0 – R1999	62,5% of monthly remuneration	R 0 – R 1249.38
R2000 - R4499	Fixed at R 1250	R1250
R4500 – R6499	Formula: $X = A - (B \times (C - D))$ X = monthly calculated amount A = R1250 B = 0,625 C = Monthly Remuneration D = R4500	R1250 – 0.625
R6500 and more	Nil	R0.00

ETI

- Employees for who you have exhausted ETI claims according to the existing rules of the first and second qualifying (24 month) cycles, provided the employee is still in your employment at the end of the month in respect of which the ETI is claimed;
- Employees who are between the age of 18 and 29 (inclusive) who were employed prior to 1 October 2013, provided they meet the salary bands and other qualifying criteria; or
- Employees who are between the age of 30 and 65 (inclusive), provided they meet the salary bands and other qualifying criteria:

Monthly Remuneration	Determination	Monthly Calculated ETI Amount
R0 – 1 999	37,5% of monthly remuneration	R 0 – R 749.63
R2000 – R4499	Fixed at R 750	R 750
R4500 – R6499	Formula: $X = A - (B \times (C - D))$ X = monthly calculated amount A = R750 B = 0,375 C = Monthly Remuneration D = R4500	R750 – 0.375
R6500 and more	Nil	R0.00

Practical issues

- More than likely:
 - April done on 50%
 - May on 75%
 - June on 87,5%
- What did your payroll reflect?
- What did you claim on your EMP201?
- What did you post in your accounting records?
- Did you remember to exclude TERS when calculating your ETI eligibility?
- The ETI has to go onto the IRP5

TERS

- April/May claims cut off will be in September
- From Monday 17 August the July to mid August claims will open for employers:
 - not permitted to commence operations under lockdown regulations
 - unable to make alternative arrangements for vulnerable workers (those above the age of 60 years, or with co-morbidities), such as working from home
 - unable to make use of their services because of the coronavirus restrictions, for example on how many employees can be in the workplace at the same time.

Taxes?

- TERS requires the payment to be on payslip
 - Exempt for Income Tax purposes for employee
- Not deductible for employer as employer is agent for UIF

TERS on Payslip

- 100% correct and accurate for employee.
- Employer:
 - Cash payments to employee will align with payslip
 - Can't claim tax deduction for TERS
 - Technically shouldn't be on EMP201
 - How do you reconcile the EMP201 to payroll then?
 - If you have it in, how are you removing it from your Income Tax calculation?

TERS not on Payslip

- Employee will need to declare it as exempt income.
- Payments to employee won't match payroll.
- How are you providing proof of payment to UIF?
- Where did you reflect the TERS income in your tax return?

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PAYE Audits



Hot topics

Have you included all remuneration?

Travel allowance and fringe benefits

Foreign remuneration

Personal expenditure

Completeness of the payroll

So how do you prepare?

- Clear documentation flow
 - How does information get into your payroll system?
 - How do you reconcile?
 - How do you ensure everything is captured on the payroll?

Reconciliations

- Source documents
- Payroll system
- Monthly payroll
- Payments
- General Ledger

Per Employee

- Copy of Employment Contract
- Supporting documents
 - Timesheets
 - Expense reimbursements
 - Leave schedules
 - Contributions

Specific considerations

- Vehicle issues
 - How do you track the 80/20 rule for travel?
 - Vehicle and travel policies
 - Do you understand how the fringe benefits are calculated?
 - Have you double checked the determined values?
 - Often SARS will pull a log of all vehicles and ask to see them all to check completeness

Specific considerations

- Cell phones
 - Do you have a policy document?
 - If you are applying a nil value to the fringe benefit, do you have paperwork to prove that you've checked the employee qualifies?
 - What about the handset?

Specific considerations

- VAT
 - Have you accounted for the VAT on fringe benefits?
 - Is the calculation correct?
- Personal Service Providers?
- Independent Contractors?

Specific considerations

- Coding
 - Are you using up to date codes?
 - Can you pull up the workings for specific codes?

What is subject to PAYE?

Changes to remuneration, deductions, travel allowances and inclusions of new items



Personal tax rates

2019/20		2020/21	
Taxable income (R)	Rates of tax	Taxable income (R)	Rates of tax
R0 - R195 850	18% of each R1	R0 - R205 900	18% of each R1
R195 851 - R305 850	R35 253 + 26% of the amount above R195 850	R205 901 - R321 600	R37 062 + 26% of the amount above R205 900
R305 851 - R423 300	R63 853 + 31% of the amount above R305 850	R321 601 - R445 100	R67 144 + 31% of the amount above R321 600
R423 301 - R555 600	R100 263 + 36% of the amount above R423 300	R445 101 - R584 200	R105 429 + 36% of the amount above R445 100
R555 601 - R708 310	R147 891 + 39% of the amount above R555 600	R584 201 - R744 800	R155 505 + 39% of the amount above R584 200
R708 311 - R1 500 000	R207 448 + 41% of the amount above R708 310	R744 801 - R1 577 300	R218 139 + 41% of the amount above R744 800
R1 500 001 and above	R532 041 + 45% of the amount above R1 500 000	R1 577 301 and above	R559 464 + 45% of the amount above R1 577 300

Rebates

2019/20

Rebates

Primary	R14 220
Secondary	R7 794
Tertiary	R2 601

Tax threshold

Below age 65	R79 000
Age 65 and over	R122 300
Age 75 and over	R136 750

2020/21

Rebates

Primary	R14 958
Secondary	R8 199
Tertiary	R2 736

Tax threshold

Below age 65	R83 100
Age 65 and over	R128 650
Age 75 and over	R143 850

Medical credits

	2020	2021
	(R)	(R)
Taxpayer and first dependant, each	310	319
Each additional dependant	209	215

Remuneration definition

- Para 2 (1) – Enactment provision
 - Remuneration
 - Salary, leave pay, wage, overtime pay, bonus, gratuity, etc
 - Any gross income inclusion: annuity, compensation for service received, restraint of trade, lumpsum from employer or pension, amounts due under contract of employment
 - Any 7th Schedule Fringe benefit, excluding right of use
 - Any s 8 allowance received (except for allowances paid for employees staying one night or more away from home)
 - 50 % of any allowance granted to holders of public office

Remuneration definition

- Para 2 (1) – Enactment provision
 - Remuneration – cont
 - 80% of any travel allowance, unless reimbursive
 - 80% of any right of use. For both the car allowance: if business use >80%, use 20%
 - 100% of any reimbursive travel in excess of approved rate
 - Any s8B gain
 - Any s8C gain
 - Any amount deemed to be income under s7(11)- this is essentially where an individual has had a maintenance garnishee order attaching to the retirement fund
 - Dividends received
 - For services rendered
 - From a restricted equity instrument
 - From a share buyback/liquidation of a restricted equity instrument

Travel allowance – core principles

- Still have to have a logbook. No deductions for private travel
- For business travel, use rates fixed by Minister. May use actual cost if have paperwork.
- Some provisos if using actual cost:
 - Lease payments must be limited to vehicle cost at max of table
 - Wear and tear has to be done over 7 years, limited to max cost
 - Finance charges also limited

Travel allowance

- Tax treatment is dependant on how the allowances is calculated:
 - Rate more than Minister = PAYE on full amount
 - Rate equal or less than Minister = No PAYE
 - If reimbursive is for more than 12 000km's/annum, remuneration still based on full value of amount.

Travel allowance 2021

R3,98 rate per kilometer

Where the value of the vehicle—	Fixed Cost R	Fuel Cost c/km	Maintenance Cost c/km
does not exceed R95 000	31 332	105.8	37.4
exceeds R95 000 but does not exceed R190 000	55 894	118.1	46.8
exceeds R190 000 but does not exceed R285 000	80 539	128.3	51.6
exceeds R285 000 but does not exceed R380 000	102 211	138.0	56.4
exceeds R380 000 but does not exceed R475 000	123 955	147.7	66.2
exceeds R475 000 but does not exceed R570 000	146 753	169.4	77.8
exceeds R570 000 but does not exceed R665 000	169 552	175.1	96.6
exceeds R665 000	169 552	175.1	96.6

Travel allowance 2021

- Tax treatment is dependant on how the allowances is calculated:
 - Rate more than Minister = PAYE on excess
 - Rate equal or less than Minister = No PAYE
 - If reimbursive is for more than 12 000km's/annum, still not remuneration for PAYE.

Travel allowance considerations

Private	8 287,00	6 851,00
Business	7 708,00	13 149,00
Total km's	15 995,00	20 000,00
	48%	66%

Travel allowance = R250k car

Fixed cost	35 170,55	47 982,67
other	12 602,58	21 498,62
Total allowance	47 773,13	69 481,29
Marginal rate	45%	39%
	21 497,91	27 097,70
Pure reimbursive	27 825,88	47 467,89

Dividends

- Please consider this!
 - Think Employee Share Trust
 - Any form of share option scheme now has further complications
 - NB! Where the tax exceeds the cash payable, employer becomes jointly liable for payment of the tax until the amount is settled/collected from the employee (para 11A)

Section 11F

- The total deduction must not in a year of assessment exceed the lesser of—
 - (a) R350 000; or
 - (b) 27,5 per cent of the higher of the person's—
 - (i) remuneration (other than in respect of any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit) as defined in paragraph 1 of the Fourth Schedule; or
 - (ii) taxable income (other than in respect of any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit) as determined before allowing any deduction under this section and section 18A;
 - (c) the taxable income of that person before—
 - (i) allowing any deduction under this section; and
 - (ii) the inclusion of any taxable capital gain.

Example

- Mr Saver received the following during the 2018 year of assessment:
 - Remuneration of R75 000
 - Interest of R33 800
 - Taxable capital gain on disposal of shares of R300 000
- He contributes R100 000 to his RAF before the end of the year of assessment
- He makes a donation to a PBO of R10 000 for which he receives a section 18A receipt
- Calculate the following:
 - his maximum allowable deduction
 - the deductible RAF contribution
 - his taxable income upon which tax is payable

Solution

	Gross amounts	Taxable income excl donation	Taxable income no CGT
Remuneration	R 75 000,00	R 75 000,00	R 75 000,00
Interest	R 33 800,00	R 10 000,00	R 10 000,00
CGT inclusion	R 300 000,00	R 300 000,00	
	R 408 800,00	R 385 000,00	R 85 000,00
Donation	R 10 000,00		R 10 000,00
Taxable income	R 398 800,00	R 385 000,00	R 75 000,00

Deduction is lesser of:

- R350 000
- R75 000 or
- 27,5% of R385 000 = R105 875

Retirement changes cont

- If an individual contributes more than R350 000 per year to retirement funds, this must be presumed to be contributed equally over the course of the year. In other words, R29 166 is granted as a deduction per month. (Proviso to para 2 of the Fourth Schedule)

Tax directives

- Must now get a directive for ANY lump sum paid to an employee
 - As compensation for loss of office
 - From a retirement fund
- **IRRESPECTIVE!!** Of whether taxed at normal rates or table rates

UIF

- Learnership allowances now subject to UIF

Employees Tax

4th Schedule – The complete set of rules



Employers admin obligations

- Payment to SARS within 7 days of month end (para 2) (SARS Practice: Payment MUST be accompanied by an EMP201, and on the last working day before the 7 days are up)
- Liability to SARS cannot be offset/reduced by any other obligations the employer or employee may have. (para 3)
 - Overrides any other rule of law to state that “remuneration” in all other cases = Remuneration less employees tax
- If the employer fails to deduct – they become liable (para 4, 5 and 6)
 - Must pay any shortpaid PAYE by normal due date (considered a penalty for IT purposes, NOT DEDUCTIBLE)
 - Commissioner has discretion to waive the forced payment by the employer
 - If not waived, the employer has right of recovery from employee AND the employee may not demand an IRP5 which includes such amount

Employers admin obligations - cont

- Late payments carry a 10% penalty, which can be waived on application
- All other penalties housed in the TAA Act apply:
 - Underestimate, non compliance, etc
- Employers and employees cannot contractually agree to pay a lower amount of employees tax (Para 7), however the employee may request that a higher amount is withheld (para 2(2))

Employers admin obligations - cont

- Special cases from TAA
 - S180: Liability for persons who control/ manage the financial affairs of a taxpayer AND a senior SARS official is satisfied of negligence or fraud
 - Group Financial Manager of Co A forgets to run the PAYE payments for a month. GFM is PERSONALLY liable for the tax if a SARS official deems it negligence or fraud.
 - S183: Any person who KNOWINGLY helps a taxpayer get rid of assets to avoid paying taxes also becomes personally liable.
 - S181 and s182 could also potentially apply. Both give SARS a right of recovery against the recipient.
 - S181 deals with winding up of companies
 - S182 deals with connected persons who receive assets for no/inadequate consideration from taxpayers

Employers admin obligations - cont

- Annual IRP5's must be issued (Para 13)
 - Has to be delivered within 60 days of period end.
 - If employee leaves, within 14 days (there is an exemption for casual labour that may be rehired)
 - Employers obligation to give to employee, employees obligation to apply if not received
 - Postage to representative of employee is sufficient. Personal delivery preferable
 - All IRP5 reissues MUST be marked "Duplicate" unless specific permission has been given by the Commissioner.
 - Manual IRP5's that are spoiled may not be destroyed, kept for review by Commissioner (this applies to unused ones too)

Remuneration considerations

- Timing
 - Fringe benefits in the month granted
 - Allowances as granted
 - s7B Variable remuneration
 - Overtime, bonus or commission
 - Transport expense allowance
 - Leave payout
 - DATE PAID – not date accrued

Remuneration example

- Bob receives an annual salary of R100 000 from Employer A. He also has the right of use of a company car with a determined value of R200 000. He maintained a detailed log book and used his car for business purposes for 15 000 of the 20 000 km's travelled this year. The employer bears the maintenance, fuel and running costs of the vehicle. He also won the prize for Employee of the Year valued at R10 000. He was also awarded an honorarium of R5 000 from a charity he volunteered at during the year.
 - What is his remuneration for the year?
 - How would the answer change if his business travel increased to 19 000 out of the 20 000 km's?
 - What is his taxable income based on (a)?

Remuneration solution

Salary	R 100 000,00
Right of use(200 000 x 3,5% x 12 x 80%)	R 67 200,00
Prize	R 10 000,00
Honorarium – not applicable to Emp A	R -
	<hr/>
	R 177 200,00
B) Salary	R 100 000,00
Right of use (200 000 x 3,5% x 12 x 20%)	R 16 800,00
Prize	R 10 000,00
Honorarium – not applicable to Emp A	R -
	<hr/>
	R 126 800,00

Remuneration solution

C) Salary	R 100 000,00
Right of use (200 000 x 3,5% x 12)	R 84 000,00
Prize	R 10 000,00
Honorarium	<u>R 5 000,00</u>
	R 199 000,00
Less: Business use deduction (84 000 x 15/20)	<u>-R 63 000,00</u>
Taxable income	<u><u>R 262 000,00</u></u>

Labour brokers/PSP

- NB: It is the EMPLOYERS responsibility to determine the tax status of the person receiving the payment! From the employers point of view:
- For natural persons, withhold on balance of remuneration according to tables.
- For labour brokers withhold as per the tables.
 - Labour broker: “natural person who for reward provides a client of such a business with other persons to provide a service for which services such other persons are remunerated by such person”
 - May ONLY treat them as independent contractors if they provide you with an IRP 30.

Labour brokers/PSP

- Personal Services Provider
 - Company/trust where any service rendered on behalf of such company is rendered personally by a connected person to the company AND
 - Person providing the service would normally be considered an employee OR
 - Duties performed mainly at the premises of the client, subject to the control/management of the client OR
 - 80% of the income of such company comes from one client
 - Not applicable IF company/trust has three full time employees involved in rendering services who are not connected persons to the company/trust
 - As the employer, you will be required to withhold PAYE at 28% on any payments made to such companies. 40% if it's a trust. Remember it's the EMPLOYER's responsibility to check status. The Act allows for reliance on a "good faith" declaration/affadavit) by a company/trust that they are not a PSP (para 2(1A))

Labour brokers/PSP

- Impact on Labour broker/PSP?
 - Significant cash flow implications
 - S23(k) applies, which limits the expenditure which is allowed as a deduction quite severely
 - If classed as a PSP, the company is not eligible to be taxed on the Small Business Corporation Rates.
-
- Co A performs a service for Co B and will be paid R100 000. Co A is classed as a PSP.
 - What is the impact for Co B?
 - What is the impact for Co A?

PSP Solution

- Co B will have to pay Co A 72 000 and pay SARS 28 000 on behalf of Co A as PAYE.
- Co B will only receive 72 000 from Co B. The PAYE paid to SARS will be set off against its subsequent provisional tax payment.

Balance of remuneration and medical credits

- Para 2(4) – concept of “balance of remuneration” simply = remuneration minus
 - s11F contributions
 - OPTION: RAF contributions if employee shows proof
 - RAF contributions made by employer
 - Donations made by the employer on the employees behalf, ltd to 5% of remuneration
- NB: Contributions must be pro rata'd to periods! If an individual contributes more than R350 000 per year to retirement funds, this must be presumed to be contributed equally over the course of the year. In other words, R29 166 is granted as a deduction per month. (Proviso to para 2 of the Fourth Schedule)

Example:

- Bob earns a cash salary of R 100 000, and received a bonus of R 20 000. During the year he made pension fund contributions of R 10 000, medical aid contributions of R20 000. What will his withholding tax be calculated on?

Balance of remuneration solution

- R 100 000 + R 20 000 – R 10 000
- = R 110 000

- Para 9 – tells you to use deduction tables issued by SARS. Please remember that the result of this calculation must then be reduced by the medical credits for the payment period!

Balance of remuneration and medical credits:

- Remember that for under 65's, can only take medical credit into account
- For over 65's can take s6B credits into account too.

Refresher on medical credits

- Calculate the tax liability of Whelpling based on the following information:
 - Sales of R250 000
 - Purchases of R 80 000
 - Interest received of R 10 000
 - Salaries paid of R 6 000
 - Bank charges of R 1 000

- On the assumption it's a natural person over 75
- On the assumption it's a natural person under 65
- On the assumption it's a company

Now what

	Over 75	Under 65	Company
Income:	250 000	250 000	260 000
Sales	250 000	250 000	250 000
Interest received	-	-	10 000
Less deductions:	87 000	87 000	87 000
Purchases	80 000	80 000	80 000
Salaries	6 000	6 000	6 000
Bank charges	1 000	1 000	1 000
Taxable Income:	163 000	163 000	173 000
Tax liability	29 340	29 340	48 440
Rebate	25 893	14 958	
Normal tax liability	3 447	14 382	48 440

Medical credits

	2020	2021
	(R)	(R)
Taxpayer and first dependant, each	310	319
Each additional dependant	209	215

Additional credit for natural persons

s6B Credits for qualifying medical expenses

- If over 65: (Medical scheme contributions – 3 times the s6A credit)*33,3% + qualifying medical expenses*33,3%
- If disabled: (Medical scheme contributions – 3 times the s6A credit)*33,3% + qualifying medical expenses*33,3%
- Everybody else: ((Medical scheme contributions – 4 times the s6A credit) + qualifying medical expenses less 7,5% of taxable income before retirement amounts)*25%

Example

- Calculate the tax liability of Joe based on the following information:
 - Salary of R170 000
 - Provident fund contribution of R18 000 for the year
 - Medical aid contributions of R36 000 for the year
 - Qualifying medical expenses of R8 000
- On the assumption he's over 65
- On the assumption he's under 65
- On the assumption he's under 65 with 3 dependants

Example

	Over 65	Under 65	Under 65
Income:	224 000	224 000	224 000
Salary	224 000	224 000	224 000
Less deductions:	18 000	18 000	18 000
Provident fund	18 000	18 000	18 000
Taxable Income:	206 000	206 000	206 000
Tax liability	37 080	37 080	37 080
Rebate	23 157	14 958	14 958
s6A	3 828	3 828	12 816
s6B	10 828	3 310	-
Normal tax liability	-	14 985	9 306

s6A is simply monthly amount times 12 for number of dependants

s6B

	<u>Over 65</u>	<u>Under 65</u>	<u>Under 65</u>	
Medical aid contribution	36 000	36 000	36 000	A
s6A credit	3 828	3 828	12 816	B
Remaining	24 516	20 688	-	A - 3/4*B
Qualifying medical expenditure	8 000	8 000	8 000	
Subtotal	32 516	28 688	8 000	
7,5% limit	N/A	15 450	15 450	
	32 516	13 238	-	
s6B credit	10 828	3 310	-	

Severance benefits

- Amounts received by a person
- By arrangement or from an employer (excludes retirement funds)
- As a result of loss of office and:
 - The person is over 55 OR
 - Loss of office is due to illness, injury or incapacity OR
 - Retrenchment
- These items are NOT to be treated as normal remuneration. They are taxed according to their own table and are cumulative with the retirement lump sums. An employer will be required to get a directive for the amount to be withheld.

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