



# COVID-19 TAX RELIEF MEASURES AFFECTING PAYROLL ALL YOU NEED TO KNOW

**Note:** These are unprecedented times which may lead to ever-changing information. The information in this document is up to date at the time of writing. Please ensure that you are registered on Sage City to keep up to date with any changes and product-specific information. Where relevant, references will be provided to other documents or websites.

Due to the Covid-19 pandemic, declared as a national disaster, various relief measures were announced and published. This document will discuss and explain the relief measures affecting payroll.

## Tax Relief Measures

The Ministry of Finance published the Disaster Management Tax Relief Act and the Disaster Management Tax Relief Administration Act on 5 November 2020. These Acts provide for relief measures for employers i.r.o the employment tax incentive (ETI), PAYE and SDL. These measures contained in the Acts took effect on 1 April 2020, unless mentioned otherwise.

## Employment tax incentive (ETI) relief measures

### Background

The employment tax incentive came into effect on 1 January 2014 and was extended to end on 28 February 2029. Qualifying employers can claim an incentive for qualifying employees by reducing the PAYE payable by the employer.

A **qualifying employer** is a private sector employer who is registered for employees' tax (PAYE) and who;

- is not in the national, provincial or local sphere of government,
- is not a public entity listed in Schedule 2 or 3 of the Public Finance Management Act (other than those public entities designated by the Minister of Finance by Notice in the gazette),
- is not municipal entity, and
- is not disqualified by the Minister of Finance due to displacement of an employee or by not meeting such conditions as may be prescribed by the Minister by Regulation.

A **qualifying employee** is an employee who;

- has a valid South African ID, a valid asylum seeker permit or valid refugee ID,
- is 18 to 29 years old on the last day of the calendar month or is any age and renders services mainly (more than 50%) within a special economic zone (SEZ) to an employer that carries on trade within a SEZ who is a qualifying company as contemplated in the Income Tax Act under the SEZ regime,
- was employed by the employer or associated person on or after 1 October 2013,
- is not a connected person in relation to the employer,
- is not a domestic worker,
- earns at least the minimum wage (the higher of the minimum wage as specified by a wage regulating measure or the National Minimum Wage Act, or if none of these are applicable - R2 000 wage for a full month which is 160 ordinary employed and remunerated hours), and
- earns monthly remuneration of less than R6 500 (i.e. remuneration for a full month, which is 160 employed and remunerated hours). If the employee was not employed and remunerated for a full month, the actual remuneration must be grossed-up to 160 hours. Please note that this is remuneration as defined in paragraph 1 of the Fourth Schedule to the Income Tax Act).

The incentive is available for a maximum of 24 months (need not be consecutive) per qualifying employee (previous employment and employment with an associated person must be taken into account), broken up into the 'first 12 months' period and the 'next 12 months period' as per the table below. If the employee was not employed and remunerated for a full month (i.e. 160 employed and remunerated hours) the ETI amount must be pro-rated according to the actual employed and remunerated hours in relation to 160 hours.

Monthly remuneration	First 12 months	Next 12 months
R0 – R1 999.99	50% of monthly remuneration	25% of monthly remuneration
R2 000 – R4 499.99	R1 000	R500
R4 500 – R6 499.99	Formula: R1 000 - (50% x (monthly remuneration – R4 500))	Formula: R500 - (25% x (monthly remuneration – R4 500))

## Relief measures

These measures are deemed to come into operation on 1 April 2020 for a 4-month period until 31 July 2020 (unless mentioned otherwise). These measures and new rules only apply to employers who are registered for employees' tax with SARS on or before 25 March 2020. Changes are indicated in **blue**.

A **qualifying employee** is an employee who;

- has a valid South African ID, a valid asylum seeker permit or valid refugee ID,
- is 18 to 29 years old on the last day of the calendar month and was employed before, on or after 1 October 2013 by the employer or associated person,  
is 30 to 65 years old on the last day of the calendar month and was employed before, on or after 1 October 2013 by the employer or associated person,  
is any age and renders services mainly (more than 50%) within a special economic zone (SEZ) to an employer that carries on trade within a SEZ who is a qualifying company as contemplated in the Income Tax Act under the SEZ regime and was employed before, on or after 1 October 2013 by the employer or associated person,

- is not a connected person in relation to the employer,
- is not a domestic worker,
- earns at least the minimum wage (from 1 May 2020 to 31 July 2020, it may not be less than the minimum wage as specified by a wage regulating measure or the National Minimum Wage Act), and
- earns monthly remuneration of less than R6 500. Please note that this is remuneration as defined in paragraph 1 of the Fourth Schedule to the Income Tax Act. For April 2020, remuneration should have been grossed-up to 160 hours if the employee was employed and remunerated for less than 160 hours. Effective May 2020 until July 2020, no remuneration gross-up calculation should be done, irrespective of the employed and remunerated hours value. Therefore, the actual remuneration value for the month should be used to determine if the remuneration is less than R6 500.

Example:

	Before May 2020 (and after July 2020)	From 1 May 2020 – 31 July 2020
Actual remuneration for the month	R2 600	R2 600
Employed and remunerated hours for the month	130 hours	130 hours
Monthly remuneration used to calculate the ETI amount	R3 200 (R2 600 / 130 x 160). A gross-up calculation is required since the employed and remunerated hours are less than 160.	R2 600 (no gross up calculation required for this month).

**The ETI amounts have increased/changed to the following (changes indicated in blue):**

Monthly remuneration	First 12 months	Next 12 months	Months exceeding 24 months/30–65 years of age
Apply to:	Qualifying employees aged 18 to 29 years old and employed on/after 1 October 2013, or qualifying employees who qualify according to the SEZ criteria and employed before, on or after 1 October 2013, or	Qualifying employees aged 18 to 29 years old and employed on/after 1 October 2013, or qualifying employees who qualify according to the SEZ criteria and employed before, on or after 1 October 2013, or	Qualifying employees aged 18 to 29 years old and employed on/after 1 October 2013 and have already qualified for 24 months, or Qualifying employees who qualify according to the SEZ criteria and employed before, on or after 1 October 2013 and have already qualified for 24 months, or qualifying employees aged 18 to 29 years old and employed before 1 October 2013 qualifying employees aged 30 to 65 years old and employed before, on or after 1 October 2013

Monthly remuneration	First 12 months	Next 12 months	Months exceeding 24 months/30–65 years of age
R0 – R1 999.99	<b>87.5%</b> of monthly remuneration	<b>62.5%</b> of monthly remuneration	<b>37.5% of monthly remuneration</b>
R2 000 – R4 499.99	<b>R1 750</b>	<b>R1 250</b>	<b>R750</b>
R4 500 – R6 499.99	Formula: <b>R1 750 - (87.5% x (monthly remuneration – R4 500))</b>	Formula: <b>R1 250 - (62.5% x (monthly remuneration – R4 500))</b>	<b>Formula: R750 - (37.5% x (monthly remuneration – R4 500))</b>

- All ETI amounts must be pro-rated if the employee was employed and remunerated for less than 160 hours in the month. Therefore, it is vital that the correct employed and remunerated hours (ordinary/contractual, unpaid and additional hours) must be captured/indicated in the system for all employees, to ensure the correct ETI calculation is applied.
- Employers who are not registered for employees' tax with SARS on or before 25 March 2020 may claim ETI, but not the additional ETI as indicated in the table above.

### ETI refunds:

SARS has accelerated the payment of employment tax incentive reimbursements from twice a year to monthly as a means of getting cash into the hands of tax compliant employers.

Please note that 'reimbursements' are the 'ETI Carry Forward' value on the EMP201. This amendment is effective from 1 April 2020 and applies in respect of any remuneration paid on/before 31 July 2020.

**Take note:** No changes were made to the payroll system to accommodate this. This was an administrative requirement by SARS after the employer has submitted and paid the EMP201 before the deadline.

### Examples to illustrate the additional ETI relief

Example 1:

Employer XYZ employs 3 qualifying employees.

- Employee A (aged 22): Has qualified for ETI 4 times before May 2020, the month of May is his 5th qualifying month. All qualifying criteria are met. The employee's monthly remuneration is R3 500.00. Employed and remunerated for a full month.
- Employee B (aged 28): Has qualified for ETI 24 times before May 2020. All qualifying criteria are met. The employee's monthly remuneration is R3 000.00. Employed and remunerated for a full month.
- Employee C (aged 40): Has not qualified for ETI before. All qualifying criteria are met. The employee's monthly remuneration is R6 000.00. Employed and remunerated for a full month.

	Normal ETI	Covid-19 ETI relief
Employee A	R1 000	R1 750
Employee B	R0	R 750
Employee C	R0	R187.50 (R750 – (37.5% x (R6 000 – R4 500))
<b>Total ETI:</b>	<b>R1 000</b>	<b>R2 687.50</b>

## Example 2:

Employer XYZ employs 3 qualifying employees.

- Employee A (aged 22): Has qualified for ETI 14 times before May 2020, the month of May is his 15th qualifying month. All qualifying criteria are met. The employee's monthly remuneration is R3 500.00. Employed and remunerated for 100 hours.
- Employee B (aged 28): Has qualified for ETI 24 times before May 2020. All qualifying criteria are met. The employee's monthly remuneration is R3 500.00. Employed and remunerated for 100 hours.
- Employee C (aged 32): Has qualified for ETI 5 times before May 2020. All qualifying criteria are met. The employee's monthly remuneration is R6 000.00. Employed and remunerated for 100 hours.

	Normal ETI	Covid-19 ETI relief
Employee A	R 500	R781.25 (pro-rata: R1 250 / 160 x 100)
Employee B	R0	R 468.75 (pro-rata: R750 / 160 x 100)
Employee C	R0	R117.19 (R750 – (37.5% x (R6 000 – R4 500))) (pro-rata: R187.50 / 160 x 100))
Total ETI:	<b>R 500</b>	<b>R1 367.19</b>

## Pay-as-you-earn (PAYE) relief measures

### Deferral of payment of PAYE for qualifying employers:

A 'qualifying employer' that is a tax resident (or representative) that was registered for employees' tax by 25 March 2020, for a limited period of 5 months from 1 April 2020 – 31 August 2020 was allowed:

- To pay only 65% of the employees' tax withheld/deducted (PAYE liability) without SARS imposing penalties and interest for the late payment thereof. Therefore, the PAYE payable for April (which had to be paid before 7 May) could have been reduced by 35% and only 65% was payable. The same applied for the following four months of May, June, July and August.

The remaining 35% must be paid to SARS in 6 equal monthly instalments commencing on 7 October 2020 (EMP201 of September 2020) and ending on 5 March 2021 (EMP201 of February 2021). If these payments are not made before the deadline, SARS will impose penalties and interest.

The employer still had to declare the full PAYE liability as calculated by the system during this five-month period. SARS will impose penalties and interest if they discover that the employer has understated the PAYE liability for any of the 5 months or if the employer did not qualify due to not being tax compliant.

Please refer to the [SARS FAQ](#) for information on the administrative requirements i.r.o the deferred PAYE.

'Qualifying employer' is a company, partnership, trust or individual;

- that is a taxpayer as defined in section 151 of the Tax Administration Act that conducts trade,
- that conducts a trade during the year of assessment ending on/after 1 April 2020 but before 1 April 2021 and has a gross income of R100 million or less during that year of assessment (this requirement will be deemed to have been met if the Commissioner is satisfied that the taxpayer's estimate of the gross income for that year of assessment, when making a reduced payment was seriously calculated with the due regard to the factors having a bearing thereon and was not deliberately or negligently understated),

- whose gross income for the year of assessment does not include more than 20% in aggregate of interest, dividends, foreign dividends, royalties, rental from letting fixed property, annuities and any remuneration received from an employer, and
- that is tax compliant as referred to in section 256(3) of the Tax Administration Act when relying on a deferral under this Act, provided that -
  - the gross income of a partnership for this purpose is the aggregate of the partner's gross income from the partnership, and
  - the 3rd bullet above must be read without the reference to rental from letting fixed property, if the primary trading activity of the company, trust, partnership or individual is the letting of fixed properties and substantially the whole of the gross income is rental from fixed property.

Example:

Employer A is a qualifying employer.

Payroll Month	Gross PAYE liability as calculated by the system and declared on EMP201	Less 35% deferral	Equals 65% payable to SARS	Deadline Date
April 2020	R150 000	R52 500	R97 500	7 May 2020
May 2020	R145 000	R50 750	R94 250	5 June 2020
June 2020	R155 000	R54 250	R100 750	7 July 2020
July 2020	R150 000	R52 500	R97 500	7 August 2020
August 2020	R150 000	R52 500	R97 500	7 September 2020
Cash flow benefit		R262 500		

Payment of deferred PAYE liability (please note that this table excludes the PAYE liability of the payroll month and is only to illustrate the payment of the deferred PAYE – which must be paid together with the month's PAYE liability):

Payroll Month	Amount payable	Deadline date
September 2020	R43 750	7 October 2020
October 2020	R43 750	6 November 2020
November 2020	R43 750	7 December 2020
December 2020	R43 750	7 January 2021
January 2020	R43 750	5 February 2021
February 2020	R43 750	5 March 2021
Total deferred PAYE	R262 500	

**Take note:** No changes were made to the payroll system to accommodate this. This was and will be an administrative requirement by the employer when making EMP201 payments to SARS. Please refer to the [SARS FAQ](#) for more information.

### Amounts received/accrued from Covid-19 disaster relief organisation:

When a qualifying employer has successfully applied for disaster relief from a Covid-19 disaster relief organisation, there is a loan agreement between the employer and the organisation with preferential loan conditions. Where the financial aid is for the payment of salaries/wages, the organisation makes the payment directly to the affected employees.

This payment is not included in remuneration for PAYE and SDL purposes, but will be subject to income tax on assessment.

This payment must be processed through the payroll (even though it is not paid through the payroll) and be reported against IRP5 code 3724.

This payment is included in remuneration for;

- ETI (employment tax incentive),
- UIF (unemployment insurance fund contributions),
- calculating the tax deduction value for contributions towards retirement funds,
- calculating the tax deduction limit for donations made by the employee,
- calculating 'remuneration proxy' by the employer,
- RFI, if the fund confirms that it should be pensionable salary (if the employer contributes towards a defined benefit or hybrid fund), and
- if the employee's remuneration is taxed according to a directive percentage (%), the PAYE is calculated on remuneration and not balance of remuneration, in this case, it must be included in remuneration.

"Covid-19 disaster relief organisation" means any non-profit company as defined in section 1 of the Companies Act, 2008, any trust, or any association of persons that has been incorporated, formed or established in the Republic that carries on activities for the purposes of disaster relief in respect of the COVID-19 pandemic, declared a national disaster on 15 March 2020 by the Minister of Cooperative Governance and Traditional Affairs under section 27(1) of the Disaster Management Act, 2002.

### **Employee donations to the Solidarity Fund:**

According to the Fourth Schedule to the Income Tax Act, a bona fide donation made by the employer on behalf of the employee for which the employer will be issued a receipt as contemplated in section 18A(2)(a) will be allowed as a tax deduction, limited to 5% of balance of remuneration before taking into account the tax deduction of donations.

The Solidarity Fund plays a significant role in providing relief during the Covid-19 national disaster. In order to encourage donations for the Solidarity Fund, employees are allowed an increased tax deduction as tax relief through the payroll for donations made to the Solidarity Fund.

A maximum tax deduction to be allowed for employee donations to the Solidarity Fund (paid by the employer on behalf of the employee for which the employer is issued a S18A(2)(a) receipt) is –

- 33.33% for 3 months (April, May and June 2020), or
- 16.66% for 6 months (April to September 2020).

Any employee donations made by the employer on behalf of the employee to the Solidarity Fund should be reported against IRP5 code 4055

"Solidarity Fund" means the Solidarity Response Fund, registered with the Companies and Intellectual Property Commission as a non-profit company under registration number 2020/179561/08.

**Take note:** This increased limit only applies to donations made to the Solidarity Fund. For all other employee donations, the 5% limit apply and must be reported against IRP5 code 4030

## **Skills Development Levy (SDL)**

### **SDL contribution holiday:**

Employers who are registered for SDL is exempt from the SDL liability and payment from 1 May 2020 – 31 August 2020.

According to the [SARS FAQ](#), the SDL liability amount automatically defaults to 0.00 on the EMP201 return for the 4-month period.

## OID Benefits

According to the COIDA (Compensation for Occupational Injuries and Diseases Act) an employer can claim compensation for an employee if an employee has contracted a disease and that disease has arisen out of and in the course of his/her employment.

Employers can now also claim if the employee contracted the Covid-19 disease out of an during his/her employment according to [Government Gazette 43126](#) and [Government Gazette 43540](#)

All employers must follow the stipulated prescripts when submitting claims and supporting medical reports for Covid-19.

Employers can claim online using the CompEasy online system or the Mutual Association Claims System.

Please refer to the [Department of Employment and Labour website](#) for more information.

## Unemployment Insurance Fund (UIF) Benefits

The Minister of Employment and Labour has announced and published relief measures that will compensate affected workers through existing UIF benefits and the Temporary Employee/Employer Relief Scheme (TERS).

### Existing UIF Benefits

The Unemployment Insurance Fund will compensate the employee due to the Covid-19 pandemic through its existing 'illness benefit', 'reduced work time benefit', 'unemployment benefit' and 'death benefit'. Certain documentation/forms must be submitted by both the employer and employee.

Application forms can be downloaded from the Department of Employment and Labour website: [www.labour.gov.za](http://www.labour.gov.za). For any further assistance claiming existing UIF benefits, please contact the Department of Employment and Labour.

You can also refer to the '[Easy Guide for Electronic Claims](#)' on the Department of Employment and Labour website for more information.

\*Please note that the information below is i.r.o. existing UIF benefits for Covid-19, the existing UIF benefits in all other scenarios/cases will remain the same as per the Unemployment Insurance Act.

### Illness benefit

- Where a contributing employee is in quarantine for 14 days due to the Covid-19 pandemic, the employee shall qualify for an illness leave benefit.
- Confirmation from both the employer and employee must be submitted together with the application as a proof that the employee was in an agreed pre-cautionary self-quarantine for 14 days.
- In this instance, the confirmation letters from the employer and employee shall suffice.
- Should an employee be in quarantine for more than 14 days, a medical certificate from a medical practitioner must be submitted together with continuation form for payment..
- This benefit is calculated in terms of the Unemployment Insurance Act (i.e. for every 4 days worked, the employee accumulates one day credit and the maximum credit days payable of 365 days for every 4 years).
- Other required forms and documents: UI19, UI2.7, UI2.2, UI2.8 and a copy of an identification document (for example an RSA ID).



- The employer must use code '10' (Illness/medical boarded) as the 'UIF employment status code/reason for termination code' in the UIF submit file (if the employee is still on illness leave at the end of the month) and on the UI19.

\*\*\* 'Quarantine' means separating a symptomatic individual potentially exposed to a disease from non-exposed individuals in such a manner so as to prevent possible spread of infection or contamination.

### **Reduced work time benefit**

- Where a company implements reduced or short time due to Covid-19.
- A contributor who loses part of his/her income due to reduced working time, despite being still employed is entitled to benefits if the contributor's total income falls below the benefit level that the contributor would have received if he/she had become wholly unemployed, subject to that contributor having enough credits.
- This benefit is the difference between what the employer pays and normal UIF benefits payable in terms of the Unemployment Insurance Act (i.e. for every 4 days worked, the employee accumulates one day credit and the maximum credit days payable of 365 days for every 4 years).
- Required forms and documents: UI19, UI2.7, UI2.1, UI2.8 a letter from the employer confirming the reduced work time is due to Covid-19 and a copy of an identification document (for example an RSA ID).
- The employer must use code '17' (Reduced work time) as the 'UIF employment status code/reason for termination code' in the UIF submit file (if the employee is still on reduced work time at the end of the month) and on the UI19.

### **Unemployment benefits**

- A contributor who loses his/her employment due to retrenchment due to the Covid-19 pandemic will be able to claim unemployment benefits.
- This benefit is calculated in terms of the Unemployment Insurance Act (i.e. for every 4 days worked, the employee accumulates one day credit and the maximum credit days payable of 365 days for every 4 years).
- Required forms and documents: UI19, UI2.8, copy of an identification document (for example an RSA ID), and proof of registration as a work-seeker.
- The employer must use the relevant termination code (for example '08' which refers to Insolvency/Liquidation etc.) as the 'UIF employment status code/reason for termination code' in the UIF submit file and on the UI19.

### **Death benefit /dependant's benefit**

- In the undesirable event where a contributor passes on due to Covid-19, the dependant's will qualify for a benefit.
- Benefits are paid to the beneficiaries of the deceased.
- People eligible to apply (in this order) are a spouse, life partner, children and nominated persons.
- Required forms and documents: UI19, UI53, UI2.5, UI2.6, death certificate, identification document of deceased applicant, UI2.8 and copy of the dependant's identification document.
- The employer must use code 02 (Death) as the 'UIF employment status code/reason for termination code' in the UIF submit file and on the UI-19.

## Temporary Employee/Employer Relief Scheme (TERS)

The Minister of Employment and Labour has issued a [Directive](#) (as amended by [Government Gazette No. 43216](#), [Government Gazette 43265](#), [Government Gazette 4330](#), [Government Gazette 43353](#), [Government Gazette 43611](#) and [Government Gazette 43693](#) ) called Covid-19 Temporary Employee/Employer Relief Scheme (C19 TERS) effective 26 March 2020 and it shall remain in operation for as long as the declaration of the Covid-19, in terms of the National Disaster Management Act, as a national disaster subsist or until withdrawn by the Minister, whichever comes first.

The Temporary Employee Relief Scheme (TERS) was designed as a relief measure under the Unemployment Insurance Fund to compensate employees during the Covid-19 national disaster. Qualifying employers should apply for the TERS benefit on behalf of their qualifying employee/s.

### Qualifying employers:

- Employers, who as a result of the Covid-19 pandemic temporarily closes its operations, or part of its operations and employees are temporarily laid-off.  
“Temporary laid-off” means a reduction in work following a temporary closure of business operations, whether total or partial, due to Covid-19 pandemic for the period of the National Disaster.
- Employers/employees not yet permitted to commence operations (either fully or partially) under the Disaster Management Regulations.
- Employers unable to implement special measures in respect of ‘vulnerable employees’ to make alternative arrangement for them to work from home.  
\*‘Vulnerable employees’ are defined as employees with health issues or comorbidities that place them at risk if infected by Covid-19 and/or employees 60 years of age who are at higher risk if infected with Covid-19.
- Employers who are unable to make use of the employees’ services (either fully or partially) because of the operational requirements, based on economic, technological, structural or similar needs of the employer caused by the compliance with the Disaster Management Regulations (in particular the need to limit the number of employees at the workplace by way of rostering, staggering of working hours, short time and the introduction of shift systems).
- For the company to qualify for TERS, it must satisfy the following requirements:
  - the company must be registered with UIF,
  - the company must comply with the application procedure for the financial relief scheme, and
  - the company’s closure of operations (partially or fully) must be directly linked to the Covid-19 pandemic.

### Qualifying employees:

- A ‘worker’ who have lost income, because he/she has been temporarily laid-off due to the employer’s closure of operations (partially or fully) or have been required to take annual leave in terms of the BCEA due to the Covid-19 pandemic.  
A ‘worker’ means
  - a contributing employee, or
  - an employee as defined in the Unemployment Insurance (UI) Act who should have received benefits under this Directive but for circumstances beyond that employee’s control is not able to, namely that the employer failed to –
    - the register as an employer in contravention of section 10(1) of the Unemployment Insurance Contributions (UIC) Act,
    - provide details relating to the employees in contravention of section 10(3) of that Act and accordingly not registered as contributors, or
    - pay the contributions contemplated in section 5(1) of that Act in respect of that employee.

- Vulnerable employees (as discussed under the 'Qualifying employers' section) who are unable to work.
- An employee who are unable to work due to the employer's operational requirements based on economic, technological, structural or similar needs of the employer caused by the compliance with the Disaster Management Regulations (in particular the need to limit the number of employees at the workplace by way of rostering, staggering of working hours, short time and the introduction of shift systems).
- A contributing employee may individually apply for Covid-19 benefits if:
  - the employee has lost income due to Covid-19,
  - no bargaining council or entity has concluded a MOA with the UIF, and
  - the employee's employer has failed or refused to apply for Covid-19 benefits.

### **TERS benefits:**

- The TERS benefit is de-linked from the UIF's normal benefits and therefore the normal rule (for every 4 days worked, the employee accumulates one day credit and the maximum credit days payable of 365 days for every 4 years) will not apply.
- The employee's TERS benefit is calculated in terms of an income replacement sliding scale (sections 13(1) and (2) of the Unemployment Insurance Act), starting at 38% of the maximum UIF threshold of R17 712 to 60% of an employee's monthly remuneration, limited to a monthly minimum benefit of R3 500. The benefit will be reduced with any remuneration paid/granted to the employee by the employer. The payment is made from the Fund directly to the employee or the employer (or bargaining council if applicable) who must distribute the benefit to the employee/s.
- Subject to the amount of the benefit calculated according to the rules above, an employee may only receive TERS benefits if the total of the benefit together with any additional payment by the employer in any period is not more than the remuneration that the employee would ordinarily have received for working during that period
- An employer, who has required an employee to take annual leave during the period of the lockdown in terms of the BCEA may set off any amount received as TERS benefit against the amount paid to the employee in respect of annual leave provided that the employee is credited with the proportionate entitlement to paid annual leave.
- To speed payment of TERS benefits to employees, employers are urged to pay employees based on the calculation applied and reimburse or set off such with Covid-19 benefits claim payments from UIF.
- The TERS payment made to the employee is exempt from income tax in terms of section 10(1) (mB) of the Income Tax Act, therefore, not subject to PAYE, UIF, SDL etc. If the benefit is paid to the employer, the employer is simply acting as a paying agent. In this case, the TERS benefit can be processed through the payroll for reporting, reconciliation, and payment purposes, but no IRP5 code must be used. Therefore, the payment will not be reported on the employee's tax certificate.

### **Application procedure:**

- The employer must apply online at <https://uifecc.labour.gov.za/covid19/covid19>
- The employer shall be required to furnish the Fund with the following documents (all documents submitted will be subject to verification):
  - Memorandum of Agreement (MOA).
  - CSV file in the prescribed format that will require critical information from the employer. When the employer submits online, the employer has the option to either upload the CSV file or manually load each employee by completing the required fields.
  - Confirmation of bank account details in the form of a latest bank statement.

- Letter of undertaking.
  - Acceptance letter (once benefits are paid).
  - Proof of payment of TERS benefits to employees.
  - Any other information as may be required by the DoEL
- For more information regarding the application procedure, please refer to the [TERS webpage](#) on their website.

**Take note:** Please visit Sage City to keep up to date with any information and changes to the TERS CSV file, TERS application and payment procedure.

For more information regarding TERS, please refer to the [TERS webpage](#) on the Department of Employment and Labour website.

UIF has also developed a hotline for Covid-19 TERS Benefit enquiries during lockdown period: 012 337 1997.

Workers, companies and stakeholders are urged to follow @DeptofLabour and @UIFbenefits on Twitter and visit [www.labour.gov.za](http://www.labour.gov.za) for regular updates.

## Sources

Income Tax Act

Employment Tax Incentive Act

Unemployment Insurance Act

Disaster Management Tax Relief Administration Act, 2020

Disaster Management Tax Relief Act, 2020

Explanatory Memorandum on the Disaster Management Tax Relief Act, 2020

Department of Employment and Labour website: <http://www.labour.gov.za/>

SARS website: <https://www.sars.gov.za>

Government Gazette 43161

Government Gazette 43216

Government Gazette 43265

Government Gazette 43330

Government Gazette 43353

Government Gazette 43611

Government Gazette 43693

Government Gazette 43216

Government Gazette 43540

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