CRS Technologies (Pty) Ltd

Meeting Tomorrow's Challenges Today

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STATE TO GET TOUGH ON EMPLOYMENT EQUITY

Following upon the release of the 9th Annual Report of the Commission for Employment Equity, indications are that legislation could be changed which would make it easier for the Department of Labour to prosecute companies that continued to flout the law. Amendments are currently being debated in the National Economic Development & Labour Councils which could include fines being raised to 10% of turnover, similar to the Competition Commission penalties. Minister M. Mdlandlana has indicated that changes to Labour Laws would be made next year because there was a "weakness" in enforcement.

TAX REFORMS ALTER BUSINESS TRAVEL ALLOWANCES

The taxation of travel allowances is set to undergo further changes that will limit the possibility of using this benefit as a tax structuring tool. The most recently proposed tax amendments which are expected to come into effect on the 1st March 2010, will mark the "death knell" for the use of a travel allowance as a remuneration structuring option. It is expected that the deemed business Km procedure will be scrapped and that the portion of the travel allowance subject to monthly deduction of Employee's tax will increase from 60% to 80%. In cases where Employees undertake limited business travel, a reimbursive travel allowance may be a better option.

NEW LAW WILL SPUR REGULATORY BUSINESS

1.New Competition Laws impose criminal liability for a Director or a person having Management authority where they have caused a firm to engage in a prohibited practice. 2. A sentence of up to 10 years imprisonment or a fine not exceeding R50,000.00 can be imposed against each person convicted. 3. The new laws introduce the creation of a prohibited practice of complex monopoly conducted by two or more companies in a concentrated market. 4. The Competition Commission can conduct a formal enquiry into the general state of competition within particular markets.

PROPOSED 2010 TAX YEAR END CHANGES

It is expected that certain information will become mandatory on the files that are submitted to SARS at year end. This was introduced from a policy perspective in 2009, but it will be enforced from a system validation perspective in 2010. These amendments will require Employers to make various adjustments to their payroll systems in the coming months.

Enhancement of Employee Tax Certificates (IRP5) will also be undertaken to include significantly more data (Employee demographic data), including the following : Addresses in a defined format, Compulsory banking details, Compulsory Tax Reference Number and Compulsory SA ID Number for SA Citizens and passport numbers in other cases. These fields will need to be added to the CSV Files generated by Employer Payroll Systems.

Enhancing the EMP 501 by adding Employers demographic details. These will be mandatory for Employers to complete as part of their reconciliation declaration.

Rationalization of existing PAYE, SDL and UIF codes to simplify the reconciliation process.

PROPOSED 2011 TAX YEAR CHANGES

In 2011 another key change has been proposed. All payroll systems will need to produce XML files for Employee Tax Certificates, rather than CSV Files. Employers will also be required to submit their reconciliations bi-annually and no longer once a year. This is also part of the than CSV Files. Employers will also be required to submit their reconciliations bi-annually and no longer once a year. This is also part of the preparation for administrating the proposed new social security system.

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