



RETRENCHMENT

Just a reminder of what needs to be paid upon a retrenchment : 1 week pay for each completed year worked, Notice pay as per Letter of Appointment /

Contract of Employment & any Leave Pay outstanding.

The R30 000 exemption that previously applied to retrenchment gratuity lump sum payments has been repealed with effect from 1 March 2011. Severance benefit payments will now be taxable in terms of the retirement fund lump sum benefits tax rates, with effect from 1 March 2011.

In terms of the new regulations, the first R300 000 in an employee's working lifetime will be seen as tax exempt. This amount includes all retrenchment payouts over the employee's lifetime as well as any payments made upon retirement. Thereafter a sliding scale of taxation is introduced.

According to SARS, an Employer should apply for a tax directive if this type of remuneration is going to be paid to an Employee and any exemption shall be determined by SARS with the processing of a tax directive application. The gross amount of the severance benefit must be reflected under code 3901 on the IRP5 /IT3(a) tax certificate and the employee's tax withheld in terms of the directive, under code 4115. This is applicable to severance benefits payable to employees from the 1st March 2011.

UPDATE ON TAX RETURN REQUIREMENTS

Not all registered tax payers are eligible to submit a tax return.

Over the past few months, information received from various authorities, advised that all registered tax payers were required to complete and submit a tax return regardless of their earnings. Following upon a recent announcement, this requirement has now changed to the effect that employees who have worked for one Employer for a full 12 months and who did not earn more than R 60,000.00 annual equivalent for the year . do not need to complete and submit a tax return, even if they are

now registered with SARS.

SARS SEARCH & SEIZURE

The proposed bill entitles SARS to a detailed search of a business premises without having to obtain a warrant

The third draft of the long awaited Tax Administration Bill was recently published for final review and comment. Certain of SARS powers have been substantially extended by the bill, for example their information gathering powers. If a person becomes objectively identifiable by SARS, relevant material relating to that person may be procured from that person or from third parties. SARS may without prior notice arrive at and inspect premises to determine the identity of a



person occupying the premises, whether that person is conducting a trade or an enterprise, or whether the person is registered for tax and keeps the required records. In line with international practice, SARS may now also issue jeopardy assessments which entail that tax payers may be assessed for taxes which will only become due in the future. Even though this bill may strive to achieve a balance between the powers of SARS and the rights of tax payers, the supplemented powers of SARS should not be underestimated. Taxpayers should now, more than ever, ensure that their tax affairs are in order and should develop a full understanding of the extent of their legal rights, so that these rights can be exercised when necessary.

PAYE NON-COMPLIANCE

It has been reported that a number of Employers have still not complied with the 3rd June 2011 SARS submission for the Annual Employer Reconciliation Declaration and as a result, SARS will now impose penalties in relation to PAYE transgressions, allowed in terms of the 4th Schedule of the Income Tax Act No: 58 of 1962.

MEDICAL SCHEME CONTRIBUTIONS

Feedback is still awaited on submissions submitted to the Treasury on the draft provisions that propose

a change from a capped deduction method of calculating tax relief on medical aid contributions, to a tax credit (rebate) method of calculation. It is unlikely that these changes will be made for the 2012 / 2013 tax year, however, confirmation thereof is awaited.



UIF LIMIT

Reports were recently circulated of a possible change to the UIF limit. Given that UIF are extremely busy with the implementation of the Virtual Office System, any changes will possibly only be implemented next year.

We will update you upon receipt of further information.

DATES TO REMEMBER

COIDA Return : March of every year.

SARS SDL:

WSP : End of June every year.
Labour Department:

Equity Report :

1st October of every year for manual submissions.
15th January for online submissions.

SARS :

Monthly EMP 201 : On or before 7th of each month except if the 7th falls on a weekend, then on Friday before the 7th. Annual Employer reconciliations: Last working day of May
Mid Year Employer reconciliations : Last working day of October .

NEWS SPOTS

SARS EMP 701

A reminder to all Employers that the SARS EMP 701 - Reconciliation Declaration Adjustment form - will still be used to make any changes to prior transaction years.

**Private Policy Terms of Use E&OE
Exceptions and Omissions Excepted**