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July/August 2017

In a week in which women were applauded and celebrated for their vast contribution to our lives, society and workplaces, and in which many South Africans took to the streets to express grave concerns about the abilities of our leader, I was reminded of the diversity of our country, our hopes, our collective and personal struggles but also that at the core of it all are just good, old fashioned humans. Humans being resources, looking for resources, demanding better resources. And then I saw mince pies in the shops for the first time which made me shudder—a stark reminder that the year is disappearing at a fast gallop.



At CRS, having survived tax season without breaking too much of a sweat thanks to an incredibly savvy development team who got us and our clients SARS-ready, our main focus now is not unpacking the office tinsel, rather we are looking back on targets and promises and generally ensuring that all SLA deliverables are being met. Our consultants will be chatting to you directly and I'll go into this more in next month's newsletter. For now, I am pleased to announce a couple of new value-added services that we can offer all CRS clients.

Sick leave verification. CRS can now perform a number of checks when employees put in sick leave, from verifying that the doctor is registered, checking any historic complaints the doctor was involved in, to ensuring the illness matches or is valid for the sick leave being recommended. If any variances are found, CRS can assist in taking action against the parties involved with reporting that will be accepted by the CCMA.

Registered communication. These are verifiable reports proving when an email is delivered, received and read — highly useful where tracking of communication is required for legal issues, disciplinary cases, CCMA cases etc. These are normally approached in bulk e.g. tracked per 50 messages tracked.

Labour broking / recruitment of temp staff. CRS works through a recruitment specialist to provide temporary labour for our clients, covering a range of positions from general workers and welders to accountants. All liabilities are covered by the agency, giving the client limited liability and access to additional staff at a moment's notice. The request for a temp is placed with CRS and we take it from there — quick, simple, easy!

For more information on these three new services and the pricing, please log a request and a CRS consultant will be happy to run through everything in more detail. We've invested a fair bit of time chatting to various specialists in each field, fine tuning each offering to ensure we're not only working with the best service providers but also providing value for money at the same time. Any suggestions or concerns, drop me a line!

If you did not manage to attend the recent Future of HR Summit, below are a few links to the highlights. There were some great speakers and topics presented and there are some pretty interesting trends coming down the line so be sure to read the take outs. Well done to the organisers for an excellent event.

Lastly, in the spirit of Women's Month, I'd like to take the chance to extend a personal thank you to all the incredible women who keep things ticking at CRS, and of course all the women in the CRS network. Your contributions are far reaching and I sit in awe of how much you all achieve in your personal and professional capacities.

Have a great month
Ian McAlister

Tax and Legislation News

South Africa



Official Interest Rate

The South African Reserve Bank reduced the repo rate by 25 basis points to 6.75% per annum with effect 20 July 2017. This means that the rate at which the SARB lends to your bank has decreased from 7.00% to 6.75% per annum.

Employers must take note that it affects their official interest rates on payrolls and this decreased to 7.75%. Please adjust it effective 1 August 2017.

The definition of "official interest rate" in the Seventh schedule of the ITA means:

- In the case of a loan which is denominated in the currency of the Republic, the South African repurchase (repo) rate + 100 basis points; or
- In the case of a loan which is denominated in any other currency, the South African repurchase rate applicable in that currency +100 basis points.

Where a new repurchase rate or equivalent rate is determined, the new interest rate applies for the purposes of this definition from the first day of the month following the date on which that new repurchase rate or equivalent rate comes into operation.

2017 Taxation Laws Amendment Bills published

The amendments proposed by the Taxation Laws Amendment Bill (TLAB) 2017 and the Tax Administration Laws Amendment Bill (TALAB) 2017 were published on SARS's and National Treasury's websites for public comment.

These draft Bills give effect to the tax proposals announced on Budget Day, 22 February 2017.

The main tax proposals in the **TLAB** 2017 that can have an impact on employers and payroll are:

- Tax relief for bargaining councils regarding tax noncompliance.
- Changes to the anti-avoidance rules for certain share schemes, mainly trusts.
- A higher fringe benefit exemption for bursaries to learners with disabilities.
- Removing the foreign employment income tax exemption in respect of South African residents.
- Addressing the circumvention of anti-avoidance rules dealing with share buy backs, dividend stripping and contributed tax capital.
- Postponement of annuitization requirement for provident funds to 1 March 2019.
- Clarifying the rules relating to the taxation of employee-based share schemes.
- Clarifying the hours used for the '160-hour' determination for section 4(1)(b)(ii) of the Employment Tax Incentive Act, are the hours defined as "ordinary hours" by the Basic Conditions of Employment Act.

The main tax proposals in the **TALAB** 2017 that can have an impact on employers and payroll are:

- To include only the portion of the travel reimbursement that is calculated at a rate per kilometer that exceeds the prescribed rate per kilometer in remuneration.
- To spread the R350 000 pa monetary cap that limits the deduction allowed in respect of contributions to retirement funds over 12 months.

A more detailed discussion of the proposed changes will be provided once the legislation has been formally introduced to the National Assembly.

Draft amended Regulations to the Unemployment Insurance Act Regulations

The Minister of Labour has issued a draft regulation to the requirements of the Unemployment Insurance Amendment Act on 14th July 2017 for comments.

The UI Amendment Act requires changes to be made to the Fund's administration processes and forms, and this must be done before the UI Amendment Act can be effectively implemented.

The main provisions of the draft regulation are as follows:

- When finalized, the draft regulation will replace the current regulations that were last amended on 19 July 2013.
- A "small enterprise" definition has been added to the regulation as contemplated in section 1 of the National Small Enterprise Act, 1996 (No. 102 of 1996).
- The UI Amendment Act added section 12(1B) to the Unemployment Insurance Act to provide that a contributor who loses a portion of his income due to reduced working time is entitled to benefits (despite still being employed) if the contributor's total income falls below the benefit level that the contributor would have received if he had become wholly unemployed.
- Contributors may nominate a beneficiary by submitting the new nomination form UI 53 to the Fund immediately on commencement of employment. If a contributor did not, before his or her death, complete the nomination form at commencement of new employment, the Fund must accept a nomination form completed by the previous employer as valid.
- Employers must provide the Commissioner with the information in terms of their employees by submitting the declaration electronically or by completing form UI 19.
- Domestic and small enterprise employers may declare employees and contributions annually provided that the contributor's services are not terminated in which case the declaration must be done on termination.
- Forms UI 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 3, 4, 5, 6A and 19 have been changed. Examples of the forms can be found in Government Gazette No. 40978.
- Form UI 53 (beneficiaries) has been added by the regulation.

As far as benefits are concerned, the following categories of employees are excluded until the Amendment Act has been made effective:

- Public servants (employees and officers in the national and provincial authorities of government as defined in section 1(1) of the Public Service Act).
- Learners employed in terms of section 18(2) of the Skills Development Act.
- Employees who intend to return to their country of origin at the end of their working period in South Africa.

As soon as the Unemployment Insurance Amendment Act is made effective, additional data will have to be submitted to the Fund by payroll systems and the current E03 Declaration that provides the technical specification document, will have to be changed accordingly. As soon as more information on the above changes is available, clients will be informed.

Resubmission of 2017 Employer Annual Reconciliation Declaration (EMP501)

IMPORTANT NOTICE TO EMPLOYERS:

Employers who have added the value of source code 4582 to the value of code 4497 should upgrade their e@syFile software to the newest version 6.7.5 and resubmit the EMP501 reconciliation as well as all Tax Certificates.

Not all individuals and employers are affected.

SARS will issue a notice to employers who need to resubmit.

The affected employers should inform their employees of the resubmission as individuals who have already submitted their tax returns might have to do a resubmission.

For more information, please follow the link:

<http://www.sars.gov.za/TaxTypes/PIT/Tax-Season/Pages/What-taxpayers-should-do-with-source-code>

Your employees are your brand ambassadors - take outs from the Future of HR Summit.



The recent Future of HR Summit explored the transformation of human resources in the business environment, forecast trends for the coming year, shared innovative approaches to overcoming challenges and discussed methods of employee engagement in the digital age.

Colin Browne, author of *How to Build a Happy Sandpit*, spoke about the importance of having a company culture. One way to build a culture in a business was to have fewer stupid rules, Browne said. "Often we are great at teaching, but can we learn too. You don't have to be in leadership to have a leadership idea." Respect was a two-way street. "We are seeing that younger people want to work for a company that is perceived to be good."

Your employees are your brand ambassadors, McDonald's CEO Greg Solomon told delegates. Solomon's topic was "Guidelines to global success – a McDonald's case study". Solomon said out of 11,500 employees in his business, it lost about 2,000 people every year. It was important to treat employees well – if not, they would tell their families and friends, especially children, about their bad experiences. "Your people are your future customers."

When he spoke about a company's values, Solomon challenged the audience by asking: "What is the one thing in your organisation that everyone can get right?"

[Read the full article.](#)

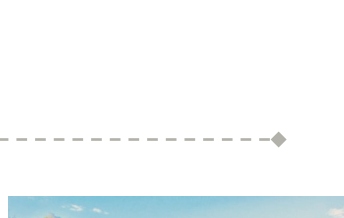
Other articles:

- [Artificial + intelligence? The Future Of HR Summit opens a door to the future workplace](#)
- [What do future jobs look like?](#)

Watch some of the video interviews:

- [Corporate Culture](#)
- [Flexible workplace and learning](#)

Employee Engagement versus Employee Experience



I spend a lot of time thinking about employee engagement, especially as it relates to employee volunteering and giving. Why? Consider the [PwC study](#) which showed that employees most committed to their organizations put in 57% more effort on the job — and are 87% less likely to resign — than employees who consider themselves disengaged. Or the Gallup study which demonstrated that companies with highly engaged workforces outperform their peers by 147% in earnings per share. Unfortunately, that same Gallup study found that 87% of employees worldwide are *not* engaged.

Then see how America's Charities points out that employee volunteer and giving programs address all ten major reasons why people leave their jobs. And note the study by Cone Research showing that 79% of people prefer to work for a socially responsible company.

Employee engagement has been feverishly analyzed for years now, including by me. But there's a newer concept in town, and its name is EX.

[Read the full article.](#)

Is HR ready for the gig economy?

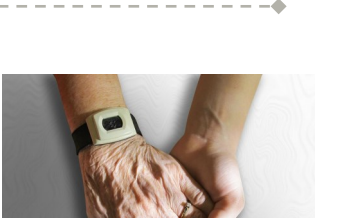


The average lifespan of a Fortune 500 company in 1920 was 67 years and today that figure is around 15 years. As HR starts to experiment with new technology including analytics, AI and cognitive computing we are more than aware that we live in times of unprecedented and accelerating change. The very fabric of how people behave and companies operate is being turned on its head. Understanding why companies exist and why they organise the way they do is crucial in understanding how they operate—a critical question for HR.

What if the days of ownership being the main source of competitive advantage for most industries was gone, in fact, ownership of assets was a hindrance? This is exactly the world we face where the new currency is agility, speed, transparency and innovation. If you're reading this thinking you're too big for this to apply to you or things won't move that fast in your industry just ask Nokia, Kodak, HMV, BlackBerry or Blockbuster. Accenture research says customers now expect product innovations every 6 months, so the Intellectual Property you so carefully protect with patents will quickly become obsolete. Facilitated by the Open Source economy you can now access other people's design, code, training content and software for free. Competitive advantage now resides in how quickly you can innovate and get products or services to market.

[Read the full article](#)

Women's Month — how can your company work to eliminate the gender pension gap?



The workplace is far from a balanced and unbiased place for women. And there are movements to counteract the sexism that women face. However, a component of this problem that often goes undiscussed is the **gender pension gap**. Recently, Mercer released a call to action focusing on these discrepancies based on research conducted using data from across the European Union. They found that across the continent, women were given a 40% smaller pension in comparison with what was received by the men in their organizations!

Though the average is a 40 percent difference, EU countries' pension gap ranges from 4 percent to 46 percent, with most countries in the EU reporting a difference of at least 30 percent. Mercer discovered that current pension regimes, the lack of women in the workforce and in key positions in companies, as well as women's aversion to risk while planning for retirement all contribute to maintaining the pension gap. Of course, a 16 percent pay gap doesn't help anything. There's also the fact that women live longer than men and are more likely to take time away from work to take care of their family members or children. Looking deeper into the main reasons for the pension gap, we see that the current inequalities that women face in the workforce contribute to their earning less in their pensions — which results in a higher chance of poverty when they are older.

Mercer provides **3 actions** that your company **can (read: should) implement** to fight against the gap.

- Incorporating inclusiveness to gender diversity programs and initiatives. These means incorporating inclusiveness to be more than just a workshop but to ingrain it in the very fabric of the company.
- Using a gender lens, re-evaluate your benefits plan. This means understanding how the benefits system in your organization is organized and if it is centered on male employees.
- Ensure that you and your team are aware of the gap and work to promote education and awareness around it. Education is vital to solving this issue and your company and HR department should be actively and passively educating your workforce how gender inequalities materialize and the harm they do.

• [Read the full article.](#)

Training



We continue to offer a selection of training on the CRS modules. Please click [here](#) for the dates and venues.

Don't forget that we can also tailor legislative training to specific organisational needs. To find out more, contact Susan Abrahams in our Gauteng office or mail her on susana@crs.co.za.