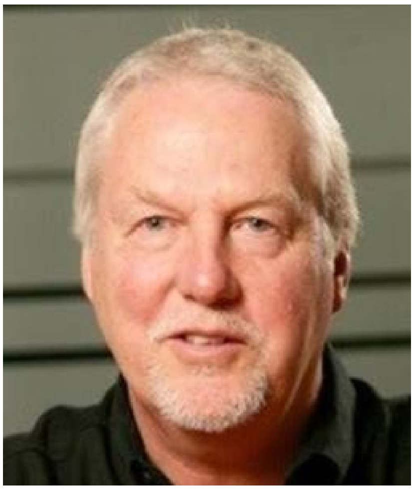
How will new tax and labour legislation affect your business?

2020 will likely forever be remembered for its major challenges, including many personal losses caused by Covid-19. In the wake of a year of lockdowns, job losses, and more, both businesses and staff are looking to the annual Budget Speech happening on 24 February with a mixture of hope and dread.



Rob Cooper, chairman of the PAGSA

In the aftermath of the pandemic, many have lost their jobs and numerous companies have shut down. Billions of rands in revenues have been lost due to lack of alcohol and tobacco sales, as well as losses in VAT, excise duties and PAYE. The country is undoubtedly in a difficult situation.

Rob Cooper, chairman of the PAGSA that represents payroll suppliers and employers, shares his thoughts on new tax and labour legislation that will come into effect from March, and how these might affect employees and companies alike, as well as his hopes for the Budget Speech.

Importantly, he said there was the issue of bursaries and salary sacrificing. “This impacts a lot of employers. It has to do with bursaries that are granted in respect of the relatives of an employee. The change is that if there is an element of salary sacrifice involved in the relative’s bursary, then the bursary loses its tax exemption status. This does not affect bursaries granted to employees, only their relatives, and we expect to see quite a few contentious items around this change.”

Subsistence allowances

Next he said that there has been a change to subsistence allowances for day business trips. “There are many employees who do a daily trip for business purposes. Up till now, subsistence allowances that compensate employees for expenses during a business trip were limited to the employee in question spending a night away from home with no provision for day trips only. These have now been provided for.”

In terms of ETI or employment tax incentives, Cooper said from March, non-compliant taxpayers will be treated in the same manner as compliant taxpayers as far as the monthly roll over of the refund of the employment tax incentive is concerned.

Speaking of the annuitisation of provident fund payouts, he says this long discussed and postponed change is now coming into effect on 1 March 2021. It is important that employers providing provident funds and employees that are members of provident funds understand how the change to the law is going to affect their provident fund payout on retirement.

Labour Law

Moving on to labour law, Cooper says the various national minimum wage rates have been increased from March 2021. “The main issue is that the wage rate for farmworkers has been increased substantially and there have already been strong concerns expressed by various agricultural organisations and by large farmers. They fear that such a large increase in a short space of time is not affordable, and this will motivate them to move towards the automation of farms which will result in further unemployment and job losses.”

With regard to the rehabilitation of workers that suffered an occupational injury or disease in the workplace, there is a significant late change to the amendment Bill that replaces the outdated concept of earnings with the concept of remuneration as defined in the Income Tax Act.

The Employment Equity Amendment Bill makes a welcome change to lower the number of designated employers for smaller companies, which will reduce the administration burden for them. “Another change of concern is the introduction of sectoral demographic targets, although the manner in which this will be implemented is still under discussion.”

Speaking of his hopes for this year’s Budget Speech, Cooper says there was a big surprise in the press recently that an extra R1bn tax revenue had been found that the government was unaware of in the October mid-term budget. “This should provide significant relief to the National Treasury, even though it appears that there is still some R40bn needed. My hope is that they address the expenditure side of the budget and not the revenue side - in particular, that they don’t increase personal income tax rates, as they have pushed that envelope as far as it can go.”

Employment Tax

There is also the general wish from the employment tax side, that at some stage in the future there will be a move to standardise and simplify concepts such as remuneration and earnings across all employment-related legislation.

Another big development to watch is the PIT Vision 2024 project, says Cooper. “This project is about moving SARS systems towards cutting edge technology, with the purpose of simplifying both employer and employee administration. Some benefits could include direct access to tax affairs year-round, and improved tax certificate procedures.”

Looking back at last year, Cooper says several important lessons have been learned. “I believe that SARS and the National Treasury did an exceptional job under severe pressure by introducing legislation for a range of tax relief measures that worked well, were professionally done, and a credit to those organisations. Similarly, the compensation fund rapidly introduced new benefits to assist those employees who incurred COVID-19 in the workplace.

The problem area was the UIF TERS benefit which was characterised after its initial release on 26 March 2020 by a steady stream of changes and amendments coupled with difficulties with the system used for applications for the benefit. Again, one can say there was huge pressure and that one has sympathy for the UIF authorities. In hindsight the result would perhaps have been better had they consulted more widely with employment body representatives.”