

8 December 2016

Valued client

Good day

REDUCING EMPLOYEES TAX

All taxpayers, please read further:

*If you are not a taxpayer, you do not need to read further.
This is not compulsory reading for all taxpayers.
Only relevant to South African circumstances.
No Afrikaans version of this e-mail available.*

While most taxpayers like getting back an income tax credit from SARS after submitting their annual income tax return, more accurate employees tax calculations by your employer or fund manager throughout the year may substantially reduce your monthly employees tax burden, resulting in more accurate income tax calculations and smaller income tax credits from SARS after year-end.

Even though taxpayers generally like the idea of getting some money back from SARS shortly after submitting their income tax return to SARS, it makes better financial sense to rather not over-pay SARS in the first place. In stead of getting for example R12000 back from SARS fifteen months later, why not legally pay for example R1000 per month less employees tax and immediately have access to such funds.

Whether you are an employee wishing to reduce your monthly employees tax burden or an employer wishing to assist your employees to reduce their monthly employees tax burden, you will be glad to know that, calculating the monthly employees tax liability more accurately than before, has become much more achievable due to the finetuning of the particular legislation dealing with the calculation of employees tax.

To achieve this goal, the employer and employee(s) will have to work together to gather and file the necessary paperwork. This will often start with direct communication between the employer and employee(s) (for example a staff meeting or official correspondence or notice from either the employer or the employee(s) to the other) stipulating these facts. *(Both employers and employees are welcome to use this client notice as an introductory source document for the purpose thereof.)*

Referring to my earlier client notice dated 8 December 2016 (see below under the section "Did You Know?"), the employee(s) should hand over documentary proof to the employer (or fund manager) and the employer (or fund manager) should file and take these details into account when calculating the monthly employees tax. *(Note that most payroll packages will automatically re-calculate the employees tax as from 1 March 2016 when such details are entered into the payroll before the coming year-end.)* These details mostly relates to pension fund contributions, retirement annuity fund contributions, provident fund contributions, medical aid contributions, medical aid dependants and Sec18A donations deducted from the employees' remuneration and paid over by the employer on behalf of the employee, or paid by the employee directly from his/her own funds to a third party.

Updating the payroll at this time of the year, retrospectively as from 1 March 2016 (the start of the current taxyear), may result in the re-calculation of lower employees tax for the whole taxyear ending 28 February 2017, resulting in significant amendments to the employees tax calculation during the remaining few months of the current taxyear.

The more accurate calculation of monthly employees tax may further benefit a category of employees (who earn a basic remuneration without allowances, etc from one employer source which falls below the taxable income bracket of R250000 per annum) who simply submit an annual income tax return to claim their income tax credit, as they no longer may need to submit an income tax return simply to claim back an income tax credit.

While the above contributions and payments forms the basis in determining the monthly employees tax more accurately, and while SARS has over the past years "closed" most of the unattended "loopholes" in reducing the monthly employees tax, there is still some scope for legally reducing an employee's overall tax liability based on the specifics of each case. Both employers and employees are welcome to discuss such possibilities with our firm.

While most employees would prefer the above alternative of reducing their monthly employees tax, some employees/taxpayers, earning additional income and expecting to pay additional income tax after submitting their income tax return, may wish to instruct (in writing) their employer(s) to, deduct from their remuneration and pay over to SARS, monthly voluntary employees tax to finance this shortfall, effectively reducing the need to pay additional income tax after year-end.

Please contact us, should you require any further advice or assistance.

Regards

Mr Johan de Kock
at
SUN JOMAR ACCOUNTANTS
johandekock@sunjomar.co.za