<table>
<thead>
<tr>
<th>Step</th>
<th>Action Required</th>
<th>Accessing the Screen</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Confirm that all your companies have been rolled over to March 2017 and that VIP has been updated to Release 4.8a.</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Take Note:</strong> For weekly and bi-weekly companies, this can still be done in the last period of March 2017.</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Customers will join the Scheduled Meeting on WebEx</td>
<td>Customers follow these steps:</td>
</tr>
<tr>
<td></td>
<td>• They will be able to join the meeting 30 minutes before it is due to start</td>
<td>From Outlook:</td>
</tr>
<tr>
<td></td>
<td>• This gives them enough time to make sure they can connect.</td>
<td>Click on the link received on email</td>
</tr>
<tr>
<td></td>
<td>• They might be prompted to download and install Java.</td>
<td>This will direct you to the internet browser</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Click on the Join Meeting button</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• A program will run in the background and a WebEx screen will open</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• If you are asked to run an add-on, click on Install and wait for further instructions. An installation will run in the background.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Click on Yes to participate in the integrated voice conference.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• A Sound Test block will pop up, make sure your volume is turned up to test the speaker. Click on OK once you hear a sound.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• A message will appear that no microphone is available or detected. Click on OK to participate in Listen Mode only.</td>
</tr>
<tr>
<td><strong>Take Note:</strong></td>
<td>Moving between screens</td>
<td>Ways for customers to move between two screens:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Hold ALT and TAB in at the same time</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Click on WebEx dropdown and click on the blue Return button.</td>
</tr>
</tbody>
</table>
Follow the below steps with the customer:

### Step 4 – 15: ETI Statutory Changes

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
</table>
| **4.** | Access your payroll system
Once you access your company after updating to Release 4.8a in March 2017, your company will be compliant with the latest ETI statutory changes but requires additional changes to be done by each user. |
|   | Access your company for the default setup to take place. |

---

### A - Complete the ETI Company Setup

<p>| | |</p>
<table>
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</thead>
</table>
| **5.** | Step 1: Only for Wage Regulating Measure Employees
Indicate where the actual Wage Rate per Hour is stored for Employees with a wage regulating measure:
- Increase Screen
- Calculation Screen Fields
  - This rate will be compared with the prescribed minimum rate per hour linked on the employee IS screen to determine if the employee passes the wage qualifying test or not.
  - The Wage Regulating Measure Tick on the employee IS screen must be ticked for this step to work. *Details on activating this will be discussed later in the checklist*

Step 2: For all Employees
Define the Wage Components for all employees whether there is a wage regulating measure or not:
- Earnings table: select Yes or No in the “Incl Wage” column and/or
- Calculation Screen table: select the applicable option for the Selection Options Lookup in the “Incl Wage” column
  - ‘Wage’ refers to the cash amount paid for ordinary hours of work. This is typically basic salary or basic wage of the employee and excludes elements such as overtime, commission, bonus etc. and includes any leave pay (such as pay for annual leave, sick leave, family leave etc.)

---

From the Main Menu:
Select Company
Select ETI Setup
Select ETI Company Setup
Make selections under Wage Components for Wage Test
• Include lines like, Public Holiday Not Worked and Unpaid Leave
• Always exclude Backpay Normal and Notice Pay
• Leave Pay earning line for Annual Shut Down purposes must be looked at in December each year as the weeks included for leave pay will determine if the line should be included or not
• If the wage is zero for the month then the employee fails wage qualifying test whether there is a wage regulating measure or not (based on “hours employed and remunerated”; no longer just hours employed).
• It is important that earning lines/components which form part of the employee’s wage are separate from other earnings on the payroll. An example here is Public Holiday not worked and Public Holiday worked, as only Public Holiday Not Worked can be included in Wage Components

**Take Note:** It is the user’s responsibility to indicate the correct earning lines for wage and to capture the correct amounts on the correct lines to ensure the wage calculation is done correctly.

---

### Step 3: For all Employees

Indicate where the **employed and remunerated hours** for ETI employees are stored in this company:

- **Option 1:** Use the Increase Screen Working Hours per Month/Period
  - This option will typically be used in a Salary Company where no actual normal working days/hours are processed
  - If you select this option you still have to define any additional and unpaid hours in the Calculation Screen and/or Hours Table

  If for any reason the client wants to reduce salary / contractual hours, then make sure to do that on the unpaid leave line.

**Examples:**

- **If the company has employees in 1 company who are paid Fixed Salary and some who are paid hourly (Processing hours).**
- **If salary is Prorata’d (Work half a month because on Maternity), excluding termination or new employee.**

---

To import hours to the Employee ETI Screen from the Main Menu:
Select Interfaces
Select Import Data
Select ETI Hours
or

- **Option 2: Define Hours on the Hours and/or Calculation Screen table**
  This option will typically be used in a Weekly/Biweekly company where the client processes Normal Hours Worked and all other hours. If you have a company where there are hourly paid employees and fixed paid employees, you cannot use option 1 and therefore need to show the system where the fixed salary employee’s normal hours are.
  You can do this by setting up a XS line where normal hours and Pro Rata Days/Hours will be stored.
  1. **You can setup a method on the XS line that looks like this example below. Remember to convert the days to hours if client enters days and you are going to use this method**

- Option 3: Import Hours to the Employee ETI Screen
  This option will typically be used if client does not process any hours in the payroll, but they still need it for the system to calculate ETI.

- **‘Employed and remunerated’ hours are all actual hours the employee was ‘employed and remunerated’ for. In other words, it should be the ordinary hours less any unpaid hours (such as unpaid leave hours, no work-no pay hours, strikes etc.) plus any additional hours (such as overtime hours, public holiday worked hours, hours worked on a Sunday etc.).**
- Always exclude all Back pay Lines

- If client has two Pro Rata methods on Salary line one for Days and one for Hours but both go to HR01 one of the methods will have to change to send it to a different hours line

**Take Note:** Temporary Employees – employee are typically ticked for ‘Employee Works Irregular Hours’. The calculated hours entered here will be Ordinary Hours plus Additional Hours of work with Unpaid Hours excluded. However, you can also simply use the Define or Import options in this section for these employees.

If the client has never used the Irregular Hours tick on the employee IS screen then the setup done on the Basic Company Information will be sufficient for all types of employees

If the client has used the Irregular Hours tick on the employee IS screen;
1. Globally untick the Irregular Hour Tick from the employee IS screen and only use the Basic Company Information Screen – This is the advised option OR
2. Leave the tick on the IS screen but remember to go and adjust their XS method to include all Unpaid and Additional Hours or setup the XS line to add this method – Not recommended

### B - Wage Regulating Check

**6. Differentiate between employees with and without wage regulating measure**

This differentiation is done in the system - ensure that it is correct and amend if needed.

The list of employees with automatic linkings can be viewed, printed and exported to excel.

**Did you know?** Wage regulating measure refers to a Collective Agreement, Bargaining Council or Sectoral Determination.

**Take Note:** If the current Wage Code linking is not done correctly for each employee, then VIP is not able to flag employees correctly. You are able to print or export the list of employees and change Wage Code linkings if required.

| From the Main Menu: | Select Company  
| Select ETI Setup  
| Select Check Employee Wage regulating measure  
| The list of employees can be exported to Excel |

| To link employee to Minimum Wage | From the Main Menu:  
| Select Employee  
| Select Change Employee  
| Select Employee from list  
| Select Employment Tax incentive tab  
| Click on Minimum Monthly Wage |
**Take Note:** You can globally link employees to a wage regulating measure. You can select to link/unlink
- All Employees
- Wage Code (a group of employees linked to a specific wage code)

To globally link employees to a Wage regulating measure:
From the Main Menu:
Select Payroll
Select Global Activation
Select ETI
Select Wage regulating measure

******************************************************************************
To add/change minimum wage codes:
Select Payroll
Select Definitions
Select System Description Codes
Select ETI Codes
Select Minimum Wage

Employees will be differentiated based on the current Wage Code linking. If employee is linked to #001 then the system assumes that there is no wage regulating measure as the minimum wage of R12.50ph (R2000) is applicable.

### C - Employee Date Engaged

#### 7. ETI Engagement Date
Make sure that the ETI engagement date is entered correctly on the ETI screen for each employee.

**Please Note:** If an employee is employed by an associated institution (company managed or controlled directly or indirectly by the same persons), it will be seen as employment at one employer and must be taken into account for determining the 24 ETI months. If the employee is employed at a new employer (that is not an associated institution) the 24 ETI month period will start again as it is employment at a new employer.

It is important to mention to the customer that if the employee started working for the associated institution prior to 1 October 2013 then they need to make sure the Date Engaged in the new company reflects this correct date. The system **will not** look at the ETI Engagement Date (on the ETI screen) to do the first validation of employment date of 1 October 2013

From the Main Menu:
Select Employee
Select Change Employee
Select Employment Tax Incentive tab

The date will default to the employee’s date engaged. You can import the date engaged via the Flexi Import Utility.
### Wage Qualifying Test: Employees WITH Wage regulating measure

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Instructions</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.</td>
<td><strong>Rate per hour comparison</strong>&lt;br&gt;The system will check if the employee’s actual wage rate per hour is equal to or more than the required minimum rate per hour. The system will use the selection made in Step 1 on the Basic Company Information and this tick on the Employee’s Employment Tax Incentive Tab to do the comparison&lt;br&gt;&lt;br&gt;<strong>Take Note:</strong> Employees must be linked to the correct Minimum Wage Code.</td>
<td>To link employee to Minimum Wage From the Main Menu:&lt;br&gt;Select Employee&lt;br&gt;Select Change Employee&lt;br&gt;Select Employee from list&lt;br&gt;Select Employment Tax incentive tab&lt;br&gt;Click on Minimum Monthly Wage&lt;br&gt;&lt;br&gt;<em>Wage regulating measure refers to a Collective Agreement, Bargaining Council or Sectoral Determination</em></td>
</tr>
</tbody>
</table>

### Wage Qualifying Test: Employees WITHOUT Wage regulating measure

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Instructions</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.</td>
<td><strong>Wage test of R2000</strong>&lt;br&gt;Wage test for employees with no wage regulating measure.&lt;br&gt;• If ‘employed and remunerated’ hours are less than 160 hours a gross-up calculation will be done using the actual monthly wage to apply the wage qualifying test.&lt;br&gt;  o <strong>Actual monthly wage (Step 2) / ‘employed and remunerated’ hours (Step 3) x 160</strong>&lt;br&gt;• If the ‘employed and remunerated’ hours are 160 or more the actual monthly wage will be used to apply the wage qualifying test.&lt;br&gt;  o If the actual monthly wage or grossed-up monthly wage for a full month (at least 160 hours) is R2000 or more, the employee will pass the wage qualifying test.</td>
<td>It is crucial that hours are defined/flagged/imported correctly to allow the system to perform correct calculations. (Refer to Point 5)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Instructions</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.</td>
<td><strong>Employed and Paid Remuneration Hours (in terms of Wage)</strong>&lt;br&gt;• <strong>Permanent employees</strong> – contractual/ordinary hours (average working hours per month according to the BCEA, calculated on a 4.3333 week or according to the employment contract) less any unpaid hours (such as unpaid leave hours, no work-no pay hours) plus any additional hours (such as overtime hours, public holiday worked hours, hours worked on a Sunday etc.).</td>
<td><strong>VIP will prioritise hours for ETI purposes as follow:</strong>&lt;br&gt;1. New/Terminated&lt;br&gt;2. Irregular hours&lt;br&gt;3. Hours worked&lt;br&gt;&lt;br&gt;<em>Employed and Remunerated hours = (contractual/actual – unpaid + additional) hours</em>&lt;br&gt;<em>This is to determine if ≥ 160 or &lt; 160</em></td>
</tr>
</tbody>
</table>
- **Temporary employees** – actual number of hours worked in the month (the calculation of hours will include ordinary hours plus additional hours of work, unpaid hours will automatically not be counted).

- **New and terminated employees** – actual number of hours worked if employed after the first day of the month or terminated before the last day of the month (the calculation of hours will include ordinary hours plus additional hours less unpaid hours).

11. **New Warning Report**  
This report shows all employees who failed the wage qualifying test due to monthly wage for full month being less than R2000. A full month is 160 employed and remunerated hours.

To print the ETI validation report  
From the Main Menu:  
Select Reports  
Select Reports and Maintenance  
Select ETI Valid (real no. 767)  

The ETI Validation report will print only employees without ETI. You can select to print the following group of employees without ETI:  
- ALL Employees  
- ACTIVE Employees  
- TERMINATED Employees  
- NEW/TERMINATED Employees

### Remuneration: Employees WITH and WITHOUT Wage regulating measure

12. **Remuneration**  
   - Monthly remuneration (taxable earnings, taxable perks and taxable company contributions) is used to calculate the employment tax incentive amount.  
   - If the ‘employed and remunerated’ hours are less than 160, the system will do a gross-up calculation of the remuneration:  
     - Actual remuneration / ‘employed and remunerated’ hours (Step 3) x 160  
   - If the ‘employed and remuneration hours’ are 160 or more, the system will use actual remuneration.

It is important to verify the Remuneration items on the ETI Definition Screen – it will default according to the SDL flagging.

To access the ETI Definition Screen from the Main Menu:  
Select Payroll  
Select Definitions  
Select ETI Definitions  
Select the applicable tabs.
• The actual/grossed-up remuneration for the full month has to be less than R6000 for the employee to qualify. If the remuneration for the full month is R6000 or more, the employee will not qualify and no ETI amount will calculate.

13. Employed and Remunerated Hours

3 groups of employees:

• **Permanent employees** – contractual/ordinary hours (average working hours per month according to the BCEA, calculated on a 4.3333 week or according to the employment contract) less any unpaid hours (such as unpaid leave hours, no work-no pay hours) plus any additional hours (such as overtime hours, public holiday worked hours, hours worked on a Sunday etc.).

• **Temporary employees** – actual number of hours worked in the month (the calculation of hours will include ordinary hours plus additional hours of work, unpaid hours will automatically not be counted).

• **New and terminated employees** – actual number of hours worked if employed after the first day of the month or terminated before the last day of the month (the calculation of hours will include ordinary hours plus additional hours less unpaid hours).

It is crucial that hours are entered correctly to allow the system to make the correct calculations.

VIP will prioritise hours for ETI purposes as follow:
1. New/Terminated
2. Irregular Hours
3. Hours Worked

Calculation of Incentive amounts

14. **Pro-Rata Incentive Amount**

The ETI amount will be grossed-down (pro-rated) if the ‘employed and remunerated’ hours (previously referred to as ‘employed’ hours) are less than 160 hours:

- Full monthly ETI amount / 160 x ‘employed and remunerated’ hours (Step 3).

If the ‘employed and remunerated’ hours are 160 hours or more the full monthly ETI amount will calculate.

The system does this calculation. It is however required that the correct hours are entered and flagged/defined (as discussed in Step 5) to ensure that the system uses the correct information for this calculation.
<table>
<thead>
<tr>
<th>Step 15 – 24: ETI General Troubleshooting and Legislation</th>
</tr>
</thead>
<tbody>
<tr>
<td>15. <strong>IRP5 Validation on ETI Monthly Minimum Wage</strong>&lt;br&gt; If an employee is linked to a Minimum Wage ETI Code which does not have a Minimum Wage Value, when you print any of the IRP5/IT3(a) Reports, a message will print on the Validation Report.&lt;br&gt;&lt;br&gt;<strong>Take Note:</strong> You will need to amend this before a Live IRP5 Run can be completed.</td>
</tr>
<tr>
<td>16. <strong>ETI Wage Code</strong> not on file&lt;br&gt;When error is received, check employee ETI screen for current linking of ETI wage code. Unlink incorrect wage code.</td>
</tr>
<tr>
<td>17. <strong>Minimum Wage Code – Monthly Hours</strong>&lt;br&gt;A field for Monthly Hours has been added to the ETI Minimum Wage Code.&lt;br&gt;• Monthly Hours is calculated as follows: Minimum Wage Value ÷ Minimum Rate per Hour&lt;br&gt;• The Monthly Hours field is used to calculate IRP5 Code 7003 per month in the IRP5/IT3(a) file.&lt;br&gt;&lt;br&gt;<strong>Take Note:</strong> If the Monthly Hours change in the future, we suggest that you add a new Minimum Wage Code and the relevant employees must then be linked to that code. (If the Minimum Wage Value and Minimum Rate per Hour changes, the employees can remain linked to the same Minimum Wage Code.)</td>
</tr>
<tr>
<td>18. <strong>New or Terminated</strong>&lt;br&gt;When an employee is employed after the first day of the month and/or terminated before the last day of the month, the actual number of days employed and remunerated for should be entered on the employees ETI screen to allow for the ETI amount to be calculated correctly.&lt;br&gt;&lt;br&gt;A warning message will appear: Do you want to complete the number of days working in this Month if you are not capturing or importing hours for ETI purposes? If you select:&lt;br&gt;• <strong>Yes</strong> – you need to enter the number of days employed and remunerated for which will be converted to hours based on the Increase Screen information. The system will then do a gross up remuneration calculation and apply the ETI table. Then&lt;br&gt;From the Main Menu:&lt;br&gt;Select Employee&lt;br&gt;Select Change Employee&lt;br&gt;Select Employment Tax Incentive tab&lt;br&gt;&lt;br&gt;<strong>Total days worked (irrespective of overtime or short time worked) should be entered.</strong>&lt;br&gt;&lt;br&gt;The ETI calculation requires the actual hours worked to calculate the correct ETI amount for the month.&lt;br&gt;&lt;br&gt;Unpaid and overtime hours will be used (based on Wage Component flagging as discussed in Point 5) to calculate the actual hours worked.</td>
</tr>
</tbody>
</table>
the system will do a gross down calculation to calculate the ETI value. Remember to include **Total** days worked including additional hours but do not count unpaid hours

- **No** – you will pro-rata the Salary on the Payslip Screen by entering the number of days worked. If the employee is flagged for Irregular Hours, these hours will be used. Otherwise the hours according to the ETI Setup Screen on Company level will be used to determine the number of Hours worked. (Increase Screen, Define Hours, Import ETI Hours). The system will then do a gross up remuneration calculation and apply the ETI table. Then the system will do a gross down calculation to calculate the ETI value.

| 19. | **Adjusted Rate (only for Wage regulating measure employees)**
If employee is paid a lessor rate for the month (example, when on maternity leave) adjust the system accordingly.

This is to ensure the system makes use of the correct wage qualifying test based on the adjusted actual minimum rate per hour. |
| 20. | **Late Terminations**
From 4.8a, employees who are terminated in the current month for a previous month will not have ETI calculated for the current month.

- The system will look at the termination date and not calculate ETI for the month after the termination date.

Take Note: If an employee’s termination date is in the middle of a previous month, the system will not pro-rata the previous months ETI calculation. This will need to be manually corrected by the user by using the ETI take-on tool. |
| 21. | **ETI Take-On tool**
From 4.8a, an ETI take-on tool is available to import and export all ETI information per employee.

You can now import and export data using the same tool.

- This sheet can be used for the following reasons:
  - To backdate information in VIP
  - To correct/edit information in VIP
  - To export required information in Excel |

If Hourly Rate on Increase Screen is ticked on ETI Company setup:
From the Employee Payslip Screen:
Enter INC in routing block
Adjust Rate per Hour

From the Main Menu:
Select Interfaces
Select Import Data
Select Utility Imports
ETI Take-on
<table>
<thead>
<tr>
<th></th>
<th>Employment Tax Incentive Amount</th>
<th></th>
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<tbody>
<tr>
<td>22.</td>
<td><strong>Roll over/Reimbursement of Incentive Amount</strong>&lt;br&gt;From March 2017 if the employer does not claim the ETI amount they are entitled to within the 6 month cycle (for example they forgot to or any other case), then the ETI will be nil (0.00) after the 6 month cycle and the employer will not receive ETI as a refund and cannot back-date the ETI claims if the 6 month cycle has elapsed. This is only applicable when the employer did not claim the ETI amount they are entitled to.&lt;br&gt; If the employer does not claim the ETI amount due to the fact that the ETI amount exceeds the employees’ tax due for the month or due to the fact that the employer is not tax compliant, then the ETI brought forward amount will still be 0.00 in the months following the 6 month cycle (March and September) but the employer will still be eligible to claim the excess ETI amount as a refund after the 6 month cycle (only if the employer is compliant).</td>
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<td></td>
<td><strong>Take Note:</strong> It is our understanding that this is what is implied with the amendments in the legislation. We are in the process of confirming whether our interpretation is in line with SARS’s.</td>
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<tr>
<td>23.</td>
<td><strong>Non-compliance</strong>&lt;br&gt;If the employer is not compliant (outstanding returns and amounts) they must still claim ETI by declaring the calculated value on the EMP201 but they may not reduce the PAYE by utilizing the ETI amount. The ETI amount may be carried forward to the next month/s in the same 6 month cycle. If the employer is not tax compliant within the 6 month cycle (reconciliation period) the ETI amount will be forfeited.</td>
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<tr>
<td>24.</td>
<td><strong>Penalties</strong>&lt;br&gt;• <strong>Non-compliance</strong>&lt;br&gt;An employer that pays a qualifying employee less than the minimum wage is ineligible for the ETI. Should the employer claim ETI in these circumstances, the employer must pay a penalty of 100% of the ETI received for that employee.&lt;br&gt;• <strong>Displacement of employees</strong>&lt;br&gt;An employer is believed to have displaced an employee in order to employ an employee who qualifies. A penalty of R30 000 will be levied for each employee displaced.&lt;br&gt;• <strong>Late payment penalty and interest</strong>&lt;br&gt;An employer who incorrectly claimed the ETI on an EMP 201 have accordingly underpaid employees’ tax and must pay a percentage</td>
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<td>based penalty. Penalty is 10% of the unpaid employees’ tax.</td>
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