

## ETI corrections January 2020

The Taxation Laws Amendment Act, 2019 was published on 15 January 2020. The below change to ETI is effective from 1 August 2019 and must be backdated accordingly.

For an employee to qualify for ETI, he/she must be paid at least the minimum wage (amongst other qualifying criteria, which is not changed by this amendment). If he/she is not paid at least the minimum wage he/she must be excluded from ETI.

**Before 1 August 2019**, an employee could have qualified if he/she was paid:

the minimum wage according to the wage regulating measure, or

if no wage regulating measure was applicable, R2000 per month for 160 employed and remunerated hours.

**From 1 August 2019**, to align the ETI Act with the National Minimum Wage Act, the minimum wage requirements to possibly qualify for ETI were changed to:

the higher of -

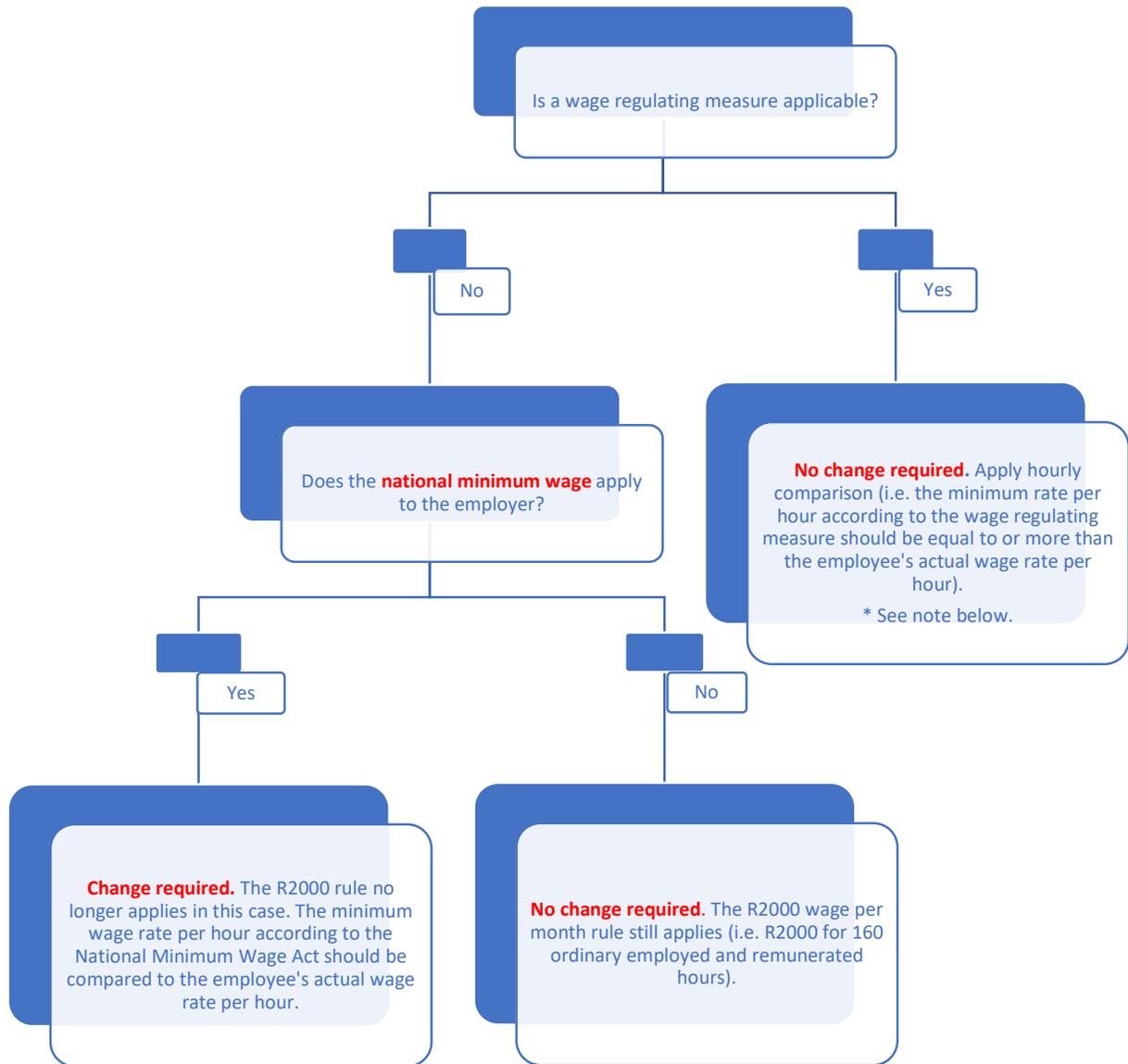
the national minimum wage (R20 per hour, R18 per hour for farm workers, R15 for domestic workers, R11 per hour for workers employed in a public works programme and the minimum weekly learnership allowance for learners), or

the minimum wage according to the wage regulating measure (sectoral determination, bargaining council agreement or collective agreement).

If none of the above is applicable (for example the employer is exempt from the national minimum wage after successful application and there is no wage regulating measure), then the R2000 wage per month for 160 ordinary employed and remunerated hours should be used as the minimum wage.

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## Summary of change:



*\* The National Minimum Wage Act takes precedence over any wage regulating measure. Therefore, each bargaining council agreement, sectoral determination and collective agreement had to be updated with the correct minimum wages to be at least equal to or more than the national minimum wage. It is the employer's responsibility to confirm the minimum wage according to the wage regulating measure is at least the minimum wage and this comparison will not be a change in the system. If the employee was/is not paid at least the minimum wage, then the employee must not qualify for ETI and backdated corrections must be made (if applicable).*

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### Steps to follow to apply the new legislation from the current period going forward:

**Please note that this will only apply to employees who do not belong to a wage regulating measure and who is not exempt from the National Minimum Wage:**

Make a backup before changing any information on the payroll

#### **Step 1:** Change the ETI Setup on Company Level

Company > Basic Company Information > Employment Tax Incentive tab

Tick the relevant field to indicate where rate per hour must be stored (this change is required, although the employees do not belong to a wage regulating measure, to ensure a rate per hour comparison is applied).

**Step 2:** Ensure that the rate per hour is correctly captured for each employee based on the setting made in step 1.

#### **Step 3:** Amend or add the minimum wage code

Payroll > Definitions > System Description Codes > ETI Codes > Minimum Wage

Add a new code or select and amend the existing code to the applicable national minimum wage rate per hour (R20 per hour, R18 per hour for farm workers, R15 per hour for domestic workers, R11 per hour for workers employed in the public works programme and the minimum rate per hour for learners).

**Step 4:** Link all employees to the applicable national minimum wage rate code set up in step 3.

Tip: Use the Global Activation function to link all or groups of employees (Payroll > Global Activation > ETI > Employee Tax Incentive Description)

**Step 5:** Tick the wage regulating measure option for the employee (this change is required, although the employees do not belong to a wage regulating measure, to ensure a rate per hour comparison is applied).

Tip: Use the Global Activation function to link all or groups of employees (Payroll < Global Activation > ETI > Wage Regulating Measure)

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### Steps to follow to backdate the new legislation to August 2019:

**Please note that this will only apply to employees who do not belong to a wage regulating measure and who is not exempt from the national minimum wage:**

#### **Step 1:** Export the ETI History Information for 2019 and 2020

- Interfaces > Export Data > ETI History
- Select the export the relevant year (for TAX 2020, you will need to do an export for 2019 and one for 2020)
- Select a destination and file name, and select to export all employees
- Click on Export
- Select Yes to save the file in Excel
- Excel will open, and require you to select the export destination folder and file
- The Excel template will populate with the ETI data

#### **Step 2:** Filter the data based on the month

For 2019: month 9 – 12 should be taken into account

For 2020: month 1 up to current month number should be taken into account.

#### **Step 3:** Compare the ETI Minimum Wage value

Apply a calculation by dividing the 'Actual Wage' (column O) by the 'Wage Hrs' (column AC) to calculate a rate per hour. Ensure the answer is at least equal to or more than the applicable national minimum wage rate per hour.

- If the answer is less than the applicable national minimum wage rate per hour, amend the ETI value on the spreadsheet to be 0.00
- If the answer is equal to or more than than the applicable national minimum wage rate per hour, no changes are required.

#### **Step 4:** Review the ETI Period and Sets and correct where needed.

\*\*Please note that if you make changes to the ETI Set and Period, all subsequent months (and values where applicable) should be amended.

#### **Step 5:** Finalise the import file

- Delete transactions that you don't want to import.
- Delete column AE (New/Term Days) to AL (Comment)
- Save file as an Excel Spreadsheet
- Save the file again, but this time Select "Save As", enter a file name, and change the file type to CSV comma delimited (to be in the correct import format)

#### **Step 6:** Make a backup (advisable) before we import the data

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### Step 7: Import the file

- Interfaces > Import Data > Utility Imports > ETI Take-on
- Select Import
- Select the folder where you saved the CSV file and enter the file name
- Click on Import

**Step 8:** Restate EMP201/EMP501 declarations where needed and make shortfall payments to SARS.

EMP201 for August can't be restated. EMP501 will have to be resubmitted for March 2019 – Aug 2019) once the shortfall payment has been made to SARS.

These corrections can result in late payment penalties and interest.

It is important that the total 4118 value (ETI value on the tax certificate of each employee) must balance back to the total ETI calculated value declared on the EMP201's/EMP501 for the employer to be able to submit their EMP501 reconciliation.

Please note that the employer must contact SARS for any assistance in revising the EMP201's/EMP501.