

Sage Business Cloud Payroll Professional

Release 5.4c – PAYE

Employee Donations to the ‘Solidarity Fund’

According to the Fourth Schedule to the ITA, a bona fide donation made by the employer on behalf of the employee for which the employer will be issued a receipt as contemplated in section 18A(2)(a) will be allowed as a tax deduction, limited to 5% of balance of remuneration before taking into account the tax deduction of donations.

To alleviate the cashflow difficulties of employees where their employers contribute to the Solidarity Fund on their behalf (for which they will be issued an receipt as contemplated in section 18A(2)(a) of the ITA), Government is proposing a special relief measure by temporarily increasing the current 5% tax limit.

An additional limit will be available (depending on the employee’s circumstances), namely –

- A maximum limit of 33.3% of that remuneration per month for three months from 1 April to 31 June, or
- A maximum limit of 16.66% of that remuneration per month for six months from 1 April to 31 September

“Solidarity Fund” means the Solidarity Response Fund, registered with the Companies and Intellectual Property Commission as a non-profit company under registration number 2020/179561/08;

This is only applicable to contributions to the Solidarity Fund – this will be reported against the new IRP5 code 4055.

Any other donation is still limited to 5% - this will be reported against IRP5 code 4030 (it must be clarified in the BRS whether a donation to the Solidarity Fund for which a portion of this 5% tax deduction was claimed, must also be reflected against code 4030).

Notes: The PAGSA confirmed the following with SARS:

"As regards the 33.33% or 16.66% limitation, this is an either/or option under the Bill, and there can be no amalgamation of the limits.

I think the way that it would work best, is if the employer automatically defaults the employee to the relevant limit based on the level of the contribution to the fund unless the employee specifically requests that the employer implement a specified limit.

Once an option is selected, it must be fixed and can not be altered.

Regarding the remuneration on which the limit should be based, the Bill is clear that the amount is based on the monthly remuneration figure, and therefore cumulative totals can not be used."

Deferral of payment of PAYE for qualifying employers

A qualifying employer that is a tax resident (or representative) that is registered for employee's tax by 1 March 2020, will be allowed to pay only 65% of the employee's tax withheld/deducted without SARS imposing penalties and interest for the late payment thereof. Therefore, the PAYE payable can be reduced by 35% and only 65% will be payable.

Effective date: 1 April 2020 – 31 July 2020

The remaining 35% must be paid to SARS in 6 equal monthly instalments commencing on 7 September 2020 and ending on 5 February 2021. If these payments are not made before the deadline, SARS will impose penalties and interest.

The employer must still declare the full PAYE liability as calculated by the system. SARS will impose penalties if they discover that the employer has understated the PAYE liability for any of the 4 months of the employer does not qualify for this relief.

"Qualifying employer" is a company, partnership, individual or trust –

- that is a taxpayer as defined in section 151 of the Tax Administration Act that conducts trade,
- that has a gross income of R100 million or less during the year of assessment ending on or after 1 April 2020 but before 1 April 2021.
- whose gross income for the year of assessment does not include more than 20% in aggregate of interest, dividends, foreign dividends, royalties, rental from letting fixed property, annuities and any remuneration received from an employer, and
- that is tax compliant as referred to in section 256(3) of the Tax Administration Act when relying on a deferral under this Act, provided that

- the gross income of a partnership for this purpose is the aggregate of the partner's gross income from the partnership, and
- the 3rd bullet above must be read without the reference to rental from letting fixed property, if the primary trading activity of the company, trust, partnership or individual is the letting of fixed properties and substantially the whole of the gross income is rental from fixed property.

Notes: Please refer to the [SARS FAQ](#) for information on the administrative requirements i.r.o the deferred PAYE.

Amounts received/accrued from Covid-19 disaster relief organisation excluded from remuneration.

Any amount paid by a Covid-19 disaster relief organisation on behalf of an employer is excluded from remuneration and therefore not subject to PAYE, UIF, SDL etc, but will be subject to income tax on assessment.

“COVID-19 disaster relief organisation” means any non-profit company as defined in section 1 of the Companies Act, 2008, any trust, or any association of persons that has been incorporated, formed or established in the Republic that carries on activities for the purposes of disaster relief in respect of the COVID-19 pandemic, declared a national disaster on 15 March 2020 by the Minister of Cooperative Governance and Traditional Affairs under section 27(1) of the Disaster Management Act, 2002.

Effective date: Applies in respect of any amount received from a Covid-19 disaster relief organisation from 1 April 2020 – 31 July 2020

Notes: Currently it is unclear which IRP5 code should be used to report this and further clarity must be provided by SARS. Until we get clarification, you can use IRP5 code 3602 (excluded from PAYE, UIF, SDL etc.)

What must be done on the payroll?

Employee Donations to the 'Solidarity Fund'

- The new IRP5 codes will be implemented in the September 2020 release
- For the interim, create a deduction line, as in the example below, using IRP5 code 4030. The full value entered on this deduction line, will be tax deductible and it is the users' responsibility to ensure that the deduction value is within the limits.
- If the employee wants to contribute more to the fund, than what is allowed as tax deductible, create a separate deduction line, for the Not Tax deductible portion.

Deduction Definitions												
No	Short	English	Alternate	Ded Type	Tax Ded	IRP5	Incl SDL	Clearance No	CC Tax	IRP5	Incl SDL	BCEA
14	Sol.fun	Solidarity Fund	Solidarity Fund	PayrollGiving	Y	4030	F		Y	3808	F	N
15	Sol.NT	Solidarity F. NTax	Solidarity F. NTax	Not Calc	N	4030	N		Y	3808	F	N