

From the Team

April 2024

South Africa – revision of tax statuses

Please take note of the explanations below to clarify the revision of tax statuses on the payroll:

Labour brokers

A labour broker – someone who provides and remunerates workers for a client (for payment)

- may or not be and in possession of an exemption certificate.
- The Fourth Schedule allows for an exemption certificate to be issued by SARS to a labour broker (if a set of conditions is met)
- this absolves the employers from having to withhold PAYE from payments made to the labour brokers.
- Employers must withhold PAYE from payments made to labour brokers WITHOUT an exemption certificate.

Foreign employment

- SARS PAYE Business Requirements Specification (BRS) – any remuneration received due to employment outside of South Africa must be reported on foreign services income codes
- irrespective of whether a portion of that amount may qualify for exemption.
- if a tax resident employee works outside of SA on behalf of an employer, then certain remuneration is exempt from tax (up to a limit of R1.25 million per tax year)
- **IF the following conditions are met:**
- the employee is working outside SA for a period exceeding 183 full days in total during any 12-month period, and
- for a continuous period exceeding 60 full days during that period of 12 months.

Employees in standard employment

- an employee (including a scholar or student) works for a single employer for at least 22 hours per week
- (excludes temporary periods of absence due to exceptional circumstances or a temporary reduction in working hours)
- is deemed to be in standard employment
- should be taxed according to the progressive personal income tax tables.

How Does It Work?

1. The following tax statuses have been renamed to an [Obsolete] tax status in April 2022. (Please refer to release note #29380 for more information).

- Foreign Employment (No Tax) [Obsolete]
- Labour Broker (Not Tax) [Obsolete]
- Standard Employment (YTD) [Obsolete]

2. In future these tax statuses will no longer be available for selection. Tax statuses available on the payroll that pertain to labour brokers, foreign employment and standard employment include:

- Labour Broker: Remuneration paid to a labour broker without a valid exemption certificate (IRP30) is subject to employee's tax. The basic salary will be converted to tax code 3619 if the employee has a valid exemption certificate. If not, the tax code will be 3617 and the employee will be taxed as per the progressive tax tables.
- Foreign Employment: Apply this tax status for a South African resident employee who earns income in a foreign country. Normal progressive tax tables will be applied but 50 will be added to all tax codes, for example, the 'Basic Pay' component's tax code will display as 3651.
- Standard Employment (Normal): The normal progressive tax tables will be applied.

Paymaster Impact

- When adding an employee, the removed tax statuses will no longer be available to select. It will therefore be hidden on screen, when applying APIs and when uploading via bulk actions.
- Existing employees linked to these removed tax statuses, will display blank in the tax status field.
- The tax calculation and reports will still apply the tax status in the database.
- When the user edits the screen, they will need to select a new status from the available list.
- When accessing the information via APIs and bulk upload, the tax status of the employees linked to the removed tax statuses, will still display. However, when attempting to upload, an error will be returned, since the value does not exist.

Customer Action

- Validate APIs if necessary.
- Existing employees linked to an obsolete tax status should be converted to any of the available tax statuses.
- If an employee's tax status is changed in the middle of the tax year, a tax recalculation will take place.
- If the newly selected tax status should be applicable from a specific date, terminate the employee on the Tax Profile screen and reinstate in the next open run selecting the option, Reinstatement Starting a New Record. As a result, the employee will receive separate tax certificates based on the two tax records in the tax year.
- Please contact your Paymaster payroll administrator if you need more advice regarding these revised tax statuses. Email us at outsourcepaysroll@paymaster.co.za