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1. Sage training manual name: Sage Generic Legislation Manual
2. Sage training manual version
3. Lesson number
4. Page number
5. Brief description of enquiry or issue
6. Your name and contact details
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The information above allows Sage to respond accurately and timeously to the enquiry submitted.

Lesson flow

Each lesson of this course creates building blocks for the next lesson assisting learners with process flows and sequential learning.

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Working with this manual

You may come across some of the following icons to make your learning experience more interesting and visual:

Icon	Description	Explanation
	Important information	Item where attention is required, or additional insight and information is provided.
	Notes	An area to write additional notes.
	Summary	Overview of the most important items covered in a section or lesson.
	End of lesson	The end of the lesson.
	Example	An example illustrating the applicable concept.

Additional help options

To ensure that you always get the best support from us, the following channels can be used, depending on your query.

Sage Support Central	Sage Support Central is the official online support website, offering you a one stop support center for all your accounting and payroll queries. The website offers a quick link to: • **Sage Training:** For all your training requirements, from booking training (classroom and e-Learning) to writing online assessments. • **Knowledge Base:** The Knowledge Base provides documentation with proposed solutions to errors that you may encounter. You will require a valid cover contact, your base serial number and customer number to login. Once logged in select Sage Pastel Accounting on the left–hand side of the screen. Select the search field to search for your article. • **Sage City:** Online community and the best place to ask questions and share product tips, tricks, and suggestions – and we can't do it without you! Available 24 hours a day, seven days a week, Sage City is a great place for customers to find answers on their own and at their convenience. In addition, Sage City gives customers a place to communicate with other business builders on the various ways other companies are using our solutions – allowing them to share ideas and network with one another. Please visit https://www.sage.com/en-za/support/

Lesson 1: Introduction to payroll administration and legislation

Learning outcomes

The purpose of this lesson is to provide you with an understanding of what payroll is, and what the administration thereof entails.

Learning objectives

At the end of this lesson, you will have an understanding of:

A. What payroll is.
B. The role of the payroll administrator.
C. The responsibilities of a payroll administrator.
D. Payroll systems.
E. Confidentiality and security.
F. Deadlines.
G. Retention of payroll documentation.
H. Items forming part of an employee's pay/payslip.
I. Factors affecting payroll administration.

A. What is payroll?

The main function of payroll is essentially to pay employees for work completed. This however covers many activities ranging from calculating tax and paying it to SARS, to paying employees for expenses incurred or leave taken.

What your payroll involves, and the specific functions that you as a payroll administrator will be required to perform will depend on the size of the company and any payroll policies and procedures which are in place. Often, companies with a large workforce and a complicated remuneration system will have a payroll department and employ a number of staff to process the payroll. Smaller organisations will not have the same requirements and may employ one person to perform a range of functions, one of which is processing the payroll. The Human Resources (HR) and the Payroll Administration departments are interrelated and operate in close contact with each other. The HR department formulates the personnel policies and manpower planning, whereas the Payroll department will see to the implementation and maintenance of the payroll and related functions.

B. The role of the payroll administrator

The functions of the payroll administrator within an organisation varies and are dependent on the size and type of organisation.

The functions of the payroll administrator include, but are not limited to, the following:

- to do the necessary input on the payroll system to ensure that an employee receives a payslip at the end of each pay period;
- to obtain authorisation for any changes to the payroll (these changes may include, but are not limited to, earnings, deductions, fringe benefits, and company contributions);
- to check net pay figures for any discrepancies. If any discrepancies are found, this should be referred to the appropriate person;
- to ensure that the amount reflected as the net pay on the payslip is transferred to the employee;
- to provide management with reports reflecting payroll information;
- to complete statutory returns on a monthly and annual basis;
- to ensure that all payments to third parties and statutory bodies are reconciled before the payments are made;
- to reconcile the payroll by balancing payslips to input documents;
- to ensure that emergency or extraordinary payments comply with the organisation’s policies;
- to fulfill bookkeeping responsibilities by entering payroll information in the cashbook or general ledger;
- where the matters do not fall within the discretion of the payroll administrator, it must be referred to the appropriate person (such as a payroll manager, financial manager or HR manager);
- to ensure that all contractual entitlements and payment methods are checked for proper authorisation and for consistency with the organisation’s payment policies and statutory regulations; and
- to ensure that incomplete and unauthorised source (input) documents are referred to the appropriate person for clarification.

C. Responsibilities of a payroll administrator

A payroll administrator is responsible for all day-to-day administration and data capturing relating to payroll. The responsibilities of a payroll administrator include, but are not limited to, the following:

- accurate and speedy completion of payroll input;
- ensuring that all administrative tasks are completed on time and in line with set standards and practices;
- obtaining the proper authorisation required for any tasks or responsibilities;
- assisting those who need it; and
- applying effective planning to facilitate speedy task completion.

Processing of input

Responsibilities regarding the processing of input include, but are not limited to, the following:

- managing the payroll calendar by planning for one payroll month ahead, and filing supporting input documents in the correct order;
- verifying employees' basic pay rates and contractual conditions;
- implementing helpful action to prevent recurring errors;
- ensuring that payroll information is accurately processed and stored by using payroll systems such as those offered by Sage;
- backing up payroll data on a regular basis to minimise risks to the IT environment;
- following up on input queries and incomplete input documents;
- implementing processes to promote structured working in the payroll office to ensure that all input is captured by a specific deadline; and
- organising and preparing a review file before handing the payroll over to an account manager for review.

Finalising month-end procedures

Responsibilities regarding finalising month-end procedures include, but are not limited to, the following:

- comparing signed reconciliation documents to the company totals on the payroll system before proceeding with any output;
- printing and distribution of reports and payslips (both standard and watermark payslips); and
- creating the UIF declaration file for one or multiple employers.

Reports and interfaces

Responsibilities regarding reports and interfaces include, but are not limited to, the following:

- preparing and balancing payroll reports in a specific time frame agreed to by the relevant managers; and
- ensuring that there are set guidelines for printing customised reports for example with sorting.

General

General responsibilities include, but are not limited to, the following:

- following policies and procedures and standard operating procedures;
- contributing to the improvement of internal and payroll systems and procedures; and
- taking ownership of payroll problems and escalating problems to the applicable manager if it falls outside the payroll administrator's control.

D. Payroll systems

The payroll process has evolved from manual wage books to sophisticated computer-based systems that have built-in calculations necessary in the administration of payroll.

Manual systems are exactly as the name portrays, i.e., a manual system of calculating employee remuneration. Manual systems are very time consuming and require an enormous amount of cross checking and reconciliation. Due to the time-consuming nature of manual payroll systems, they are only suitable for employers with uncomplicated payroll requirements.

Computerised payrolls are becoming the preferred payroll system and, unlike manual payrolls, the computer software associated with the payroll performs most of the calculations and usually cross checks and reconciles the payroll. This automatic nature of computerised systems makes the process efficient and accurate.

E. Confidentiality and security

According to Section 90 of the Basic Conditions of Employment Act that deals with Confidentiality it is an offence for any person to disclose information which that person acquired while exercising or performing any power or duty in terms of this Act and which relates to the financial or business affairs of any other person, except if the information is disclosed in compliance with the provisions of any law:

- to enable a person to perform a function or exercise a power in terms of an employment law;
- for the purposes of the proper administration of this Act;
- for the purposes of the administration of justice.

The above does not prevent the disclosure of any information concerning an employer's compliance or non-compliance with the provisions of any employment law.

Example

A payroll administrator may be contacted by stores who want to verify an employee's income. The payroll administrator may not provide amounts but may confirm amounts that were provided to the store by the employee.

Employee data should be kept in a secure facility where no unauthorised persons can gain access.

More guidelines regarding confidentiality and security:

- Do not print payslips or other reports to a printer to which everyone has access. This is especially important if your payroll is installed on a network where you may print to different printers. Set up a password on the printer where payroll reports are printed.
- Do not leave payslips, reports or any other confidential information lying in your office when you leave the office. The office door should preferably be locked when you leave.
- Control access to the payroll office with a biometric access control system such as a fingerprint recognition system.
- Do not give any unnecessary information concerning employees or the company to people over the phone.
- It is recommended that the payroll administrator is in an office of their own or that there is at least a lockable filing cabinet for filing confidential information.
- The layout of the office is extremely important. If your payroll is processed electronically, the computer screen must be positioned in such a way that people entering or moving around in the office will not be able to see confidential information on the screen.
- Payrolls that are processed electronically must be restricted with passwords.
- Your company must have a firewall to protect your computer systems and databases.
- Strengthen payroll confidentiality by assigning the necessary payroll tasks to specific personnel. For example, if the employee processes only time cards and leave, his system access should allow him to complete only those tasks.

- Payroll software stores payroll information in the computer system; however, keeping hard copies increases the filing system's reliability and serves as a useful backup. Store hard copies in a secure, locked location.

Encrypting data for network transmission

Sensitive information that travels over an intranet or the Internet can be protected by encryption.

Encryption is the mutation of information into a form readable only with a decryption key. Encryption is a powerful security mechanism because it can make decryption mathematically infeasible if you do not possess the decryption key.

Encryption scrambles the message, rendering it unreadable to anyone but the recipient. The server decrypts the message with a decryption key and reads the credit card number.

The secrecy of encrypted data depends on the existence of a secret key shared between the communicating parties. Providing and maintaining such secret keys is known as key management. In a multiuser environment, secure key distribution may be difficult; public key cryptography was invented to solve this problem.

Encryption must address all communications with the database, including transmissions from clients and transmissions from middle tiers. It must also secure all protocols into the database.

F. Deadlines

Certain employee data is required for the submission of reports and/or payments. The deadlines for these reports and/or payments must always be maintained. Therefore, the recording of employee data should be completed with enough time remaining for these deadlines to be met.

Statutory deadlines

EMP201: Monthly Employer Declaration

The EMP201 return contains the payment details for PAYE (Pay As You Earn), UIF (Unemployment Insurance Fund), SDL (Skills Development Levy) and ETI (Employment Tax Incentive), if applicable, for the month. It needs to be completed and submitted, along with payment, to the South African Revenue Service (SARS) by the 7th day of each month. Where the 7th day falls on a Saturday, Sunday or public holiday, the return must be submitted and payment must be made on the last business day prior to that. This form and payment can only be submitted once the payroll is complete and up to date.

Important Information

The Employment Tax Incentive (ETI) is aimed at encouraging employers to hire young and less experienced work-seekers. It reduces the cost to employers of hiring young people through a cost-sharing mechanism with government. In practical terms, it means that the employer will receive an incentive for employing the youth, subject to certain conditions, which will be in the form of a reduced monthly PAYE liability.

UIF Declaration

The UIF (Unemployment Insurance Fund) Declaration contains employee data required for the updating of the UIF database. This submission must be made to the UIF Commissioner by the 7th of each month. Therefore, all employee data required for this declaration must be complete before the deadline can be met.

EMP501: Interim Employer Reconciliation Declaration

Interim EMP501 Reconciliation Declarations must be submitted to SARS, usually by the end of October, reconciling PAYE, SDL, UIF, and ETI (if applicable) from March until August.

EMP501: Annual Employer Reconciliation Declaration and tax certificates

At the end of each tax year, employers must submit their annual EMP501 Reconciliation Declarations and employees' tax certificate information to SARS. This is the reconciliation of PAYE, SDL, UIF and ETI (if applicable) from March until February and is normally due by the end of May. Once this information has been submitted to SARS, employers must issue employees with their tax certificates.

Workplace Skills Plan (WSP), Annual Training Report (ATR), Pivotal Training Plan (PTP) and Pivotal Training Report (PTR)

To claim back a percentage of the Skills Development Levies (SDL) that have been contributed by an employer in terms of the law, the employer must submit the Workplace Skills Plan (WSP), Annual Training Report (ATR), Pivotal Training Plan (PTP) and Pivotal Training Report (PTR) to the relevant SETA. Most SETAs require these reports to be submitted by 30 April every year.

The Workplace Skills Plan is a document that outlines the planned training and education interventions, for a specific organisation, for the coming year.

The Annual Training Report is the document that gives feedback to the SETA on the success of your Workplace Skills Plan or explains why you failed in achieving your objectives. It reflects the number of employees who attended training in the previous skills year.

The Pivotal Training Plan is a document that outlines the planned PIVOTAL training and education interventions, for a specific organisation, for the coming year.

The Pivotal Training Report is the document that gives feedback to the SETA on the success of your Pivotal Training Plan. It reflects the number of employees who attended training in the previous skills year.

OID Return of Earnings (W.As.8)

The employer must submit the Return of Earnings (W.As.8 return) before 31 March every year and provide the Compensation Commissioner with the amount of earnings paid by the employer to his employees for the period, with effect from the first day of March of the preceding year up to the last day of February of the current year.

Designated Employment Equity Report (EEA2) and Income Differential Statement (EEA4)

Designated employers must submit the EEA2 and EEA4 to the Department of Labour every year. Online submissions must be completed by 15 January each year. Manual submissions must be completed by the first working day of October each year.

The EEA2 reports on the number of African, Coloured, Indian and White males and females and the number of male and female foreign nationals employed, per occupational level.

The EEA4 reports on the number of employees and their remuneration in each occupational level in terms of race and gender.

Organisational deadlines

External

If an organisation belongs to a pension, provident or medical aid fund, reports and payments need to be submitted to these institutions according to a deadline set by the specific fund. If necessary, payments and reports might also have to be issued in respect of garnishees, insurance contributions, or any other third-party payments. Deadlines for these submissions will also be in place and will need to be followed.

Internal

Each organisation will have its own internal deadlines that need to be adhered to, such as deadlines regarding the transfer of employees' salaries/wages.

Salaried employees are paid monthly, usually any time from the last week of the month but according to the Basic Conditions of Employment Act, "*not later than 7 days after the completion of the period for which the remuneration is payable; or the termination of the contract of employment*".

The actual date of payment will be determined by each individual organisation. For all relevant employee information to be available and processed in time for payment, a salary cut-off date is usually set every month and might differ slightly from month to month depending on various circumstances, such as the day of the week. After this date, no more input or changes to the payroll will be accepted for the current month. This cut-off date is put in place to ensure that there is enough time for the payroll processing to be completed before payments to employees need to be made.

Payrolls for wage employees follow a similar procedure, although the payments to these employees are made on a weekly basis and the wage cut-off date will also be weekly. Again, the day of payment will be determined by the individual organisation.

Example

The wage week runs from Wednesday to Tuesday, with the cut-off date being Tuesday. Wednesday and Thursday are processing days, and the wages are paid out on a Friday.

Other internal deadlines that might have to be met are the completion and distribution of reports to the various departments at the organisation.

G. Retention of payroll documentation

Retention of supporting documentation

All documents used for payroll input must be kept and filed, for example, overtime claims, leave applications and commission sheets. This must be done in conjunction with the company's policies and procedures. These documents are used to reconcile the payroll input that was done for the specific processing period.

Retention of statutory documentation

Statutory documentation relating to the payroll must be updated when required and filed in accordance with the organisation's requirements. Types of statutory documentation can include the following:

Document	Description
EMP201: Monthly Employer Declaration	The EMP201 must be completed every month, and provides the payment details for PAYE, UIF, SDL and ETI (if applicable) for the month. It can be submitted by visiting a SARS branch or electronically via eFiling or e@syFile Employer. It can be filed in a file that contains only payments to SARS or in a file that contains payroll information for a specific month, or in any other way that the organisation requires.
UIF Declaration	The UIF Declaration is submitted to the UIF Commissioner monthly. This declaration will therefore also be filed monthly. It can be filed in a file that contains only UIF information or in a file that contains payroll information for a specific month, or in any other way that the organisation requires.
IRP5/IT3(a) Tax Certificates	At the end of every tax year, all employees are issued with either an IRP5 tax certificate (if PAYE was withheld from them during the tax year) or an IT3(a) tax certificate (if no PAYE was withheld from them during the tax year). An employee income tax certificate (IRP5/IT3(a)) discloses the total employment remuneration earned for the year of assessment and the total tax deductions. The tax certificate contains all the information required by SARS to check that the tax was deducted correctly from the employee in that year. An IRP5 tax certificate is used by the employee to complete the employee's income tax return for a specific year. Copies of these certificates must be filed by the employer who issues them every year. Filing of the certificates should be done in accordance with company policy. A copy of the certificate can either be kept in each employee's personnel file or all the certificates issued for the year can be filed together with any other tax documents that were submitted for that tax year, or copies can be filed in any other way that the company specifies.

H. Items forming part of an employee's pay/payslip

Payslip

A payslip is a document disclosing an employee's remuneration showing at least the following information:

- employer's name and address;
- employee's name and occupation;
- period for which the payment is made;
- employee's remuneration in money;
- employee's deductions; and
- actual net amount paid to the employee;

and, if relevant to the calculation of the employee's remuneration:

- employee's rate of remuneration;
- rate of pay for overtime work;
- number of ordinary and overtime hours worked; and
- number of hours worked on a Sunday and/or public holiday.

Example

Standard payslip issued to employees every pay period:

```
Training Company (Pty) Ltd                                                    PERIOD:  01/01/2020-31/01/2020
127 Sprite Avenue Faerie Glen
EMP. CODE:   001                          DEPARTMENT:  SAL                    DATE ENGAGED:      01/03/2014
EMP. NAME:   Mrs LJ Hlophe                PAYPOINT:    PTA                    ID NUMBER:      8307060253003
KNOWN AS:    Lerato                       JOB TITLE:   Sales Person
RATE/HOUR:   113.6364                     PAY METHOD:  ACB      632005  9224683327
CO UIF NR    06027371                     CO PAYE NR:  7500734894
-------------------------------------------------------------------------------------------------------------
EARNINGS             HOURS/UNITS       AMOUNT       DEDUCTIONS           HOURS/UNITS      AMOUNT     BALANCES
-------------------------------------------------------------------------------------------------------------
Cash Component                       16950.00       Tax                                   3381.20
Overtime 1.5               7.00       1193.18       U.I.F.                                 148.72
Overtime 2.0               4.00        909.09       Medical Aid                           2050.00
Travel Allowance                      1000.00       Vitality                               169.00
Cell Phone All                         400.00
```

Sample Payslip

```
                                 --------------                                      --------------
TOTAL EARNINGS                         20452.27       TOTAL DEDUCTIONS                     5748.92
                                 --------------                                      --------------
Total Perks                             2050.00       NET SALARY                          14703.35
Total Company Contributions             2421.74                                         --------------

Year-to-date Totals                                   Total Cost Information
-------------------                                   -----------------------
Taxable Earnings                       78452.27       Total Package                       20000.00
Tax                                    12824.71       - CC Pension                            0.00
Additional Tax                             0.00       - CC Prov Fund                          0.00
Total Perks                             8200.00       - CC Medical Aid                     2050.00
                                                      - Travel Allow                       1000.00
Annual Leave due                          5.0000      = Cash Component                    16950.00
YTD Shifts                                 0.00
```

Below is a table of the items forming part of an employee's payslip:

Item	Definition	Example
Earnings	Earnings represent the cash portion of an employee's remuneration.	Salary, overtime, commission, bonuses, allowances, etc.
Gross remuneration	Gross remuneration is the total earnings (salary/package plus all other taxable and non-taxable earnings) before any deductions are deducted.	
Deductions	Deductions are the items that are deducted from the earnings before the net pay is determined. This will include statutory deductions, such as tax (PAYE) and UIF, but also includes non-statutory deductions, such as loans and medical aid.	Tax (PAYE), UIF, loans, pension fund, provident fund, medical aid, etc.
Net pay	The net pay is the sum of the earnings minus the deductions and is the amount of money the employee is paid.	Net pay
Company (employer) contributions	Company contributions are contributions that the employer makes on behalf of the employees.	Company (employer) contributions towards UIF, SDL, pension fund, provident fund, medical aid, etc.
Fringe benefits	Fringe benefits are benefits given to employees in a form other than cash. These items are taxable.	The use of a company car, employer contributions towards medical aid, employer contributions towards retirement funds, free or cheap accommodation, low or interest-free loans/debt, etc.

I. Factors affecting payroll administration

There are numerous factors affecting the proper administration of a payroll. In the next section, you will learn about a few of these factors which could affect the payroll. In summary, it can be said that payroll administration must happen within the framework of legislation affecting the payroll.

Legislation includes:

- the Basic Conditions of Employment Act;
- the Labour Relations Act;
- the Income Tax Act;
- the Unemployment Insurance Act;
- the Unemployment Insurance Contributions Act;
- the Skills Development Act;
- the Skills Development Levies Act;
- the Compensation for Occupational Injuries and Diseases Act;
- the Employment Equity Act; and
- the Protection of Personal Information Act.

Summary

This lesson explained what payroll is, and what the administration thereof entails.

End of lesson

Lesson 2: Basic Conditions of Employment Act

Learning outcomes

Workers should at least be able to see a summary of the Basic Conditions of Employment Act 75 of 1997 (BCEA) at their workplace in the official languages that are spoken there.

The purpose of this lesson is to provide you with an understanding of the Basic Conditions of Employment Act.

Learning objectives

At the end of this lesson, you will have an understanding of:

A. The purpose of the Basic Conditions of Employment Act.
B. The application of the BCEA.
C. The provisions of the BCEA affecting payroll administration.
D. Regulation of working time.
E. Wage vs remuneration.
F. Leave.
G. Particulars of employment.
H. Termination of employment.

A. Purpose of the Basic Conditions of Employment Act 75 of 1997

The purpose of the Basic Conditions of Employment Act 75 of 1997 is to advance economic development and social justice by fulfilling the primary objects of the act, which are:

- to give effect to and regulate the right to fair labour practices:
  - by establishing and enforcing basic conditions of employment; and
  - by regulating the variation of basic conditions of employment; and
- to give effect to obligations incurred by South Africa as a member state of the International Labour Organisation.

This means that the BCEA is essentially in place to regulate the right to fair labour practice by controlling various employment conditions, such as:

- working time;
- leave;
- particulars of employment; and
- termination of employment.

B. Application of the BCEA

The BCEA applies to all employees and employers except:

- members of:
  - the South African National Defence Force;
  - the National Intelligence Agency; and
  - the South African Secret Service; and
- unpaid volunteers working for an organisation serving a charitable purpose.

The BCEA also applies to persons undergoing vocational training except to the extent that the provisions of any other law regulate any term or condition of their employment.

The BCEA, except Section 41, does not apply to persons employed on vessels at sea. In this case the Merchant Shipping Act 57 of 1951 applies, except to the extent provided for in a sectoral determination.

C. Provisions of the BCEA affecting payroll administration

All the chapters of the BCEA have a section describing the application of the chapter. It is advisable for any payroll administrator to familiarise themselves with these paragraphs of the BCEA.

Please note that the specific rules and regulations differ depending on the type of industry to which the employer belongs. It is advisable to familiarise yourself with the sections of the BCEA that apply to you.

The BCEA is applicable in any given situation except where:

- any other law is more favourable to the employee;
- the BCEA is excluded or replaced; or
- the terms of the employment contract are more favourable to the employee.

D. Regulation of working time (Chapter 2 of BCEA)

Application of this chapter (Section 6)

This section (except section 7) does not apply to:

- senior managerial employees (those who can hire, discipline and fire);
- sales staff who travel to the premises of customers and who regulate their own hours of work;
- employees who work less than 24 hours per month;
- employees who earn more than R205 433 per year (effective 1 July 2014 and subject to change) are excluded from the following sections in the BCEA:
    - Section 9 Ordinary hours of work
    - Section 10 Overtime
    - Section 11 Compressed working week
    - Section 12 Averaging of hours of work
    - Section 14 Meal intervals
    - Section 15 Daily and weekly rest period
    - Section 16 Pay for work on Sundays
    - Section 17(2) Night work
    - Section 18(3) Public holidays
- Sections 9, 10(1), 14(1), 15(1), 17(2) and 18(1) do not apply to work which is required to be done without delay, owing to circumstances for which the employer could not reasonably have been expected to make provision and which cannot be performed by employees during their ordinary hours of work.
- The Minister must, on the advice of the Commission, make a determination that excludes the application of the chapter or any provision of it to any category of employees earning in excess of an amount stated in that determination.
- Before the Minister issues a notice in terms of subsection (3), the Minister must:
    - publish in the Gazette a draft of the proposed notice; and
    - invite interested persons to submit written representations on the proposed notice within a reasonable period.

Regulation of working time (Section 7)

It is the employer's responsibility to regulate the working time of each employee:

- in accordance with any act governing occupational health and safety;
- with due regard to the health and safety of employees;
  with due regard to the Code of Good Practice and
- with due regard to the family responsibilities of employees.

Important information

The Code of Good Practice issued by the Minister of Labour contains provisions concerning the arrangement of work and, in particular, its impact upon the health, safety and welfare of employees. Issues that would be included are shift work, night work, rest periods during working time, family responsibilities and work by children.

Interpretation of day (Section 8)

For the purposes of sections 9 to 16, “day" means a period of 24 hours measured from the time when the employee normally commences work, and "daily" has the same meaning.

Ordinary hours of work (Section 9)

According to the Basic Conditions of Employment Act, the maximum normal working hours allowed are 45 hours per week. This is nine hours per day (excluding a lunch break) if the employee works a five-day week, and eight hours per day (excluding a lunch break) if the employee works more than 5 days per week. This does not mean that the employee has to work 45 normal hours per week. The number of normal hours worked is agreed in the contract that is drawn up between the employer and the employee. For example, some employees may work a 40-hour week.

The statutory limitation of 45 hours per week means that the employee may not work more than 45 normal hours per week.

Summary:

An employer may not require or permit an employee to work more than:
- 45 hours in any week;
- 9 hours in any day if the employee works 5 days or less in a week; or
- 8 hours in any day if the employee works more than 5 days in a week.

An employee’s ordinary hours of work may, by agreement, be extended by up to 15 minutes in a day but not more than 60 minutes in a week, to enable an employee whose duties include serving members of the public to continue performing those duties after the completion of ordinary hours of work.

Example

A bank teller’s ordinary working hours can be extended by up to 15 minutes per day to finish assisting the last client, up to a maximum of 60 minutes in a week.

Overtime (Section 10)

Overtime is the amount of time someone works beyond normal working hours.

An employer may not require or permit an employee:
- to work overtime unless there is an agreement; or
- to work more than 10 overtime hours per week.

The agreement may not require an employee to work more than 12 normal hours on any day.

An agreement made with the employee when the employee commences employment or during the first three months of employment, lapses after 12 months.

An employer must pay the employee at least one and a half times the employee's wage for overtime worked, however, there are in fact various options available. The following three scenarios can apply to overtime:

Overtime

Option 1

The employer pays the employee at 1.5 times his normal hourly rate for every overtime hour worked.

Option 2

The employer grants the employee 1.5 hours paid time off for every overtime hour worked.

Option 3

The employer pays the employee at the normal hourly rate (times 1) and in addition grants the employee 0.5 hours paid time off for every overtime hour worked.

Option 1	The employee will be paid on the normal pay date.
Option 2	Paid time off must be granted within one month of the employee becoming entitled to it, or within 12 months if there is a written agreement.
Option 3	The employee will be paid on the normal pay date at the ordinary hourly rate (times 1) and time off must be granted within 1 month or if there is a written agreement, 12 months.

Example

View the payslip below. Use the employee's rate per hour and the number of overtime hours worked to confirm the earning amount for "Overtime 1.5".

```
Training Company (Pty) Ltd                                          PERIOD:  01/01/2019-31/01/2019
127 Sprite Avenue Faerie Glen
EMP. CODE:   001                    DEPARTMENT:  SAL                DATE ENGAGED:      01/03/2014
EMP. NAME:   Mrs LJ Hlophe          PAYPOINT:    PTA                ID NUMBER:      8307060253003
KNOWN AS:    Lerato                 JOB TITLE:   Sales Person
RATE/HOUR:   113.6364               PAY METHOD:  ACB      632005  9224683327
CO UIF NR    06027371               CO PAYE NR:  7500734894
-------------------------------------------------------------------------------------------------
EARNINGS            HOURS/UNITS      AMOUNT      DEDUCTIONS          HOURS/UNITS     AMOUNT    BALANCES
-------------------------------------------------------------------------------------------------
Cash Component                     16950.00      Tax                                3381.20
Overtime 1.5              7.00      1193.18      U.I.F.                              148.72
Overtime 2.0              4.00       909.09      Medical Aid                        2050.00
Travel Allowance                    1000.00      Vitality                            169.00
Cell Phone All                       400.00
```

The overtime 1.5 earning amount is calculated as follows:		
	Rate per hour	R113.6364
x	1.5	1.5
x	Number of hours worked	7
=	Overtime 1.5 earning amount	**R1 193.18**

Example

Determine the emloyee's overtime earning amounts or time off in the following scenarios:

Scenario 1:

Overtime claim form		
TSH01 John Tshepiso		Rate per hour = R84.39
Date	**Hours Worked**	**Overtime Hours Claimed**
Wednesday, 10 January 2018	06h00 – 08h00	2
Saturday, 20 January 2018	08h00 – 12h00	4
	Total Overtime Hours:	**6**
John Tshepiso's normal working hours: Monday to Friday 08h00 – 17h00. Company policy: Employees are paid at 1.5 times their normal hourly rate for every overtime hour worked.		

The overtime 1.5 earning amount is calculated as follows:		
	Rate per hour	R84.39
x	1.5	1.5
x	Number of hours worked	6
=	Overtime 1.5 earning amount	**R759.51**

Scenario 2:

Overtime claim form		
OLI02 Miriam Oliphant		Rate per hour = R75.93
Date	**Hours Worked**	**Overtime Hours Claimed**
Saturday, 20 January 2018	08h00 – 11h00	3
Thursday, 25 January 2018	18h00 – 19h00	1
	Total Overtime Hours:	**4**
Miriam Oliphant's normal working hours: Monday to Friday 08h00 – 17h00. Company policy: Employees are granted 1.5 hours paid time off for every overtime hour worked.		

The overtime paid time off is calculated as follows:		
	1.5	1.5
x	Number of hours worked	4
=	Paid time off	**6 hours**

Scenario 3:

Overtime claim form		
SMI01 Tertius Smit		Rate per hour = R64.19
Date	**Hours Worked**	**Overtime Hours Claimed**
Wednesday, 10 January 2018	17h00 – 19h00	2
	Total Overtime Hours:	**2**
Tertius Smit's normal working hours: Monday to Friday 08h00 – 17h00. Company policy: Employees are paid at the normal hourly rate (times 1) and in addition are granted 0.5 hours paid time off for every overtime hour worked.		

The overtime earning amount is calculated as follows:		
	Rate per hour	R64.19
x	1	1
x	Number of hours worked	2
=	Overtime 1.5 earning amount	**R128.38**

Plus

The overtime paid time off is calculated as follows:		
x	0.5	0.5
x	Number of hours worked	2
=	Paid time off	**1 hour**

Meal intervals (Section 14)

An employee who works continuously for more than five hours must be given a meal interval of at least one consecutive hour.

By written agreement:
- the meal interval can be reduced to 30 minutes; or
- the meal interval can be dispensed with completely if the employee worked fewer than six hours on a day.

An employee must be remunerated:
- for a meal interval in which the employee is required to work or is required to be available for work; and
- for any portion of a meal interval that is in excess of 75 minutes, unless the employee lives on the premises at which the workplace is situated.

Daily and weekly rest periods (Section 15)

An employer must allow an employee:
- a daily rest period of at least 12 consecutive hours between ending and recommencing work; and
- a weekly rest period of at least 36 consecutive hours which, unless otherwise agreed, must include Sunday.

A daily rest period may, by written agreement, be reduced to 10 hours for an employee:
- who lives on the premises at which the workplace is situated; and
- whose meal interval lasts for at least 3 hours.

Example

Weekly rest periods

Week 1	Week 2	Week 3	Week 4
36 hours	36 hours	36 hours	36 hours

36 hours

A weekly rest period may, by written agreement, provide for:
- a rest period of at least 60 consecutive hours every two weeks; or
- an employee's weekly rest period to be reduced by up to 8 hours in any week if the rest period in the following week is extended equivalently.

Example

Rest periods every two weeks

Week 1	Week 2	Week 3	Week 4
60 hours		60 hours	

60 hours

Example

Weekly rest periods that are reduced and then extended equivalently in the following week

Week 1	Week 2	Week 3	Week 4
36 - 4 hours	36 + 4 hours	36 - 6 hours	36 + 6 hours

36 hours

Pay for work on Sundays (Section 16)

Where an employee comes in to work on Sundays, one of two situations could be applicable:

- if the employee ordinarily works on a Sunday, the employee must be paid at 1.5 x the normal wage for every hour worked on a Sunday; or
- if the employee does not ordinarily work on a Sunday he must be paid at 2 x the normal wage for every hour worked on a Sunday.

However, when an employee's payment for work he has done on a Sunday is less than his normal daily wage, he must be paid at least his normal daily wage. This means that if the employee earns R300.00 on a normal day, he cannot be paid less than R300.00 if he works on a Sunday.

Example

View the payslip below. Use the employee's rate per hour and the number of overtime hours worked on a Sunday to confirm the earning amount for overtime 2.0.

```
Training Company (Pty) Ltd                                                    PERIOD:  01/01/2019-31/01/2019
127 Sprite Avenue Faerie Glen
EMP. CODE:   001                          DEPARTMENT:  SAL                    DATE ENGAGED:      01/03/2014
EMP. NAME:   Mrs LJ Hlophe                PAYPOINT:    PTA                    ID NUMBER:      8307060253003
KNOWN AS:    Lerato                       JOB TITLE:   Sales Person
RATE/HOUR:   113.6364                     PAY METHOD:  ACB      632005  9224683327
CO UIF NR    06027371                     CO PAYE NR:  7500734894
-------------------------------------------------------------------------------------------------------------
EARNINGS              HOURS/UNITS       AMOUNT       DEDUCTIONS           HOURS/UNITS      AMOUNT     BALANCES
-------------------------------------------------------------------------------------------------------------
Cash Component                        16950.00       Tax                                   3381.20
Overtime 1.5                7.00       1193.18       U.I.F.                                 148.72
Overtime 2.0                4.00        909.09       Medical Aid                           2050.00
Travel Allowance                       1000.00       Vitality                               169.00
Cell Phone All                          400.00
```

The overtime 2.0 earning amount is calculated as follows:		
	Rate per hour	R113.6364
x	2.0	2.0
x	Number of hours worked	4
=	Overtime 2.0 earning amount	**R909.09**

By agreement, an employer can grant an employee, who works on a Sunday, paid time off for the pay that the employee is entitled to. This time off must be granted within one month of the employee becoming entitled to it. By agreement, this can be extended to 12 months.

Any time worked on a Sunday by an employee who does not ordinarily work on a Sunday is not taken into account in calculating an employee's ordinary hours of work but is taken into account in calculating the overtime worked by the employee.

Pay for work on Sundays – Shift workers

If an employee is a shift worker and his shift falls partly on a Sunday and partly on another day, the entire shift is deemed to have been worked on the Sunday. This applies, unless the biggest portion of the shift falls on the other day, in which case the entire shift is deemed to have been worked on the other day.

Example

Saturday	Sunday	Monday
4 hours worked	4 hours worked	

8-hour shift

The shift in the example above will be deemed to have been worked entirely on the Sunday. This means that the entire eight hours must be paid to the employee at the Sunday rate.

Example

Determine the employee's payment for working on a Sunday in the following scenarios:

Scenario 1:

Overtime claim form		
TSH01 John Tshepiso		Rate per hour = R84.39
Date	**Hours Worked**	**Overtime Hours Claimed**
Sunday, 21 January 2018	09h00 – 14h00	5
	Total Overtime Hours:	**5**
John Tshepiso's normal working hours: Monday to Friday 08h00 – 17h00 (including an unpaid lunch hour). Company policy: BCEA rules apply for work on Sundays.		

The employee's payment for working on a Sunday is calculated as follows:			
	Rate per hour	R84.39	
x	2.0	2.0	Does not ordinarily work on Sundays
x	Number of hours worked	5	
=	Overtime 2.0 earning amount	**R843.90**	
The normal daily rate of R675.12 (R84.39 x 8 hours) is less than the amount calculated above and therefore the employee must be paid **R843.90**.			

Scenario 2:

Overtime claim form		
JAN01 Odette Jansen		Rate per hour = R64.19
Date	**Hours Worked**	**Overtime Hours Claimed**
Sunday, 14 January 2018	08h00 – 17h00	8
	Total Overtime Hours:	**8**
Odette Jansen's normal working hours: Wednesday to Sunday 08h00 – 17h00 (including an unpaid lunch hour). Company policy: BCEA rules apply for work on Sundays.		

The employee's payment for working on a Sunday is calculated as follows:			
	Rate per hour	R64.19	
x	1.5	1.5	Ordinarily works on Sundays
x	Number of hours worked	8	
=	Earning amount	**R770.28**	
The normal daily rate of R513.52 (R64.19 x 8 hours) is less than the amount calculated above and therefore the employee must be paid **R770.28**.			

Scenario 3:

Overtime Claim Form		
OLI02 Miriam Oliphant		Rate per hour = R75.93
Date	**Hours Worked**	**Overtime Hours Claimed**
Sunday, 07 January 2018	08h00 – 10h00	2
	Total Overtime Hours:	**2**
Miriam Oliphant's normal working hours: Monday to Friday 08h00 – 17h00 (including an unpaid lunch hour). Company policy: BCEA rules apply for work on Sundays.		

The employee's payment for working on a Sunday is calculated as follows:			
	Rate per hour	R75.93	
x	2.0	2.0	Does not ordinarily work on Sundays
x	Number of hours worked	2	
=	Overtime 2.0 earning amount	R303.72	
The normal daily rate of R607.44 (R75.93 x 8 hours) is more than the amount calculated above. The employee must be paid at least the normal daily wage and so this employee will receive **R607.44**.			

Night work (Section 17)

Night work is defined as work performed after 18:00 and before 06:00 the next day.

An employer may only require or permit an employee to perform night work, if so agreed and if:

- the employee is compensated by the payment of an allowance, which may be a shift allowance, or by a reduction of working hours; and
- transportation is available between the employee's place of residence and the workplace at the commencement and conclusion of the employee's shift.

If an employee is required to perform night work on a regular basis there are a few additional conditions that apply. Night work on a regular basis means the employee works for longer than one hour after 23:00 and before 06:00 at least five times per month or 50 times a year.

An employer who requires an employee to perform night work on a regular basis must:

- inform the employee in writing, or verbally if the employee is not able to understand a written communication, in a language that the employee understands:
  - of any health and safety hazards associated with the work that the employee is required to perform; and
  - of the employee's right to undergo a medical examination in terms of the following:
    - at the request of the employee, for the account of the employer, concerning those hazards;
    - before the employee starts, or within a reasonable period of the employee starting such work; and
    - at appropriate intervals while the employee continues to perform such work; and
- transfer the employee to suitable day work within a reasonable time if:
  - the employee suffers from a health condition associated with the performance of night work; and
  - it is practical for the employer to do so.

The Minister can make regulations relating to the conduct of medical examinations for employees who perform night work.

Public holidays (Section 18)

An employer may not require an employee to work on a public holiday, except when an agreement is in place. This is usually dictated by industry requirements.

Public holiday

Public holiday falls on a day on which the employee would ordinarily work

Employee works on the public holiday

The employee must be paid the greater of:
- double the normal wage for that day, or
- the normal wage for that day, plus the amount earned for that day.

Employee does not work on the public holiday

The employee must be paid the normal wage for that day.

Public holiday falls on a day on which the employee would not ordinarily work

Employee works on the public holiday

The employee must be paid the normal wage for that day, plus the amount earned for that day.

Employee does not work on the public holiday

The employee must be paid nothing.

If a shift worked by an employee falls partly on a public holiday and another day, the whole shift is deemed to have been worked on the public holiday, unless the greater portion of the shift was worked on the other day.

Example

An employee's normal working hours are as follows: Monday to Friday: 08h00 – 17h00 (including an unpaid lunch hour). The employee's rate per hour is R50.30.

Determine the employee's payment for a public holiday in the following scenarios:

Scenario 1:

The employee works 7 hours on a public holiday which falls on a Monday, a day on which the employee would ordinarily work.

The employee's payment for the public holiday is calculated as follows:	
The employee must be paid the greater of: • double the normal wage for that day, or • the normal wage for that day, PLUS, the amount earned for that day	R50.30 x 8 x 2 = R804.80 or R50.30 x 8 = R402.40 + R50.30 x 7 = R352.10 R754.50
The employee will receive **R804.80** for working on the public holiday.	

Scenario 2:

The employee does not work on a public holiday which falls on a Monday, a day on which the employee would ordinarily work.

The employee's payment for the public holiday is calculated as follows:
The employee must be paid the normal wage for the day. R50.30 x 8 = **R402.40**

Scenario 3:

The employee works 7 hours on a public holiday which falls on a Saturday, a day on which the employee would not ordinarily work.

The employee's payment for the public holiday is calculated as follows:	
The employee must be paid: the normal wage for that day, PLUS, the amount earned for that day	R50.30 x 8 = R402.40 + R50.30 x 7 = R352.10 R754.50
The employee will receive **R754.50** for working on the public holiday.	

Scenario 4:

The employee does not work on a public holiday which falls on a Saturday, a day on which the employee would not ordinarily work.

The employee's payment for the public holiday is calculated as follows:
The employee must not be paid anything.

E. Wage vs remuneration

Wage as defined by the BCEA, is used for the calculation of:
- the base rate per hour to be used for overtime payments;
- the payment for public holidays worked;
- the payment for Sundays worked;
- the payment for sick leave; and
- the payment for family responsibility leave.

Remuneration as defined by the BCEA, is used to calculate payments for:
- annual leave taken (paid while still employed); and
- termination payments:
  - annual leave (paid on termination),
  - notice pay, and
  - severance pay.

Wage definition

Wage is defined in the BCEA as:
"the amount of money paid or payable to an employee in respect of ordinary hours of work or, if they are shorter, the hours the employee ordinarily works in a day or week."

Wage is the cash portion of the package and excludes the non-cash components such as employer contributions and other payments in kind.

Ordinary hours of work mean the 45 hours of work permitted by the BCEA, unless the employee ordinarily works a lesser number of hours in a week.

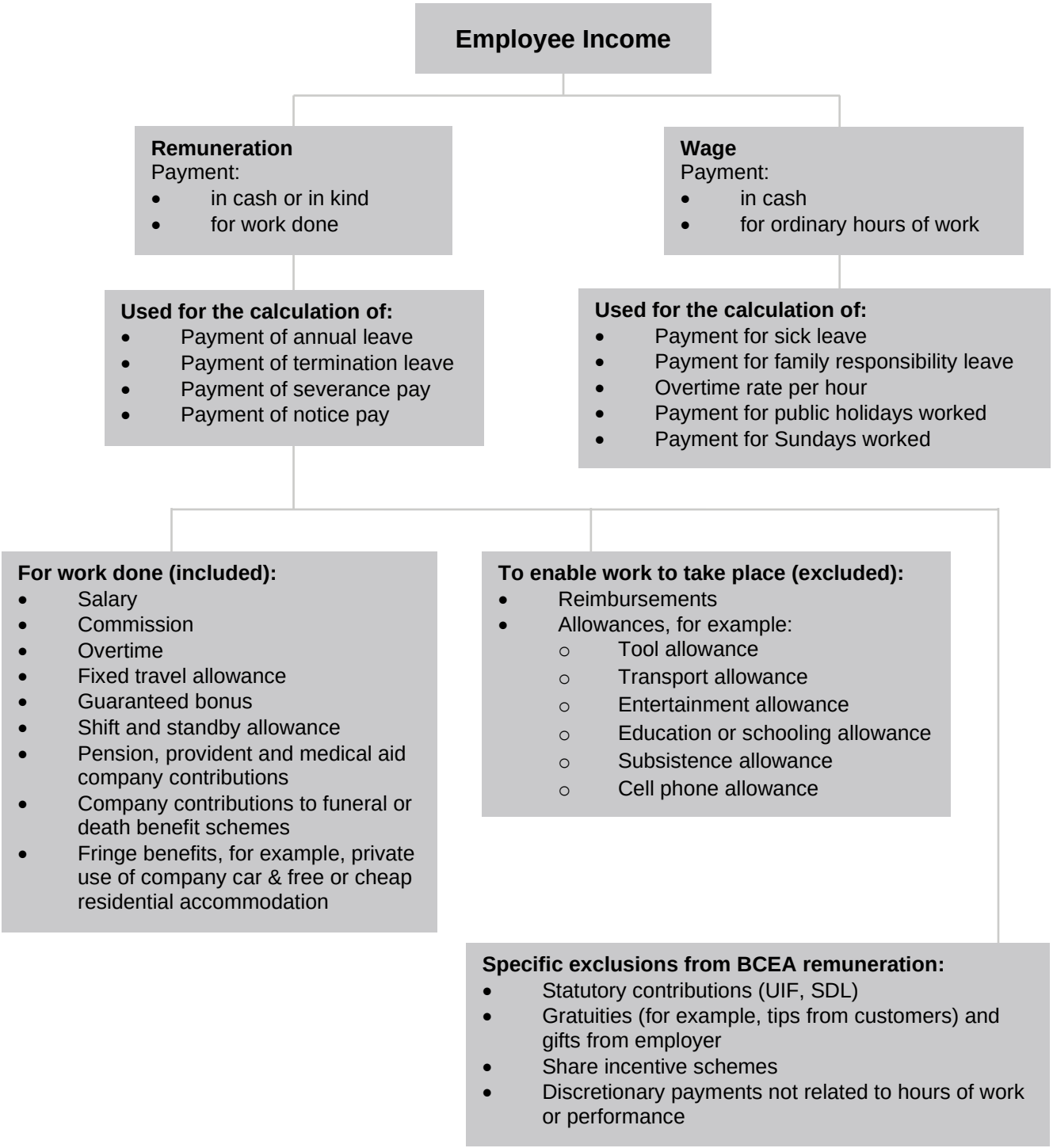
Remuneration definition

Remuneration is defined in the BCEA as:
"any payment in money or in kind, or both in money and in kind, made or owing to any person in return for that person working for any other person, including the state, ..."

An amount paid is BCEA remuneration if it is:
- a cash payment; or a
- a payment in kind (non-cash payments and benefits enjoyed in respect of work done);
- and only if these payments are made in return for work done.

Payments that are made to allow work to take place, for example, most allowances, are not payments for work done, and therefore not BCEA remuneration.

Diagram: wage and remuneration differentiation



Calculating an employee's wage is quite straightforward. It can only be an amount paid in money and it must be for the normal hours an employee has worked, while with remuneration it becomes a bit more complicated.

Payments made in both money and in-kind form part of remuneration, which means certain fringe benefits are also included. The definition states that the payment must be for work done and not specifically for ordinary hours worked by the employee. Since payments for work done is so important, we find it easier to calculate remuneration by distinguishing between payments for work done and payments to enable an employee to work, the former being included in remuneration and the latter being excluded. This is illustrated by the next example:

Example

From the information below, list the components that will form part of the employee's remuneration and wage respectively.

Earnings	Deductions	Company contributions	Fringe benefits
Salary Overtime Commission Reimbursive travel Cell phone allowance	Tax UIF Pension	UIF Pension	Use of company motor vehicle

Wage: The only amount this employee received in money for ordinary hours worked is salary. Overtime is a payment for abnormal hours of work and not for ordinary hours of work. Commission is not paid in respect of ordinary hours of work. It is paid to encourage employees to work over and above what could be seen to be normal hours or normal performance levels.

Remuneration: To decide which components to include, you have to distinguish between payments for work done (included in BCEA remuneration) and payments to enable (allow) an employee to work (excluded).

Payment for work done (included)	Payment to enable employee to work (excluded)
Salary Overtime Commission Pension company contribution Use of company motor vehicle fringe benefit	Reimbursive travel Cell phone allowance

If we refer to the example above, overtime and commission should be included as part of remuneration. The problem with this in practice is that overtime and commission amounts vary from pay period to pay period, so it is necessary to have a way of deciding on a standard amount to include in remuneration. For income of a varying nature, the BCEA states that you can include an average amount for remuneration. This average is calculated using the amounts from the previous 13 weeks, or in a monthly company, 3 months.

The BCEA states that if an employee receives an amount from the employer over the period for which the remuneration needs to be calculated, such an amount does not have to be included again in the remuneration paid. For example, if an employee takes leave for a period of 2 weeks, the employee would have been paid a full travel allowance for the month, irrespective of whether this person has gone on leave or not. Such an allowance will then not have to be included in the remuneration calculated to compensate the employee for the leave taken.

F. Leave (Chapter 3 of BCEA)

When dealing with the pay out of leave taken by employees, there are two important definitions to consider. Depending on the type of leave the employee has taken it will either be paid out at the remuneration rate or at the wage rate. It is important to distinguish between these two definitions in order to pay the employee correctly. The definition of wage and remuneration is given in section 2.5.

Application of this chapter

This chapter does not apply to an employee who works less than 24 hours a month for an employer.

This chapter does not apply to leave granted to an employee in excess of the employee's entitlement under this chapter. The BCEA supplies information to the employer with regard to the minimum leave benefits that an employee must be granted. While the employer is allowed to grant the employees more leave than prescribed in the BCEA, as it is more beneficial to the employee, an employer may not grant any less than that stated in the BCEA. Any additional leave benefits are not regulated by the BCEA, and for the handling of these additional leave benefits it will be necessary to refer to company policy.

Annual leave

The annual leave cycle is a period of 12 months, starting on the employee's date engaged, or immediately following the completion of that employee's prior leave cycle.

In a cycle an employer must grant an employee at least:
- 21 consecutive days on full remuneration; or
- by agreement, one day of annual leave for every 17 days worked; or
- by agreement, one hour of annual leave for every 17 hours worked.

An employer must grant annual leave not later than six months after the end of the annual leave cycle.

An employer may not require or permit an employee to take annual leave during:
- any other period of leave to which the employee is entitled in terms of this chapter; or
- any period of notice of termination of employment.

An employer must permit an employee, at the employee's written request, to take leave during a period of unpaid leave.

An employer may not require or permit an employee to work for the employer during any period of annual leave.

An employer may not pay an employee instead of granting paid leave, except on termination of employment.

Pay for annual leave

Annual leave taken by employees is paid out at remuneration rate, calculated:
- at the employee's rate of remuneration immediately before the beginning of the period of annual leave;
- in accordance with the calculation of remuneration and wages as set out in the BCEA.

An employer must pay an employee leave pay:
- before the beginning of the period of leave; or
- by agreement, on the employee's usual pay day.

Payment in lieu of annual leave

An employer may not pay an employee instead of granting paid leave, except on termination of employment. In practice, however, this does happen, but the employer and employee must be aware of the consequences that can arise from such practice. Leave is granted so that employees can have a rest period during which they refrain from their normal work activities. If the employee is paid instead of taking leave it might result in overworked employees. This can have severe consequences for both the employer and employee.

Sick leave

The sick leave cycle is a period of 36 months commencing on the date of engagement of the employee, or immediately following the completion of that employee's prior leave cycle.

During every sick leave cycle, an employee is entitled to an amount of paid sick leave equal to the number of days the employee would normally work during a period of six weeks. This means that if an employee works 5 days a week, he will be entitled to (5 days x 6 weeks) 30 days sick leave in his 36-month cycle.

During the first six months of employment, an employee is entitled to one day's paid sick leave for every 26 days worked.

During an employee's first sick leave cycle, an employer may reduce the employee's sick leave entitlement by the number of sick leave days taken in the first six months.

An employer must pay an employee for a day's sick leave:

- the wage the employee would ordinarily have received for work on that day; and
- on the employee's usual pay day.

Sick leave does not accumulate over cycles. An employee's unused entitlement to sick leave lapses at the end of the annual leave cycle in which it accrues.

Proof of incapacity

If an employee was absent from work for more than two consecutive days or on more than two occasions during an 8-week period, and on request from the employer cannot produce a medical certificate for this, the employer will be entitled to withhold payment for those number of absent days, and the leave will be processed as unpaid leave.

The medical certificate must be issued and signed by a medical practitioner or any other person who is certified to diagnose and treat patients and who is registered with a professional council established by an Act of Parliament.

If it is not reasonably practicable for an employee who lives on the employer's premises to obtain a medical certificate, the employer may not withhold payment unless the employer provided reasonable assistance to the employee to obtain the certificate.

Family responsibility leave

This section applies to an employee:
- who has been in employment with an employer for longer than four months; and
- who works at least four days a week for that employer.

An employer must grant an employee, during each annual leave cycle, three days paid family responsibility leave, which the employee is entitled to take:
- when the employee's child is sick; or
- in the event of death of:
  - the employee's spouse or life partner; or
  - the employee's parent, adoptive parent, grandparent, child, adopted child, grandchild or sibling.

Important information

Family responsibility leave will no longer be applicable when the employee's child is born, it will be replaced with parental leave, adoption leave or commissioning parental leave.

An employer must pay an employee for a day's family responsibility leave:
- the wage the employee would ordinarily have received for work on that day; and
- on the employee's usual pay day.

An employee may take family responsibility leave for the whole or part of a day.

Before paying an employee for family responsibility leave, the employer may require reasonable proof of an event.

An employee's unused entitlement to family responsibility leave lapses at the end of the annual leave cycle in which it accrues.

Maternity leave

An employee is entitled to at least four consecutive months' maternity leave.

An employee may commence maternity leave:
- at any time from four weeks before the expected date of birth, unless otherwise agreed; or
- on a date from which a medical practitioner or a midwife certifies that it is necessary for the employee's health or that of her unborn child.

No employee may work for six weeks after the birth of her child, unless a medical practitioner or midwife certifies that she is fit to do so.

An employee who has a miscarriage during the third trimester of pregnancy or bears a stillborn child is entitled to maternity leave for six weeks after the miscarriage or stillbirth, whether or not the employee had commenced maternity leave at the time of the miscarriage or stillbirth.

An employee must notify an employer in writing, unless the employee is unable to do so, of the date on which the employee intends to:
- commence maternity leave; and
- return to work after maternity leave.

Notification must be given at least four weeks before the employee intends to commence maternity leave, or as soon as it is reasonably practicable.

Payment of maternity leave is not regulated by the BCEA as the employee can claim maternity benefits from UIF. The payment regarding maternity leave depends on the policy of the company.

Protection of employees before and after the birth of a child

No employer may require or permit a pregnant employee or an employee who is nursing her child to perform work that is hazardous to her health or the health of her child.

During an employee's pregnancy, and for a period of six months after the birth of her child, her employer must offer her suitable, alternative employment on terms and conditions that are no less favourable than her ordinary terms and conditions of employment, if:

- the employee is required to perform night work or her work poses a danger to her health or safety or that of her child; and
- it is practicable for the employer to do so.

(In terms of the Labour Relations Act 1995, the dismissal of an employee on account of her pregnancy, or intended pregnancy, is automatically unfair. The definition of dismissal in Section 186 of the Labour Relations Act 1995 includes the refusal to allow an employee to resume work after she has taken maternity leave in terms of any law, collective agreement or her contract.)

Parental leave

An employee who is a parent and who is not entitled to maternity leave/adoption leave or commissioning parental leave is entitled to at least ten consecutive days parental leave.

An employee may commence parental leave on:

- the day that the child is born, or
- the date
  - the adoption order is granted, or
  - that a child is placed in the care of a prospective adoption parent by a competent court, pending the finalisation of an adoption order in respect of that order whichever occurs first

An employee must notify an employer in writing, unless the employee is unable to do so, of the date on which the employee intends to commence parental leave and return to work after parental leave at least one month before the employee's child is expected to be born or the adoption date.

If it is not reasonably practicable to do so, as soon as is reasonable.

This leave will be paid for by the Unemployment Insurance Fund, which will be (subject to certain rules and conditions) a rate of 66% of the earnings of the employee at the date of application, subject to the maximum threshold.

Adoption leave

An employee who is an adoptive parent of a child who is below the age of two, is entitled to adoption leave of at least ten weeks consecutively, or the parental leave as explained above.

An employee may commence adoption leave on the date

- that the adoption leave is granted, or
- that a child as place in the care of a prospective adoptive parent by a competent court, pending the finalisation of an adoption order in respect of that child,

whichever date occurs first

An employee must notify an employer in writing, unless the employee the employee is unable to do so, of the date on which the employee intends to commence adoption leave and return to work after adoption leave at least one month before the adoption leave will commence or if it is not reasonably practicable to do so, as soon as is reasonable practicable.

If there are two adoptive parents/prospective adoptive parents, one of the adoptive parents is entitled to adoption leave and the other adoptive parent is entitled to parental leave, the selection of choice must be exercised by the two adoptive parents.

This leave will be paid for by the Unemployment Insurance Fund, which will be (subject to certain rules and conditions) a rate of 66% of the earnings of the employee at the date of application, subject to the maximum threshold.

Commissioning Parental leave

An employee who is a commissioning parent in a surrogate motherhood agreement is entitled to commissioning parental leave of at least ten weeks consecutively, or the parental leave as explained above.

An employee may commence adoption leave on the date the child is born as a result of a surrogate motherhood agreement.

An employee must notify an employer in writing, unless the employee the employee is unable to do so, of the date on which the employee intends to commence commissioning parental leave and return to work after commissioning parental leave at least one month before the child is expected to be born as a result of a surrogate motherhood agreement. If it is not reasonably practicable to do so, as soon as is reasonably practicable.

If a surrogate motherhood agreement has two commissioning parents, one of the commissioning parents is entitled to commissioning parental leave and the other commissioning parent is entitled to parental leave, the selection of choice must be exercised by the two commissioning parents.

This leave will be paid for by the Unemployment Insurance Fund, which will be (subject to certain rules and conditions) a rate of 66% of the earnings of the employee at the date of application, subject to the maximum threshold.

Payment to employees for leave taken

We mentioned above that depending on the type of leave taken, the employer would compensate the employee either at remuneration rate or at wage rate for the leave period. The only type of leave paid out at remuneration rate is annual leave, while sick leave and family responsibility leave are paid out at wage rate.

For more information regarding the definitions of wage and remuneration, refer to the wage vs remuneration section.

G. Particulars of employment (Chapter 4 of BCEA)

This section does not apply to an employee who works less than 24 hours a month for an employer.

The sections marked ** do not apply to:
- an employer who employs fewer than 5 employees; and
- the employment of a domestic worker.

Written particulars (Section 29)

An employer must supply an employee, when the employee commences employment, with the following particulars in writing:
- the full name and address of the employer;
- the name and occupation of the employee, or a brief job description;
- the place of work, and, where the employee is required or permitted to work at various places, an indication of this;
- the date on which the employment began;
- the employee's ordinary hours of work and days of work;
- the employee's wage or the rate and method of calculating wages;
- the rate of pay for overtime work;
- any other cash payments that the employee is entitled to;
- any payment in kind that the employee is entitled to and the value of the payment in kind;
- how frequently remuneration will be paid;
- any deductions to be made from the employee's remuneration;
- the leave to which the employee is entitled;
- the period of notice that is required to terminate employment, or if an employee is employed only for a specified period, the date when employment is to terminate;
- a description of any council or sectoral determination that covers the employer's business; **
- any period of employment with a previous employer that counts towards the employee's period of employment; and **
- a list of any other documents that form part of the contract of employment, indicating a place that is reasonably accessible to the employee where a copy of each may be obtained. **

If any of the above changes:
- the written particulars must be revised to reflect the change; and
- the employee must be supplied with a copy of the document reflecting the change.

If an employee is not able to understand the written particulars, the employer must ensure that they are explained to the employee in a language and in a manner that the employee understands.

Written particulars must be kept by the employer for a period of three years after the termination of employment.

Example

Contract of employment:

Buttercup Dairy

REFERENCE NO.: WAL001

PERMANENT CONTRACT OF EMPLOYMENT

Entered into between:
BUTTERCUP DAIRY (PTY) LTD
(Hereafter referred to as "the employer")
and
JONATHAN RYAN WALKER
ID. NO.: 8006075123082
(Hereafter referred to as "the employee")

Address of Employer:
6 Marigold Drive
Irene
Gauteng
0062

13 June 2018

APPOINTMENT AS FARM SHOP MANAGER

It is with pleasure that we inform you of your successful appointment as Farm Shop Manager**.**

Your employment as Farm Shop Manager is subject to your acceptance of the terms and conditions of the employment as set out below:

COMMENCEMENT

Your employment will commence on 01 July 2018.

JOB DESCRIPTION

The employee is employed as a Farm Shop Manager. The employee's duties will include the following:

- oversee the running of the Dairy Farm Shop,
- attend to customers,
- manage personnel,
- stock control,
- ensure that health and safety obligations are met, and
- unlocking and locking up daily.

From time to time, the employee shall be required to perform other duties that can reasonably be expected of her/him within the operation of the employer's business.

LOCATION OF WORK
Your normal place of work will be at the Dairy Farm Shop, 6 Marigold Drive, Irene, Gauteng.

WORKING HOURS
The employee's normal working hours shall be from 08:00 to 17:00 from Monday to Friday. Normal working hours may vary according to the particular work requirements. After five hours continuous work a meal interval of one continuous hour is granted per day.

OVERTIME
The employee undertakes to perform such overtime duties as can reasonably be expected of him/her from time to time. Where applicable, the employee shall be given reasonable notice if overtime needs to be worked. The employee will be paid for overtime at the rate of one and a half times his/her normal rate.

SUNDAY WORK
Any work on Sundays will be by agreement between the parties from time to time. If the employee works on a Sunday he/she shall be paid double his/her normal rate for each hour worked.

ANNUAL LEAVE
The employee will be granted 15 working days paid annual leave for every 12 months worked starting from the date of engagement.

SICK LEAVE
The employee will be entitled to 30 days sick leave for every 3 years worked starting from the date of engagement. During the first six months of employment the employee will be entitled to one day's paid sick leave for every 26 days worked.

MATERNITY LEAVE
A female employee is entitled to four consecutive months' unpaid maternity leave.

FAMILY RESPONSIBILITY LEAVE
The employee will be entitled to three days family responsibility leave during each leave cycle.

REMUNERATION
You will receive a monthly salary of R17 000.00 less the applicable statutory deductions at the end of each month. The net salary will be transferred into your bank account.

INCREASES
Increases shall be granted once a year in January. Increases shall be granted on the basis of performance of the employee and the financial position of the company and at the discretion of the employer.

DEDUCTIONS
The employee hereby authorises the employer to make any such deductions from her/his earnings as are prescribed by legislation. The employer shall obtain written authorisation for any other deductions to be made from the employee's earnings. The employee hereby authorises any deduction to be made for any monies still due to the employer at the time of the termination of her/his employment.

TERMINATION
The employer or employee may terminate this contract at any time by giving one calendar month's written notice to the other party.

COMPANY POLICIES AND PROCEDURES
Other than conditions of service detailed in this document, you will be subject to the conditions of service laid down in the employer's policies and procedures as amended from time to time. A copy of the employer's policies and procedures may be viewed upon request during office hours.

I hereby confirm that I have read this contract and fully understand the contents thereof and acknowledge all the terms and conditions therein to govern my future employment with Buttercup Dairy (Pty) Ltd.

SIGNED AND DATED AT .....…….. ON THIS .....….. DAY OF .....…… 2018.

EMPLOYEE	**EMPLOYER** **For and on behalf of the employer and duly authorised thereto**

I hereby confirm that I witnessed the signing of this contract by the employee and the representative of the employer on the said day and place.

WITNESS

Full name of witness: _____

Keeping of records (Section 31)**

Every employer must keep a record containing at least the following information:

- the employee's name and occupation;
- the time worked by each employee;
- the remuneration paid to each employee;
- the date of birth of any employee under 18 years of age; and
- any other prescribed information.

These records must be kept for a period of three years from the date of the last entry in the record.

Payment of remuneration (Section 32)

Any remuneration paid by an employer to an employee in money must be:
- in South African currency;
- daily, weekly, fortnightly or monthly; and
- in cash, by cheque or by direct deposit into an account designated by the employee.

The payments mentioned above must be given to the employee:
- at the workplace or a place agreed to by the employee;
- during the employee's working hours or within 15 minutes of the commencement or conclusion of those hours; and
- in a sealed envelope which becomes the property of the employee.

An employer must pay remuneration not later than seven days after:
- the completion of the period for which the remuneration is payable; or
- the termination of the contract of employment.

This does not apply to any pension or provident fund payment to an employee that is made in terms of the rules of the fund.

The sections marked ** do not apply to:
- an employer who employs fewer than five employees; and
- the employment of a domestic worker.

Information about remuneration (Section 33) **

An employer must give an employee the following information in writing on each day the employee is paid:
- the employer's name and address;
- the employee's name and occupation;
- the period for which the payment is made;
- the employee's remuneration in money;
- the amount and purpose of any deduction made from the remuneration;
- the actual amount paid to the employee;

and, if relevant to the calculation of that employee's remuneration:
- the employee's rate of remuneration and overtime rate;
- the number of ordinary and overtime hours worked by the employee during the period for which the payment is made;
- the number of hours worked by the employee on a Sunday or public holiday during that period; and
- if an agreement to average working time has been concluded, the total number of ordinary and overtime hours worked by the employee in the period of averaging.

The written information required above, must be given to each employee:
- at the workplace or at a place agreed to by the employee; and
- during the employee's ordinary working hours or within 15 minutes of the commencement or conclusion of those hours.

Example

Standard payslip issued to employees every pay period:

```
Training Company (Pty) Ltd                                                    PERIOD:  01/01/2019-31/01/2019
127 Sprite Avenue Faerie Glen
EMP. CODE:   001                          DEPARTMENT:  SAL                    DATE ENGAGED:      01/03/2014
EMP. NAME:   Mrs LJ Hlophe                PAYPOINT:    PTA                    ID NUMBER:      8307060253003
KNOWN AS:    Lerato                       JOB TITLE:   Sales Person
RATE/HOUR:   113.6364                     PAY METHOD:  ACB      632005  9224683327
CO UIF NR    06027371                     CO PAYE NR:  7500734894
-------------------------------------------------------------------------------------------------------------
EARNINGS             HOURS/UNITS       AMOUNT       DEDUCTIONS           HOURS/UNITS      AMOUNT     BALANCES
-------------------------------------------------------------------------------------------------------------
Cash Component                       16950.00       Tax                                   3381.20
Overtime 1.5              7.00        1193.18       U.I.F.                                 148.72
Overtime 2.0              4.00         909.09       Medical Aid                           2050.00
Travel Allowance                      1000.00       Vitality                               169.00
Cell Phone All                         400.00

                                   --------------                                   --------------
TOTAL EARNINGS                       20452.27       TOTAL DEDUCTIONS                      5748.92
                                   --------------                                   --------------
Total Perks                           2050.00       NET SALARY                           14703.35
Total Company Contributions           2421.74                                        --------------

Year-to-date Totals                                 Total Cost Information
--------------------                                ------------------------
Taxable Earnings                     78452.27       Total Package                        20000.00
Tax                                  12824.71       - CC Pension                             0.00
Additional Tax                           0.00       - CC Prov Fund                           0.00
Total Perks                           8200.00       - CC Medical Aid                      2050.00
                                                    - Travel Allow                        1000.00
Annual Leave due                        5.0000      = Cash Component                     16950.00
YTD Shifts                               0.00
```

Payslip

Deductions (Section 34)

An employer may not make any deduction from an employee's remuneration unless:

- the employee agrees in writing to the deduction; or
- the deduction is required or permitted in terms of a law (for example tax), collective agreement, court order (for example a garnishee order) or arbitration award.

If loss or damage to the employer occurred it can be deducted from the employee's remuneration only if:

- the loss or damage occurred in the course of employment and was due to the fault of the employee;
- the employer has followed a fair procedure and has given the employee a reasonable opportunity to show why the deductions should not be made;
- the total amount of the debt does not exceed the actual amount of the loss or damage; and
- the total deductions for the loss or damage do not exceed one quarter of the employee's remuneration in money.

A deduction for any goods purchased by the employee must specify the nature and quantity of the goods.

An employer may not require or permit an employee to:

- repay any remuneration except for overpayments previously made by the employer resulting from an error in calculating the employee's remuneration; or
- acknowledge receipt of an amount greater than the remuneration actually received.

An employer who deducts an amount from an employee's remuneration for payment to another person must pay the amount to the person in accordance with the time period and other requirements specified in the agreement, law, court order or arbitration award.

H. Termination of employment (Chapter 5 of BCEA)

This chapter does not apply to an employee who works less than 24 hours in a month for an employer.

Notice of termination of employment (Section 37)

Either the employer or the employee can terminate the contract of employment, meaning that any of the two parties can end the employment relationship. When this happens, a notice period will be required from the party that terminated the contract.
This notice period will be used:

- by the employer to employ and train another person to fill the position; or
- by the employee to find alternative employment.

The minimum notice period required is:

- one week, if the employee has been employed for six months or less;
- two weeks, if the employee has been employed for more than six months but not more than one year;
- four weeks, if the employee:
  - has been employed for one year or more; or
  - is a farm worker or domestic worker who has been employed for more than six months.

A collective agreement can permit a notice period shorter than required as above, however, no agreement may require or permit an employee to give a period of notice longer than that required of the employer.

Notice of termination of a contract of employment must be given in writing, except where it is given by an illiterate employee. If an employee who receives a notice of termination is not able to understand it, the notice must be explained verbally by, or on behalf of, the employer to the employee in an official language the employee reasonably understands.

Notice of termination of a contract of employment given by an employer must:

- not be given during any period of leave to which the employee is entitled; and
- not run concurrently with any period of leave to which the employee is entitled, except sick leave.

Nothing in this section affects the right of:

- a dismissed employee to dispute the lawfulness or fairness of the dismissal; or
- an employer or an employee to terminate a contract of employment without notice for any cause recognised by law.

Payment instead of notice (Section 38)

Instead of giving an employee notice, it is acceptable for an employer to pay the employee the remuneration the employee would have received if the employee had worked during the notice period.

If an employee gives notice of termination of employment, and the employer waives any part of the notice, the employer must still pay the employee the remuneration for the notice period, unless both parties agree otherwise.

Payments on termination (Section 40)

On termination of employment, an employer must pay an employee:
- for any paid time off that the employee is entitled to which was not taken; and
- for any period of annual leave due which the employee has not taken.

If the employee has been in employment for longer than four months, in respect of the employee's annual leave entitlement during an incomplete annual leave cycle, an employer must pay an employee:
- 1 day's remuneration in respect of every 17 days on which the employee worked or was entitled to be paid; or
- remuneration calculated on any basis that is at least as favourable to the employee as that calculated in terms of the above.

Severance pay (Section 41)

An employer must pay an employee who is dismissed for reasons based on the employer's operational requirement, severance pay equal to at least one week's remuneration for each completed year of continuous service with that employer.

An employee who unreasonably refuses to accept the employer's offer of alternative employment with that employer or any other employer, is not entitled to severance pay.

The payment of severance pay in compliance with this section does not affect an employee's right to any other amount payable according to law.

Example

Brian Banks has been working at Best Stationery (Pty) Ltd for three and a half years, but has been dismissed due to the company's operational requirements. His weekly remuneration is R3 750.00. His severance pay will be: 3 completed years x R3 750.00 = R11 250.00

Certificate of service (Section 42)

A certificate of service is a written statement that is provided by the employer upon termination of an employee's employment, and contains information regarding the employee's period of employment with the company, and the type of work performed by the employee. The certificate of service may also contain testimonials and references for the terminated employee.

The law states that "*Every employer shall, on the termination of a contract of service between such employer and his employee, give to such employee a Certificate of Service*", and while an employer is not bound to provide this certificate to an employee upon termination, an employer is obliged to give a certificate of service when it is requested by the terminated employee.

On termination of employment, an employee is entitled to a certificate of service stating:
- the employee's full name;
- the name and the address of the employer;
- a description of any council or sectoral employment standard by which the employer's business is covered;
- the date of commencement and date of termination of employment;
- the title of the job or a brief description of the work for which the employee was employed at the date of termination;
- the remuneration at the date of termination; and
- if the employee so requests, the reason for termination of employment.

Example

Certificate of service:

Certificate of Service

I, _____
(name and designation of person)
of

ABC Furniture (Pty) Ltd

Employer Address:

361 Sprite Avenue
Faerie Glen
Pretoria
0043

Employer Trade Classification:

Home furniture (except primarily of metal)

Hereby declare that, Mr Thabo Ralapele

ID Number: 6905106276086,

was/is in the employment of ABC Furniture (Pty) Ltd

From: 01/01/2008 To: 31/01/2019

In the position of: Sales Manager

Additional Information:
_____

_____

_____

This employee earned: R 29906.50 per month

_____ _____
Employer's Signature Date

Summary

This lesson explained the Basic Conditions of Employment Act.

End of lesson

Lesson 3: Income Tax Act 58 of 1962

Learning outcomes

The purpose of this lesson is to provide you with an understanding of the Income Tax Act.

Learning objectives

At the end of this lesson, you will have an understanding of:

A. What the Income Tax Act is.
B. What employees' tax is.
C. The Fourth Schedule of the Income Tax Act.
D. The Seventh Schedule to the Income Tax Act.
E. Balance of remuneration.
F. The EMP201 (Monthly Employer Declaration).
G. The meaning of interim reconciliation, annual reconciliation and tax certificates.
H. Where to find the guides for employers in respect of employees' tax.

A. Overview of the Income Tax Act

Governments all over the world need money to provide for basic services such as education, policing, basic health services, military services, etc. To provide for these services the government levies taxes. Each year in February the Minister of Finance announces the national budget for the year. In his budget speech the minister will explain the expenditure for the next financial year and announce new tax rates through which the expenditure will be subsidised. Taxes levied include income tax on employees' remuneration, customs and excise duty, Value Added Tax (VAT), etc.

All persons that earn taxable income in a tax year (or a year of assessment) are subject to income tax. Income tax is a tax levied on all income and profit received by a taxpayer. It is the national government's main source of income and is imposed by the Income Tax Act No. 58 of 1962.

In South Africa, the Income Tax Act is the oldest of all of the employment related pieces of legislation that is currently applicable, having been promulgated in 1962. Since then it has undergone enormous changes and is today divided into 112 sections and ten schedules.

The Income Tax Act imposes various taxes on taxpayers. For the purposes of this training, we will focus on income tax on employees' remuneration.

B. What is employees' tax

Where an employer pays or becomes liable to pay remuneration to an employee, the employer has an obligation to deduct employees' tax from the remuneration. Employees' tax is the tax that employers must deduct from the employment income of employees – such as salaries, wages and bonuses – and pay over to the South African Revenue Service (SARS) on a monthly basis. It is withheld daily, weekly, or monthly, when these amounts are paid or become payable to the employees.

The employer is obliged to issue each employee with an employee income tax certificate (IRP5/IT3(a)) which reflects the remuneration earned for the year of assessment (tax year) as well as the employees' tax deducted and paid to SARS.

Employees' tax is an advance payment against the liability for income tax at the end of the tax year. Employees' tax and remuneration are thus merely estimates to assist the advance collection of income tax on a regular and equitable basis. The final income can only be stated with certainty at the end of the tax year and the final assessment can only be done at the end of the tax year. Only then are all the details available to do an accurate final calculation of income tax.

The year of assessment (tax year) refers to the period of 12 months, starting on 1 March and ending on 28/29 February. Employers with weekly/bi-weekly pay periods (to be known as alternate periods) will normally not start/end their tax year on these exact dates. Therefore, legislation allows employers to end their tax year on a date falling not more than 14 days (or such other period as the Commissioner may allow) before or after the last day of February (28/29 February).

C. The Fourth Schedule to the Income Tax Act

The Fourth Schedule to the Income Tax Act No. 58 of 1962 governs the way in which tax needs to be withheld from remuneration paid to employees on a monthly basis.

Employees' tax, consisting of Pay-As-You-Earn (PAYE), must be withheld from remuneration paid or payable by an employer to an employee.

Pay-As-You-Earn (PAYE) ensures that an employee's income tax liability is settled in a continuing fashion, at the same time that the income is earned. The advantage of this is that the tax liability for the year is settled over the course of the whole year of assessment.

The Fourth Schedule to the Income Tax Act requires three elements to be present before employees' tax can be withheld for payment to SARS:

- an employer paying,
- remuneration to,
- an employee.

D. The Seventh Schedule to the Income Tax Act

The Seventh Schedule to the Income Tax Act No. 58 of 1962 governs the benefits or advantages employees derive by reason of employment or the holding of any office, frequently referred to as 'fringe benefits'. The Seventh Schedule provides the details for the calculation of the value that must be placed on each benefit that accrues to an employee.

Fringe benefits form a popular extension of remuneration. The two most popular benefits are free or cheap accommodation and a company car. Other taxable benefits include the acquisition of an asset at a consideration below cost, free or cheap services, the private use of an asset, low interest loans, housing subsidies, and redemptions of loans to third parties.

E. Balance of remuneration

When an employer pays remuneration to an employee, the employer must deduct employees' tax from the remuneration and pay the tax deducted to SARS on a monthly basis. The employer must issue each employee with a tax certificate (IRP5/IT3a) which reflects, among other details, the employees' tax.

Remuneration for employees' tax purposes is any amount of income which is paid or payable to any person, in cash or otherwise and whether or not in respect of services rendered.

Examples: Salary, wage, bonus, gratuity, pensions, leave encashment, commission, overtime, directors' remuneration.

Employees' tax is deducted from any amount of remuneration. The tax deduction is calculated on the balance of remuneration after the deduction of all allowable deductions.

Calculating balance of remuneration

Balance of remuneration is defined as the total of:	
	Taxable earnings
+	Fringe benefits
-	Tax deductions
=	Balance of remuneration

Once the balance of remuneration amount has been calculated, the tax tables as supplied by SARS can be applied and the applicable tax rebates and medical aid tax credits used to determine the final tax amount.

Taxable earnings

A taxable earning is an earning that an employee receives that the employee must be taxed on.

Taxable earnings include, but are not limited to, the following:
- salary;
- commission;
- taxable portion of a travel allowance;
- overtime; and
- bonuses.

Earnings can be taxed in different ways. A summary is given in the table below:

Option	Description	Examples
Monthly/weekly taxable earnings	These are earnings subject to the normal monthly/weekly tax.	Basic salary/wage, overtime and commission
Annual taxable earnings	These are annual payments and certain once-off or irregular payments.	Annual bonus and leave paid out on termination of employment.
Travel taxable earnings	These are travel or car allowances of which 20%, 80% or 100% is taxable. The percentage used is dependent on the number of private versus business kilometres travelled.	Travel allowance
Non-taxable earnings	These are earnings that are not taxable.	Reimbursive allowances

Fringe benefits

Fringe benefits are benefits that an employee may receive that is not cash. These items are taxable. The Income Tax Act specifies in the Seventh Schedule how to calculate the value of the benefit that accrues to the employee for tax purposes.

Fringe benefits include the following:
- right of use of a motor vehicle;
- right of use of an asset;
- acquisition of an asset at less than the actual value;
- free or cheap residential accommodation;
- free or cheap holiday accommodation;
- low or interest-free loans/debt;
- free or cheap services provided by the employer;
- benefits in respect of insurance policies;
- employer contributions towards retirement funds;
- employer contributions towards medical aid;
- bursaries/scholarships and
- payment of debt or release from debt.

Tax deductions

Employees' tax is calculated on the balance of remuneration after the deduction of all allowable deductions.

A tax deduction is a deduction that is allowed from taxable remuneration before tax is calculated. This means that the employee who receives a tax deduction has his/her tax reduced.

The following deductions are tax deductible:

- employee and deemed employee contributions to pension funds, provident funds and retirement annuities (subject to limits); and
- any donation deducted from the remuneration of the employee and paid over by the employer to an approved organisation on behalf of the employee (subject to limits and rules).

Example

An employee earns a monthly salary of R10 000.00. He also receives a travel allowance of R2 000.00 and this month he will receive a reimbursive payment for cell phone expenses that he has had of R324.47. He contributes R600.00 per month to the pension fund. The employee has the right of use of a company-owned vehicle with a fringe benefit value of R1 335.00.

The employee's balance of remuneration is calculated as follows:			
	Taxable earnings	R10 000.00 + R1 600.00	Salary Taxable value of travel (80% of R2 000.00)
+	Fringe benefits	+ R1 335.00	Company-owned vehicle
-	Tax deductions	- R600.00	Pension fund
=	Balance of remuneration	= R12 335.00	

The employee's tax will be calculated on the balance of remuneration of R12 335.00.

F. EMP201: Monthly Employer Declaration

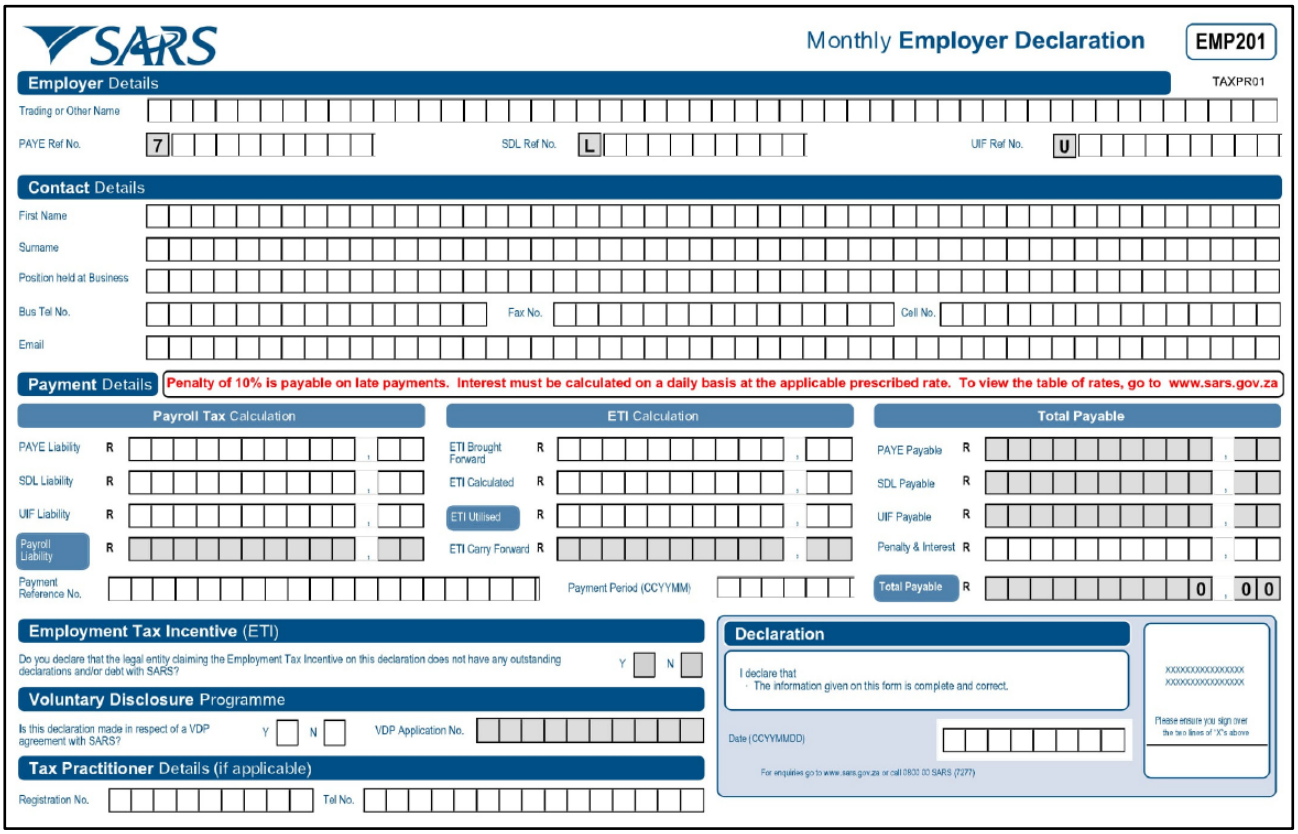
Employers are required to send Monthly Employer Declarations (EMP201s) to SARS. The EMP201 is an employer payment declaration that requires employers to indicate the total payment made and give a breakdown of PAYE (employees' tax), SDL (Skills Development Levy) and UIF (Unemployment Insurance Fund) payment allocations as well as the ETI (Employment Tax Incentive) amounts, if applicable, for the period.

The Employment Tax Incentive is an incentive aimed at encouraging employers to hire young employment seekers. It was implemented with effect from 1 January 2014. Employers will receive an incentive for employing the youth, subject to certain conditions, which will be in the form of a reduced monthly PAYE liability.

The EMP201 return must be completed and submitted online each month using SARS eFiling. Payments must be made and the return must be submitted by the 7th day of the following month. Where the 7th day falls on a Saturday, Sunday or public holiday, it must be submitted on the last business day prior to that.

Example

EMP201:


SARS

Monthly Employer Declaration EMP201

TAXPR01

Employer Details

Trading or Other Name

PAYE Ref No. 7 SDL Ref No. L UIF Ref No. U

Contact Details

First Name

Surname

Position held at Business

Bus Tel No. Fax No. Cell No.

Email

Payment Details Penalty of 10% is payable on late payments. Interest must be calculated on a daily basis at the applicable prescribed rate. To view the table of rates, go to www.sars.gov.za

Payroll Tax Calculation

PAYE Liability R

SDL Liability R

UIF Liability R

Payroll Liability R

Payment Reference No.

ETI Calculation

ETI Brought Forward R

ETI Calculated R

ETI Utilised R

ETI Carry Forward R

Payment Period (CCYYMM)

Total Payable

PAYE Payable R

SDL Payable R

UIF Payable R

Penalty & Interest R

Total Payable R 0 , 0 0

Employment Tax Incentive (ETI)

Do you declare that the legal entity claiming the Employment Tax Incentive on this declaration does not have any outstanding declarations and/or debt with SARS? Y N

Voluntary Disclosure Programme

Is this declaration made in respect of a VDP agreement with SARS? Y N VDP Application No.

Tax Practitioner Details (if applicable)

Registration No. Tel No.

Declaration

I declare that
- The information given on this form is complete and correct.

Date (CCYYMMDD)

For enquiries go to www.sars.gov.za or call 0800 00 SARS (7277)

XXXXXXXXXXXXXXX
XXXXXXXXXXXXXXX

Please ensure you sign over the two lines of 'X's above

G. Interim reconciliation, annual reconciliation and tax certificates

EMP501: Interim Employer Reconciliation Declaration

The interim EMP501 Reconciliation Declarations must be submitted to SARS reconciling PAYE, SDL, UIF and ETI information (if applicable) from March to August. It is usually due by the end of October. Reconciliation declarations can be completed using e@syFile Employer software or eFiling for 50 IRP5/IT3(a)s or less. It is submitted online via SARS eFiling or via a SARS branch.

EMP501: Annual Employer Reconciliation Declaration and tax certificates

At the end of the tax year, employers must prepare and submit their annual EMP501 Reconciliation Declarations and employees' tax certificate information to SARS reconciling PAYE, SDL, UIF and ETI information (if applicable) from March to February. This is usually due by the last working day of May.

Employers must issue employees with their tax certificates once the EMP501 reconciliation is completed and copies of both the return and the tax certificates have been submitted to SARS. The e@syFile Employer software is used to complete reconciliations and tax certificates to SARS. For 50 IRP5/IT3(a)s or less, eFiling can also be used. The submission is done online via SARS eFiling or via a SARS branch.

An IRP5 tax certificate must be issued for those employees from whom employees' tax was deducted during the tax year, and an IT3(a) certificate must be issued if, for a valid reason, no employees' tax was deducted during the tax year.

H. Guides for employers in respect of employees' tax

Guides for employers in respect of employees' tax, fringe benefits, allowances, Skills Development Levy, Unemployment Insurance Fund, etc. are compiled and issued by SARS to assist employers in understanding their obligations relating to employees' tax, Skills Development Levy and Unemployment Insurance Fund. These guides for employers can be downloaded from the SARS website (www.sars.gov.za).

Summary

This lesson explained the Income Tax Act.

End of lesson

Lesson 4: Unemployment Insurance Fund Act

Learning outcomes

The purpose of this lesson is to provide you with an understanding of the Unemployment Insurance Fund Act.

Learning objectives

At the end of this lesson, you will have an understanding of:

A. What the Unemployment Insurance Fund Acts are.
B. The purpose of the Unemployment Insurance Act.
C. Employees excluded from UIF.
D. Calculation of UIF contributions.

A. What the Unemployment Insurance Fund Act is

It is generally accepted that a good social security system, which assists contributors during periods of unemployment, is essential for the stability and good governance of a country. This is particularly so in South Africa, which is already under siege from the criminal activities of the many thousands of jobless people. The purpose of the Unemployment Insurance Fund is to provide short-term relief to workers when they become unemployed or are unable to work due to illness, maternity or adoption leave, and to provide support to the dependants of a deceased contributor.

The Unemployment Insurance Act is administered by the Department of Labour and legislates the payment of benefits, as well as the submission of a UIF declaration of all employees each month.

The Unemployment Insurance Contributions Act is administered by SARS and legislates who should pay UIF contributions and how much.

Both Acts define who are employees as well as remuneration for UIF purposes.

B. Purpose of the Unemployment Insurance Act

The purpose of the Unemployment Insurance Act is to establish an Unemployment Insurance Fund to which employers and employees contribute, which provides short-term relief for employees who become unemployed or unemployable due to illness, maternity leave or adoption leave just to name a few.

It also provides relief to the dependants of a deceased contributor.

C. Employees excluded from UIF

Both UIF Acts define an employee as *"... any natural person who receives remuneration, or to whom remuneration accrues, in respect of services rendered or to be rendered by that person, but excludes an independent contractor."*

In principle, an employee for the Fourth Schedule is usually an employee for UIF, but there are some differences:

- all legal entities are excluded from UIF;
- common law independent contractors are excluded even if they are included as "deemed employees" by the Fourth Schedule;
- all employees must contribute irrespective of residency or citizenship; and
- domestic workers and seasonal workers were included as employees from April 2003 with special conditions for domestic workers only.

The following employees are excluded from UIF contributions:

- an employee who is employed by an employer for less than 24 hours per month;
- employees in the national and provincial spheres of government;
- the President, Deputy President, a Minister, Deputy Minister, a member of the National Assembly, a permanent delegate to the National Council of Provinces, a Premier;
- a member of an Executive Council or a member of a provincial legislature;
- any member of a municipal council, a traditional leader, a member of a provincial House of Traditional Leaders and a member of the Council of Traditional Leaders.

The above employees are excluded from UIF contributions only, but must be included in the UIF declaration each month.

D. Calculation of UIF contributions

UIF contributions must be calculated on remuneration as defined in the Fourth Schedule to the Income Tax Act, with the following exclusions:

- pension, superannuation allowance or retiring allowance,
- annuities,
- payments to a labour broker in possession of an IRP30 exemption certificate,
- any amount, including a voluntary award in respect of relinquishment, termination, loss, repudiation, cancellation or variation of any office or employment,
- once-off payments such as lump sum payments from pension, provident or retirement annuity funds,
- restraint of trade payments, and
- commission

As can be seen from the above, remuneration received in respect of “ongoing employment” services rendered (with the exception of commission), is used for the calculation of UIF contributions. “Non employment” related remuneration is excluded.

Note that the gains made from sections 8A, 8B and 8C (including return of capital and certain dividend amounts) share schemes, as well as lump sums emanating from other sources than benefit funds are included in remuneration for UIF purposes.

Since remuneration as defined in the Fourth Schedule to the Income Tax Act is used for UIF remuneration, this includes only the taxable value of a travel allowance, use of motor vehicle fringe benefit and public office allowance, and 100% of the portion of reimbursive travel allowance that exceeds the prescribed rate of R3.61.

UIF remuneration is defined as the total of:	
	Taxable earnings (excluding commission, lump sums, restraint of trade, etc,)
+	Fringe benefits
=	UIF remuneration

Both the employer and employee’s UIF contribution is calculated as 1% of the UIF remuneration, up to the limit of R148.72 per month.

UIF remuneration limits

UIF has defined a limit for the UIF remuneration on which the UIF contributions are calculated, which is currently set at R178 464.00 per annum. This means that the UIF remuneration limit is R14 872.00 per month ((R178 464.00 ÷ 12 months in a year).

Example

Employee's payslip:

```
Training Company (Pty) Ltd                                                    PERIOD:  01/01/2019-31/01/2019
127 Sprite Avenue Faerie Glen
EMP. CODE:   001                          DEPARTMENT:  SAL                    DATE ENGAGED:      01/03/2014
EMP. NAME:   Mrs LJ Hlophe                PAYPOINT:    PTA                    ID NUMBER:      8307060253003
KNOWN AS:    Lerato                       JOB TITLE:   Sales Person
RATE/HOUR:   113.6364                     PAY METHOD:  ACB      632005  9224683327
CO UIF NR    06027371                     CO PAYE NR:  7500734894
-------------------------------------------------------------------------------------------------------------
EARNINGS             HOURS/UNITS       AMOUNT       DEDUCTIONS           HOURS/UNITS      AMOUNT     BALANCES
-------------------------------------------------------------------------------------------------------------
Salary                              16950.00       Tax                                   3381.20
Overtime 1.5               7.00      1193.18       U.I.F.                                 148.72
Overtime 2.0               4.00       909.09       Medical Aid                           2050.00
Travel Allowance                     1000.00       Vitality                               169.00
Cell Phone All                        400.00       Pension                               1017.00

                                 --------------                                  --------------
TOTAL EARNINGS                       20452.27       TOTAL DEDUCTIONS                      6765.92
                                 --------------                                  --------------
                                                    NET SALARY                           13686.35
                                                                                 --------------
Perks
-------------------
Medical Aid                           2050.00
                                 --------------
TOTAL PERKS                           2050.00
                                 --------------

TOTAL COMPANY CONTRIBUTIONS           2421.74
```

Payslip

The salary, overtime 1.5, overtime 2.0, travel allowance and cell phone allowance earnings on the above payslip are all taxable earnings that must be included in UIF remuneration. Only the taxable portion of the travel allowance (80%) should be included in UIF remuneration. The employee's medical aid fringe benefit must also be included.

	Taxable earnings:	
	Salary	16 950.00
+	Overtime 1.5	1 193.18
+	Overtime 2.0	909.09
+	Travel allowance (80% taxable portion)	800.00
+	Cell phone allowance	400.00
+	**Fringe benefits:**	
+	Medical aid	2 050.00
=	**UIF remuneration:**	
=	22 302.27 limited to 14 872.00	14 872.00

UIF contribution = UIF remuneration x 1%:
Employer contribution: 14 872.00 x 1% = 148.72
Employee contribution: 14 872.00 x 1% = 148.72

The amount used in the calculation of the UIF contribution must not exceed the monthly UIF limit of R14 872.00. 14 872.00 x 1% = 148.72

Example

Calculate the UIF remuneration and contributions in the following scenarios:

Notes:

- **Salary, overtime 1.5, commission and travel allowance are taxable earnings.**
- **Commission is excluded when calculating UIF remuneration.**
- **The 80% taxable portion of travel allowance should be included in the calculations.**
- **Company car (right of use of a motor vehicle) is a fringe benefit.**
- **Pension is a tax deduction.**

Scenario 1

Earnings		Deductions		Company contributions		Fringe benefits
Salary	4 800.00	**UIF**	**R_____**	**UIF**	**R_____**	
Overtime 1.5	740.00					

UIF remuneration	UIF employee contribution	UIF employer contribution
Salary R4 800.00 + Overtime 1.5 + R740.00 = **R5 540.00**	R5 540.00 x 1% = **R55.40**	R5 540.00 x 1% = **R55.40**

Scenario 2

Earnings		Deductions		Company contributions		Fringe benefits
Salary	10 600.00	**UIF**	**R_____**	**UIF**	**R_____**	
Commission	1 482.00					
Travel Allowance	2 200.00					

UIF remuneration	UIF employee contribution	UIF employer contribution
Salary R10 600.00 + Travel Allowance (80%) + R1 760.00 = **R12 360.00**	R12 360.00 x 1% = **R123.60**	R12 360.00 x 1% = **R123.60**

Scenario 3

Earnings		Deductions		Company contributions		Fringe benefits	
Salary	6 500.00	**UIF**	**R_____**	**UIF**	**R_____**	Company Car	1 420.00
Overtime 1.5	490.00	Pension	374.00				

UIF remuneration		UIF employee contribution	UIF employer contribution
Salary + Overtime 1.5 + Company Car fringe benefit	R6 500.00 + R490.00 + R1 420.00 = **R8 410.00**	R8 410.00 x 1% = **R84.10**	R8 410.00 x 1% = **R84.10**

Scenario 4

Earnings		Deductions		Company contributions		Fringe benefits
Salary	18 600.00	**UIF**	**R_____**	**UIF**	**R_____**	
Overtime 1.5	2 918.00					
Commission	2 917.00					

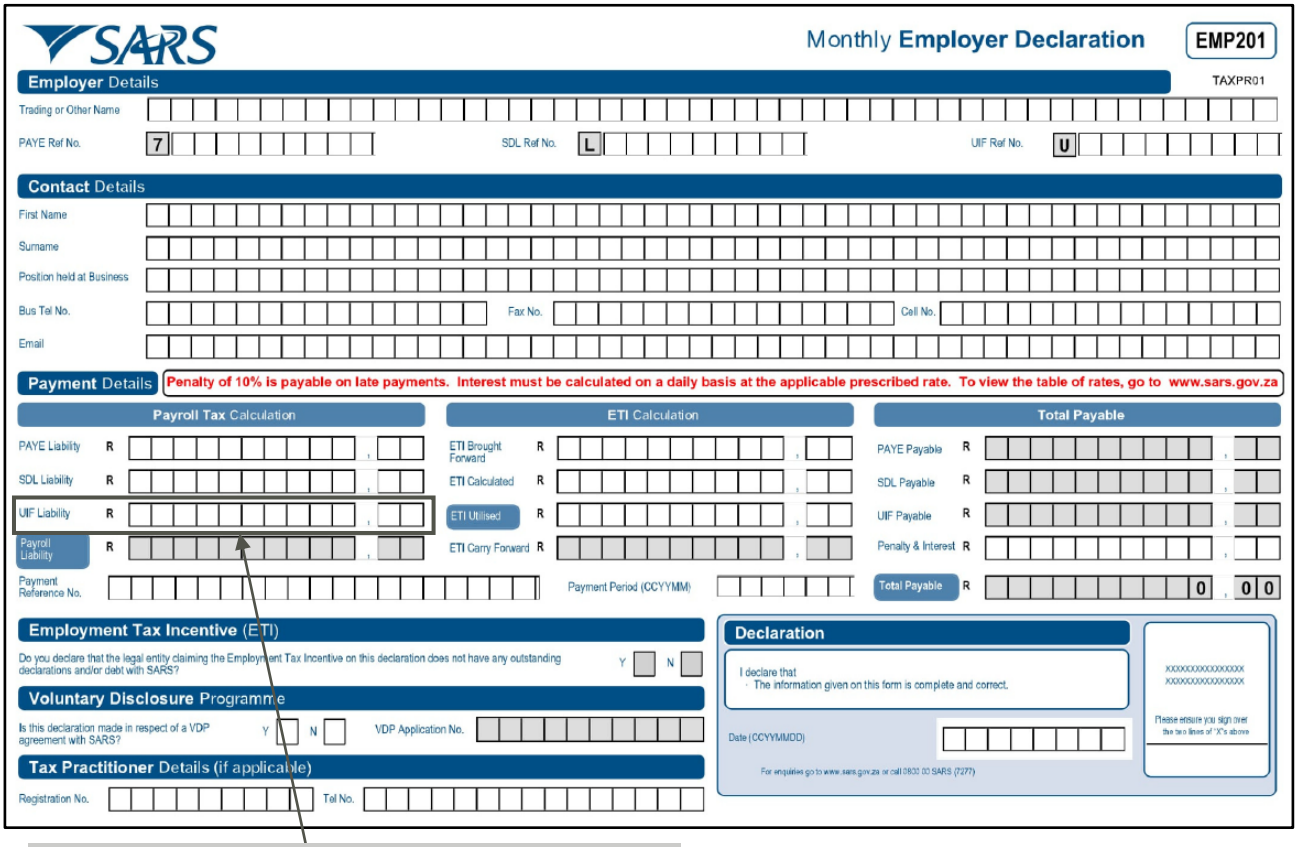
UIF remuneration		UIF employee contribution	UIF employer contribution
Salary + Overtime 1.5	R18 600.00 + R2 918.00 = **R21 518.00 (limited to R14 872.00)**	R14 872.00 x 1% = **R148.72**	R14 872.00 x 1% = **R148.72**

Payment of UIF contributions

The contributions are payable to SARS as part of the EMP201 before the 7th of the next month. Where the 7th day falls on a Saturday, Sunday or public holiday, it must be paid on the last business day prior to that.

Example

EMP201:


SARS

Monthly **Employer Declaration** EMP201

TAXPR01

Employer Details

Trading or Other Name

PAYE Ref No. 7 SDL Ref No. L UIF Ref No. U

Contact Details

First Name

Surname

Position held at Business

Bus Tel No. Fax No. Cell No.

Email

Payment Details Penalty of 10% is payable on late payments. Interest must be calculated on a daily basis at the applicable prescribed rate. To view the table of rates, go to www.sars.gov.za

Payroll Tax Calculation		ETI Calculation		Total Payable	
PAYE Liability	R	ETI Brought Forward	R	PAYE Payable	R
SDL Liability	R	ETI Calculated	R	SDL Payable	R
UIF Liability	R	ETI Utilised	R	UIF Payable	R
Payroll Liability	R	ETI Carry Forward	R	Penalty & Interest	R
Payment Reference No.		Payment Period (CCYYMM)		Total Payable	R 0 0

Employment Tax Incentive (ETI)

Do you declare that the legal entity claiming the Employment Tax Incentive on this declaration does not have any outstanding declarations and/or debt with SARS? Y N

Voluntary Disclosure Programme

Is this declaration made in respect of a VDP agreement with SARS? Y N VDP Application No.

Tax Practitioner Details (if applicable)

Registration No. Tel No.

Declaration

I declare that
- The information given on this form is complete and correct.

Date (CCYYMMDD)

For enquiries go to www.sars.gov.za or call 0800 00 SARS (7277)

XXXXXXXXXXXXXXX
XXXXXXXXXXXXXXX

Please ensure you sign over the two lines of 'X's above

The 2% (1% employee plus 1% employer) UIF contributions are completed on the EMP201 return, and the total amount must be paid to SARS.

If the employer is registered with SARS for employees' tax purposes, the UIF contribution must be paid to SARS, otherwise to the UIF.

Return of employee details (UIF declaration)

Employers are required to furnish the UIF with details of all their employees as defined by the Unemployment Insurance Act 63, 2001 (which excludes non-natural persons and independent contractors), every month, by not later than the 7th of the month. These details are added to the UIF employee database in order to maintain a record of each employee's employment history, which will form the basis for the payment of benefits in terms of section 57 (2) of the Unemployment Insurance Act 63, 2001.

The details of all employees, as defined in terms of the Unemployment Insurance Act 63, 2001, are required every month, irrespective of whether they are contributors or non-contributors.

UIF declarations must be sent to the UIF Commissioner monthly, by the 7th of each month, and may be sent in the following ways:

- Employers can mail, fax or e-mail the UI-19 form to the UIF.
- Employers using electronic payroll systems can e-mail electronic UIF declarations to declarations@labour.gov.za in a format specified by the UIF Commissioner.
- Employers can submit the UIF declaration electronically on the uFiling website, www.ufiling.co.za.

The details required for each employee on the return include the following:

- South African national ID number
- Passport or foreign ID number (optional)
- Payroll or clock card number (optional)
- Surname
- First names
- Date of birth
- Date employed from
- Date employed to
- Employment status
- Reason code for non-contribution
- Gross taxable remuneration (same as IRP5 code 3699)
- Remuneration on which the UIF contribution is based (up to the limit of R14 872.00)
- Total UIF contribution (employer plus employee contribution)
- Bank branch, bank account number and bank account type (optional)

Example

UI-19 form:

UNEMPLOYMENT INSURANCE ACT 63 OF 2001 **UI-19**

Employers Declaration of Employees for the month of _____

Information to be supplied in terms of Section 56(1&3) read with Regulation 13(1&2)

An employer must by the seventh day of each month inform the Commissioner of any changes arising during the previous month regarding the employer's contact details or employees remuneration details including new appointments and termination of service. The employer must forward this form to the **Unemployment Insurance Fund** at (012) 337-1943/44 or 337-1580/81/82 or submit same at any branch of the UIF which is closest to the employer. The completed form can also be faxed to any of the following numbers: **Pta** (012) 309 5142/5286; **Jhb** (011) 497 3293; **Dbn** (031) 366 2156; **Polokwane** (015) 290 1670; **Mmabatho** (018) 384 2658; **East Ldn** (043) 701 3263; **Blftn** (051) 447 9353; **CT** (021) 441 8024;**Wtb** (013) 656 0233;**PE** (041) 586 1541;**Gmn** (011) 873 2219;**George** (044) 873 2568; **Pmb** (033) 394 5069; **Kimberley** (053) 832 7218.

1. EMPLOYER DETAILS

1.1 UIF Employer Reference No ☐☐☐☐☐☐☐ / ☐ Branch No ☐☐☐☐☐ 1.2 PAYE Reference No (If registered with SARS) ☐☐☐☐☐☐☐☐☐☐

⊛1.3 Trading name of business _____ 1.4 Physical Address _____

1.5 Address where employees listed in Item 2 work (if different to the address in 1.4) _____ 1.6 Postal address _____

1.7 Co. Reg.No (CIPRO No) ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

1.8 E-mail address _____ 1.9 Fax No _____ 1.10 Phone No _____ 1.11**Authorised person**** _____

2. EMPLOYEE DETAILS

A Surname	B Initials	C ID Number (13 Digit bar-coded RSA ID No)	D* Total (Gross) Remuneration paid to Employee Per Month		E* Total Hours Worked during Month	F Commencement date of Employment						G Termination Date						H Reason for Termination (Use Termination Codes as supplied at the bottom of the page)	I Indicate whether contributor or non-contributor (YES OR NO)	J *** If non-Contributor state reason (Use codes at bottom of page)
			R	c		D	D	M	M	Y	Y	D	D	M	M	Y	Y			

I, _____ (Name of Employer), ID No _____, declare that the above information is true and correct. I understand that it is an offence to make a false statement.

EMPLOYER SIGNATURE _____ **DATE** _____

DESCRIPTIONS

** If the employer is not resident in the RSA, or is a body corporate not registered in the RSA, an authorised person must carry out the duties of the employer in terms of this Act.
D* Remuneration means actual basic salary plus payment in kind (Declare actual gross salary)
If paid Weekly, convert wages to monthly salary (weekly wages X 52/12)
E* Total Hours Worked ie. Actual hours worked during the month (only applicable for employees that are paid per hour)
Employers may also submit these details electronically from payrolls or on the UIF's website at www.labour.gov.za
Tel. no (012) 337 1680/1700
⊛ Only Applicable for Commercial Employers

Code	(J) Reason for Non-Contribution ***
1	Temporary employees (less that 24 hours per month)
2	Learners in terms of the Skills Development Act
3	Employees in the National and Provincial spheres of Government
4	Employees who are repatriated at the end of their contract of service
5	Employees who earn commission only
6	No income paid for the payroll period
7	Employees in receipt of an Old Age Pension from the State.
8	Employees who receive a pension payment from Employer
9	Above the ceiling (Old Act)

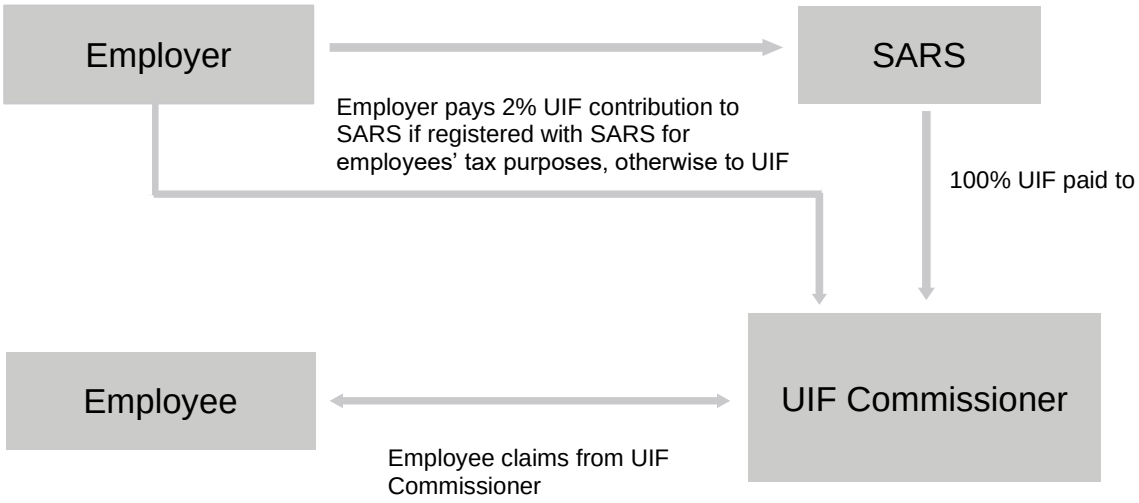
REASON FOR TERMINATION CODES

2	Deceased	6	Resigned	10	Illness /Medically boarded	14	Business Closed
3	Retired	7	Constructive Dismissal	11	Retrenched/Staff Reduction	15	Death of Domestic Employer
4	Dismissed	8	Insolvency/Liquidation	12	Transfer to another Branch	16	Voluntary Severance Package
5	Contract Expired	9	Maternity/Adoption	13	Absconded		

Important Information

For more information regarding the claiming of benefits, refer to Chapter 3 of the Unemployment Insurance Act, No. 63 of 2001. This Act can be found on the Department of Labour's website, www.labour.gov.za.

Flow diagram illustrating the UIF process



Summary

This lesson explained the Unemployment Insurance Funds Acts.

End of lesson

Lesson 5: Skills Development Act and Skills Development Levies Act

Learning outcomes

The purpose of this lesson is to provide you with an understanding of the Skills Development Act and the Skills Development Levies Act.

Learning objectives

At the end of this lesson, you will have an understanding of:

A. The Skills Development Act.
B. The Skills Development Levies Act.
C. Employers who are exempt from the Skills Development Levy.
D. Employees who are exempt from the Skills Development Levy.
E. Calculation of Skills Development Levies.
F. Claiming grants.

A. Skills Development Act of 1998

The Skills Development Act of 1998 is administered by the Department of Labour, and brought into being the concepts of SETAs, monthly levies and various grants to incentivise employer participation.

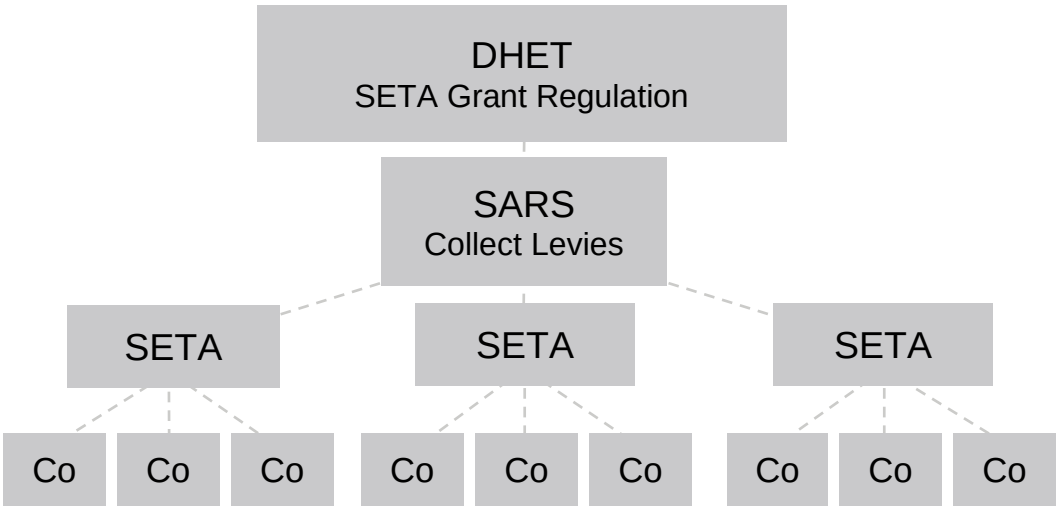
Purpose of the Skills Development Act

The main purpose of the Skills Development Act is to develop the skills of the South African workforce, but this Act also aims to:

- increase the levels of investment in education and training in the labour market and to improve the return on that investment;
- encourage employers:
  - to use the workplace as an active learning environment;
  - to provide employees with the opportunities to acquire new skills;
  - to provide opportunities for new entrants to the labour market to gain work experience; and
  - to employ persons who find it difficult to be employed;
- encourage workers to participate in learnerships and other training programmes;
- improve the employment prospects of persons previously disadvantaged by unfair discrimination and to redress those disadvantages through training and education;
- ensure quality of education and training in and for the workplace;
- assist:
  - work seekers to find work;
  - retrenched workers to re-enter the labour market; and
  - employers to find qualified employees; and
- provide and regulate employment services.

Depending on which industry a company forms part of, the company will register with a SETA (Sector Education and Training Authority). The applicable SETA will handle all the necessary claims, queries and reports with regard to skills development in their industry.

The diagram below illustrates the relationship between the Department of Higher Education and Learning (DHET), SARS, the SETA's and the employers (companies).



B. Skills Development Levies Act of 1999

The Skills Development Levies Act of 1999 is administered by SARS and deals only with the calculation and payment of the monthly levy by employers.

Employers who must register for the payment of the Skills Development Levy

All employers registered with SARS for employees' tax purposes in terms of the Fourth Schedule must register with SARS for skills development, irrespective of whether they are excluded from paying the levy by one of the following conditions:

- any public service employer in the national or provincial sphere of government;
- any national or provincial public entity, if 80% or more of its funding comes from government;
- any religious or charitable institution;
- any municipality in possession of a certificate of exemption; and
- any employer where the total annual remuneration for the next 12 months is not expected to exceed R500 000.00.

An employer must register if the total remuneration from employees during the following 12-month period will exceed R500 000.00, even if the employer is not liable to register with SARS for employees' tax purposes.

Where an employer is liable to pay the Skills Development Levy, the employer must register with SARS and show the jurisdiction of the SETA within which they must be classified.

Where the employer falls within the jurisdiction of more than one SETA, that employer must, with regards to the following, select one SETA within which it must then be classified for the purposes of the SDL Act:

- The composition of its workforce.
- The amount of remuneration paid or payable to the different categories of employees.
- The training needs of the different categories of employees.

C. Employers who are exempt from the Skills Development Levy

The following employers are exempt from paying the Skills Development Levy:

- any public service employer in the national or provincial sphere of government;
- any employer who is not liable for employees' tax purposes and the total remuneration for employees for the next 12 months will not exceed R500 000.00, or the amount determined by the Minister;
- any religious or charitable institution;
- any national or provincial public entity, which receives more than 80% of its funding from funds, voted by parliament; and
- any municipality in respect of which a certificate of exemption has been issued by the Minister of Labour.

Although the employers above are exempt from the payment of the Skills Development Levy, these employers must still register with SARS in terms of the Act.

D. Employees who are exempt from the Skills Development Levy

An employee, for Skills Development Levy purposes, is defined the same as for the Fourth Schedule definition, excluding:

- a labour broker to whom an exemption certificate has been issued, and
- a learner as defined in the Skills Development Act.

E. Calculation of Skills Development Levies

SDL contributions must be calculated on the balance of remuneration as defined in the Fourth Schedule to the Income Tax Act, with the following exclusions:

- pensions, superannuation allowances or retiring allowances;
- annuities;
- payments for the relinquishment, termination or loss of office or employment; and
- lump sum payments from a pension, provident or retirement annuity fund.

Important information

Note that only lump sum payments from benefit funds are excluded. Other types of lump sums related to continuing employment (such as backdated pay increases) are not excluded.

SDL remuneration is defined as the net total of:	
	Taxable earnings
+	Fringe benefits
-	Tax deductions
=	SDL remuneration (Balance of remuneration)

The employer's SDL contribution is calculated as 1% of the balance of remuneration.

Example

Employee's payslip:

```
Training Company (Pty) Ltd                                                    PERIOD:  01/01/2019-31/01/2019
127 Sprite Avenue Faerie Glen
EMP. CODE:   001                          DEPARTMENT:  SAL                    DATE ENGAGED:      01/03/2014
EMP. NAME:   Mrs LJ Hlophe                PAYPOINT:    PTA                    ID NUMBER:      8307060253003
KNOWN AS:    Lerato                       JOB TITLE:   Sales Person
RATE/HOUR:   113.6364                     PAY METHOD:  ACB      632005  9224683327
CO UIF NR    06027371                     CO PAYE NR:  7500734894
-------------------------------------------------------------------------------------------------------------
EARNINGS             HOURS/UNITS       AMOUNT       DEDUCTIONS           HOURS/UNITS      AMOUNT     BALANCES
-------------------------------------------------------------------------------------------------------------
Salary                              16950.00       Tax                                  3381.20
Overtime 1.5               7.00      1193.18       U.I.F.                                148.72
Overtime 2.0               4.00       909.09       Medical Aid                          2050.00
Travel Allowance                     1000.00       Vitality                              169.00
Cell Phone All                        400.00       Pension                              1017.00

                                                                   Payslip

                                 --------------                                 --------------
TOTAL EARNINGS                         20452.27    TOTAL DEDUCTIONS                    6765.92
                                 --------------                                 --------------
                                                    NET SALARY                         13686.35
                                                                                    --------------
Perks
-------------------
Medical Aid                            2050.00
                                 --------------
TOTAL PERKS                            2050.00
                                 --------------

TOTAL COMPANY CONTRIBUTIONS            2421.74
```

The employee's salary, overtime 1.5, overtime 2.0, travel allowance and cell phone allowance earnings are all taxable earnings that must be included in the balance of remuneration. Only the taxable portion of the travel allowance (80%) should be included in the balance of remuneration.

The employee's medical aid fringe benefit must also be included.

Pension is a tax deduction that will reduce the employee's remuneration.

	Taxable earnings:	
	Salary	16 950.00
+	Overtime 1.5	1 193.18
+	Overtime 2.0	909.09
+	Travel (80% taxable portion)	800.00
+	Cell phone allowance	400.00
+	**Fringe benefits:**	
+	Medical aid	2 050.00
-	**Tax deductions:**	
-	Pension	1 017.00
=	**Balance of remuneration:**	
=	Balance of remuneration	21 285.27
Skills Development Levy = Balance of remuneration x 1%: Employer contribution: R21 285.27 x 1% = R212.85		

Example

Calculate the balance of remuneration and skills development levies in the following scenarios:

Notes:

- **Salary, overtime 1.5, commission and travel allowance are taxable earnings.**
- **The 80% taxable portion of travel allowance should be included in the calculations.**
- **Company car (right of use of a motor vehicle) is a fringe benefit.**
- **Pension is a tax deduction.**

Scenario 1:

Earnings		**Deductions**		**Company contributions**		**Fringe benefit**
Salary	4 800.00	UIF	55.40	UIF	55.40	
Overtime 1.5	740.00			**SDL**	**R** _____	

Balance of remuneration		Skills Development Levy
Salary + Overtime 1.5	R4 800.00 + R740.00 = **R5 540.00**	R5 540.00 x 1% = **R55.40**

Scenario 2:

Earnings		Deductions		Company contributions		Fringe benefit
Salary	10 600.00	UIF	123.60	UIF	123.60	
Commission	1 482.00			**SDL**	**R _____**	
Travel allowance	2 200.00					

Balance of remuneration		Skills Development Levy
Salary + Commission + Travel allowance (80%)	R10 600.00 + R1 482.00 + R1 760.00 = **R13 842.00**	R13 842.00 x 1% = **R138.42**

Scenario 3:

Earnings		Deductions		Company contributions		Fringe benefits	
Salary	6 500.00	UIF	84.10	UIF	84.10	Company car	1 420.00
Overtime 1.5	490.00	Pension	374.00	**SDL**	**R _____**		

Balance of remuneration		Skills Development Levy
Salary + Overtime 1.5 + Company car fringe benefit - Pension	R6 500.00 + R490.00 + R1 420.00 - R374.00 = **R8 036.00**	R8 036.00 x 1% = **R80.36**

Scenario 4:

Earnings		Deductions		Company contributions		Fringe benefits
Salary	18 600.00	UIF	148.72	UIF	148.72	
Overtime 1.5	2 918.00			**SDL**	**R _____**	
Commission	2 917.00					

Balance of remuneration		Skills Development Levy
Salary + Overtime 1.5 + Commission	R18 600.00 + R2 918.00 + R2 917.00 = **R24 435.00**	R24 435.00 x 1% = **R244.35**

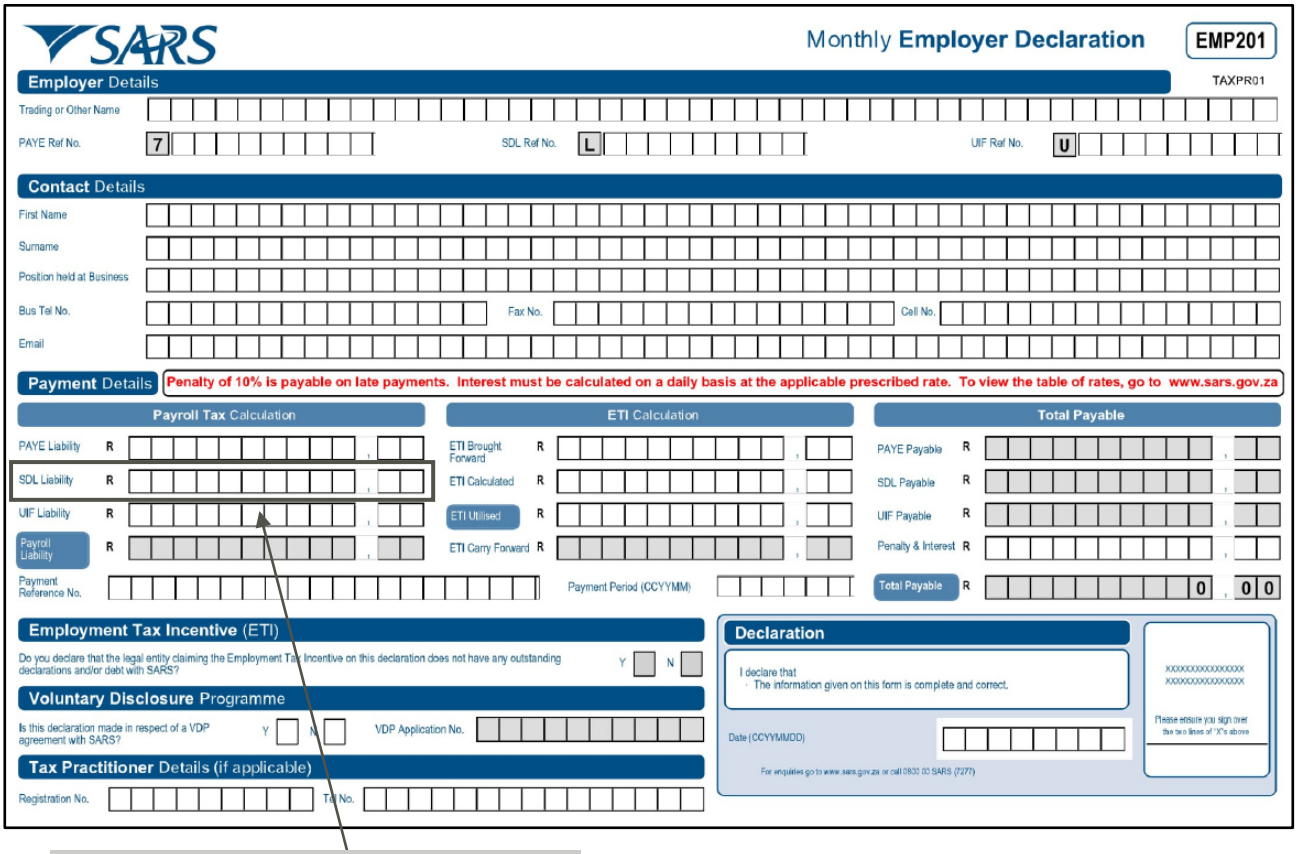
Payment of Skills Development Levies

Levies can be paid over to one of two institutions. If the employer is not registered with SARS for employees' tax purposes, the Skills Development Levy must be paid over directly to the applicable SETA. However, if the employer is registered for employees' tax purposes, the Skills Development Levy must be paid over to SARS on the EMP201 return together with PAYE and UIF.

The Skills Development Levy must be paid over not later than 7 days after the end of the month in respect of which the levy is payable. Where the 7th day falls on a Saturday, Sunday or public holiday, it must be paid on the last business day prior to that.

Example

EMP201:


SARS
Monthly Employer Declaration
EMP201
TAXPR01
Employer Details
Trading or Other Name
PAYE Ref No. 7
SDL Ref No. L
UIF Ref No. U
Contact Details
First Name
Surname
Position held at Business
Bus Tel No.
Fax No.
Cell No.
Email
Payment Details
Penalty of 10% is payable on late payments. Interest must be calculated on a daily basis at the applicable prescribed rate. To view the table of rates, go to www.sars.gov.za
Payroll Tax Calculation
PAYE Liability R
SDL Liability R
UIF Liability R
Payroll Liability R
Payment Reference No.
ETI Calculation
ETI Brought Forward R
ETI Calculated R
ETI Utilised R
ETI Carry Forward R
Payment Period (CCYYMM)
Total Payable
PAYE Payable R
SDL Payable R
UIF Payable R
Penalty & Interest R
Total Payable R 0 , 0 0
Employment Tax Incentive (ETI)
Do you declare that the legal entity claiming the Employment Tax Incentive on this declaration does not have any outstanding declarations and/or debt with SARS? Y N
Voluntary Disclosure Programme
Is this declaration made in respect of a VDP agreement with SARS? Y N
VDP Application No.
Tax Practitioner Details (if applicable)
Registration No.
Tel No.
Declaration
I declare that
· The information given on this form is complete and correct.
Date (CCYYMMDD)
For enquiries go to www.sars.gov.za or call 0800 00 SARS (7277)
XXXXXXXXXXXXXXX
XXXXXXXXXXXXXXX
Please ensure you sign over the two lines of 'X's above

The 1% employer SDL contributions are completed on the EMP201 return, and the total amount must be paid to SARS.

F. Claiming of grants

If an employer provides training for its employees and reports this training in the Skills reports in the format specified by the SETA, the employer can claim back a portion of the Skills Development Levies that they have paid.

Each SETA determines the date by which applications should be made to claim these grants.

Mandatory grants

The following mandatory grants must be paid to employers, if the necessary criteria are met:

- If the Workplace Skills Plan (WSP) & Annual Training Report (ATR) was submitted, then the SETA may award 20% of the annual SDL paid as a mandatory grant, if all the criteria are met.
- Before the SETA makes any payment, the SETA must approve the WSP and the ATR to ensure the employer meets the quality standards as set by the SETA.
- The mandatory grant must be paid to the employer at least quarterly every year. If the employer does not claim a mandatory grant within the time period specified, the SETA must transfer the employer's unclaimed mandatory grant to the discretionary grant by 15 August of each year.

Discretionary grants

The allocation of discretionary grants will be directly linked to each SETA's scarce skills plan and will be guided by an approved Discretionary Grant policy. The policy must specify how PIVOTAL programmes can be delivered through public education and training instructions. These programmes differ for each SETA, for example:

- learnerships,
- apprenticeships,
- bursaries for employed candidates,
- artisans,
- recognition of prior learning (RPL), and so on.

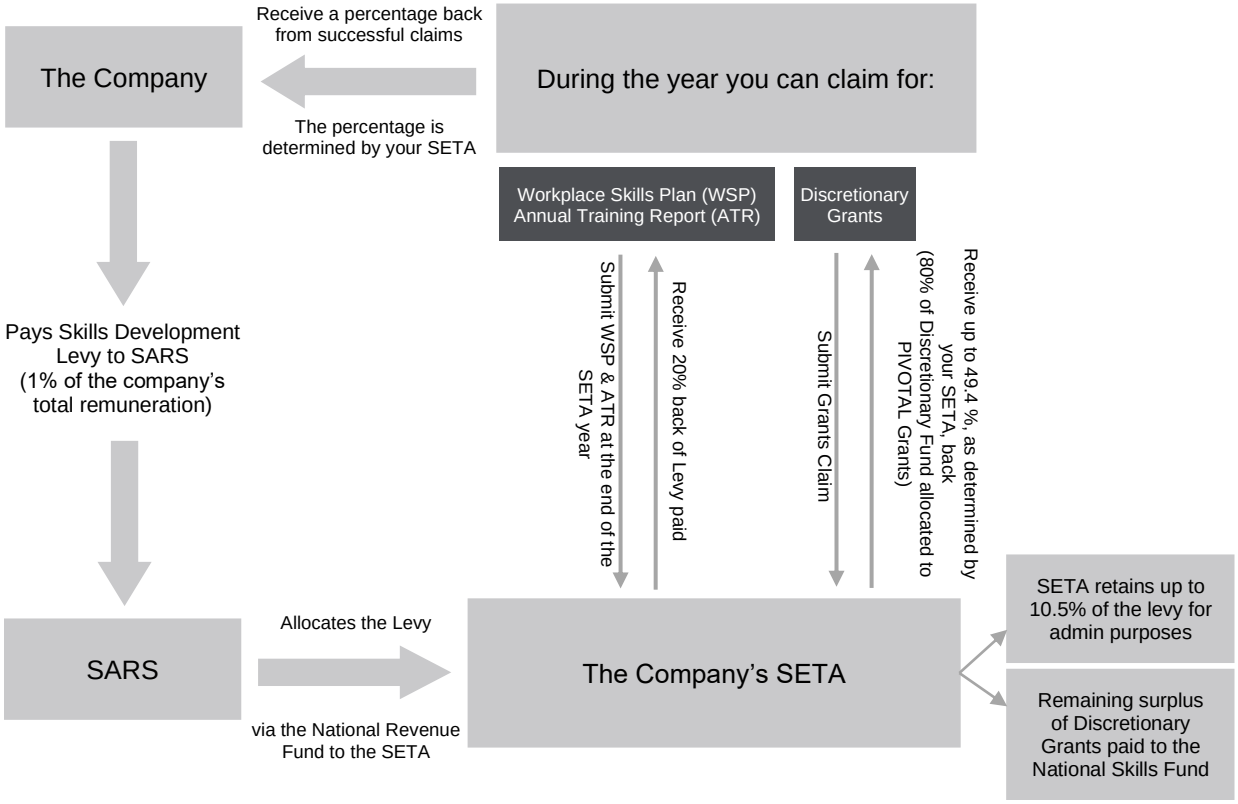
A PIVOTAL training plan and report must be submitted to be able to obtain discretionary grants.

PIVOTAL grants

PIVOTAL is an acronym that stands for Professional, Vocational, Technical and Academic Learning programmes that result in qualifications or part qualifications on the National Qualifications Framework.

The employer may award a PIVOTAL grant calculated as a percentage, which is determined by the relevant SETA. A SETA is required to allocate 80% of all its available discretionary grants within a financial year to PIVOTAL programmes that address scarce and critical skills.

The following diagram illustrates the path the Skills Development Levy follows from the employer through to the claims for the necessary grants:



Summary

This lesson explained the Skills Development Act and Skills Development Levies Act.

End of lesson

Lesson 6: Compensation for Occupational Injuries and Diseases Act

Learning outcomes

The Compensation for Occupational Injuries and Diseases Act 130 of 1993 came into operation on 1 March 1994. This act replaced the Workman's Compensation Act.

This lesson summarises your duties as a payroll administrator with regards to this Act.

Learning objectives

At the end of this lesson, you will have an understanding of:

A. The purpose of the Compensation for Occupational Injuries and Diseases Act.
B. The employees for whom payment must be made under the Compensation for Occupational Injuries and Diseases Act.
C. The persons excluded as employees.
D. The Annual OID Return of Earnings form (W.As.8).
E. Earnings to be included for the OID Return of Earnings.
F. The requirements when reporting an incident.

A. Purpose of the Act

The Act states that when an employee meets with an accident, which results in his disablement or death, such employee or the dependants of such employee will be entitled to the benefits provided for and prescribed in this Act. The Act also provides for compensation if it is proved than an employee has contracted an occupational disease, which has arisen out of and in the course of his or her employment.

It is important to understand that the diseases mentioned above specifically refer to diseases contracted in the course of the employee's duties, for example, asbestosis, which could be contracted by employees with extensive occupational exposure to the mining, manufacturing, handling, or removal of asbestos.

B. Employees for whom payment must be made under the Act

An employee is defined as a person who has entered into or works under a contract of service or of apprenticeship or learnership, with an employer, whether the contract is expressed or implied, oral or in writing, and whether the remuneration is calculated by time or by work done, or is in cash or in kind, and includes:

- a casual employee employed for the purpose of the employer's business; and
- a director or member of a close corporation who has entered into a contract of service or apprenticeship or learnership with the body corporate in so far that the employee acts within the scope of his employment in terms of such contract.

In the case of a person who is provided by a labour broker to a client to render a service or perform work, and for which that person is paid by the labour broker, such a person is an employee of the labour broker. The earnings of that person should therefore not be included in the client's Return of Earnings for OID purposes.

C. Persons excluded as employees

The following persons are excluded as employees and will not to be included in any OID calculations:

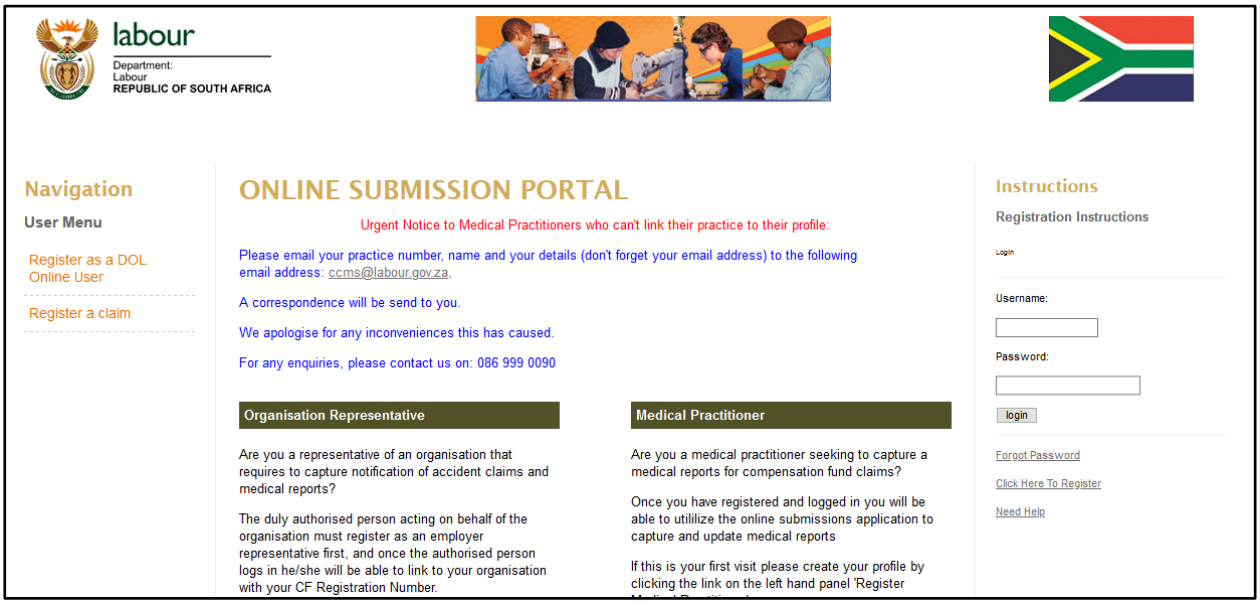
- a person undergoing military service or training;
- a member of the Permanent Force while defending the Republic;
- a member of the Police Force while defending the Republic;
- a person who contracts for the carrying out of work and himself contracts other persons to perform such work;
- legal entities;
- common law independent contractors; and
- a domestic employee in a private household.

D. Annual OID Return of Earnings

Employers are required to submit a Return of Earnings on an annual basis.

The employer must submit the return of earnings before 31 March each year, and furnish the Commissioner with the amount of earnings paid by the employer to his employees for the period, with effect from the first day of March of the preceding year up to the last day of February of the current year.

All submissions are completed online via the Department of Labour website:
https://cfonline.labour.gov.za/



OID limit for the 2021/2022 tax year

The maximum amount of earnings on which the assessment of an employer will be calculated is changed every tax year and this is referred to as the OID limit.

The Minister of Employment and Labour published Government Gazette 44238, increasing the OID earnings threshold to R506 473 per annum with effect from 1 March 2021 (2021/2022 year of assessment).

E. Earnings to be included for the OID Return of Earnings

The return of earnings defines the items that must be included, and those that must be excluded from the calculation of the employees' earnings.

Earnings are all payments made regularly, before any deductions, whether in money or in kind, to employees, which arise as a result of their employment. All payments made regularly in terms of a service contract for service should be included.

The following lists are not inclusive, and are intended only to highlight earning items about which there may be some doubt as to their inclusion or exclusion.

Included are:

- overtime of a regular nature, but not intermittent or irregular overtime;
- bonuses of any kind, including incentive bonuses and annual bonuses;
- commission, even though the amount may vary from month to month;
- the cash value of food and quarters supplied to staff as part of a remuneration package;
- tangible fringe benefits, such as company car and free accommodation or accommodation at a reduced rate;
- travel and other allowances paid regularly;
- where the employee is remunerated in accordance with a package of benefits, all items forming part of the package, other than employer contributions such as medical aid contributions; and
- earnings/drawings paid to a working director of a private company or members of a close corporation.

Excluded are:

- payments of a reimbursive nature;
- overtime worked occasionally;
- payments for specific non-recurring tasks which do not form part of an employee's normal duties;
- ex-gratia payments;
- intangible fringe benefits, such as the taxable portion of medical aid contributions by the employer; and
- payments to cover special expenses, such as subsistence and travelling costs.

Note that the regulations to the Act clearly exclude travel and subsistence allowances, which is in contradiction to the interpretation on the return of earnings submissions.

F. Reporting of an incident

An accident must be reported within 7 days of the accident, and a claim for compensation must be lodged by or on behalf of the employee within 12 months after the date of the accident.

A disease must be reported within 14 days of the diagnosis of the disease, and a claim for compensation must be lodged by or on behalf of the employee within 12 months after the date of the diagnosis of the disease.

Summary

This lesson summarised your duties as a payroll administrator with regards to the Compensation for Occupational Injuries and Diseases Act.

End of lesson

Summary: PAYE, UIF, SDL and OID

	PAYE	UIF	SDL	OID
Legislation	Fourth Schedule and Seventh Schedule to the Income Tax Act.	Fourth Schedule to the Income Tax Act, Unemployment Insurance Contributions Act.	Fourth Schedule to the Income Tax Act, Skills Development Levies Act.	Compensation for Occupational Injuries and Diseases Act.
Purpose		To provide short-term relief to workers when they become unemployed or unable to work due to illness, maternity or adoption.	To uplift the skills of workers and improve productivity in the workplace and competitive advantage of employers.	When an employee meets with an accident or occupational disease during employment, he or his dependants are entitled to benefits provided in this Act.
Calculation	+ Taxable earnings - Fringe benefits = Tax deductions Balance of remuneration	+ Taxable earnings Fringe benefits UIF remuneration *Excluding: pension, superannuation allowances or retiring allowances, annuities, payments to a labour broker in possession of IRP30 exemption certificate, any amount, including voluntary award in respect of relinquishment, termination, loss, repudiation, cancellation or variation of any office or employment, once-off payments such as lump sums from pension provident or retirement annuity funds, restraint of trade payments and commission.*	+ Taxable earnings - Fringe benefits = Tax deductions SDL remuneration (Leviable amount) *Excluding: pension, superannuation allowances or retiring allowances, annuities, payments for the relinquishment, termination or loss of office or employment and lump sum payment for a pension, provident or RA fund.*	Earnings included: Regular overtime, bonuses, commission, cash value of food and quarters, travel and other allowances paid regulary, etc. Earnings excluded: payments of a reimbursive nature, overtime worked occasionally, payments for specific non-recurring tasks which do not form part of an employee's normal duties, ex gratia payments, intangible fringe benefits such as taxable portion of medical aid contributions by employer, and payments to cover special expenses like subsistence and travelling costs.

	PAYE	UIF	SDL	OID
Exclusions	Independent contractors, Remuneration paid to labour brokers (with IRP30 certificates), Resident NED's.	Temporary employees, commission only, government officials, independent contractors, non-executive directors.	Learners, independent contractors, Resident NED's.	People employed by Military Service, SAPD, SANDF, domestic worker, person who contracts for the carrying out of work and himself/herself engages other persons to perform such work.
Calculation	According to tax tables or rates supplied by SARS.	Both the employer and employee's UIF contribution is calculated as 1% of the UIF remuneration up to a monthly limit of R14 872.00.	1% of leviable amount payable by the employer.	Annually on assessment.

Important Information

Only lump sums from benefit funds are excluded from the SDL calculation. Other types of lump sums related to continuing employment (such as backdated pay increases) are not excluded.

End of summary

Lesson 7: Employment Equity Act

Learning outcomes

The purpose of this lesson is to provide you with an understanding of the Employment Equity Act.

Learning objectives

At the end of this lesson, you will have an understanding of:

A. The purpose of the Employment Equity Act.
B. The objectives of the Employment Equity Act.
C. What affirmative action measures include.
D. What it means to be a designated employer.
E. Designated groups.
F. Equity reporting.

A. Purpose of the Employment Equity Act

South Africa has a history of discrimination related to race, disability and gender. This means that in the past South Africans were denied opportunities for education, employment and promotion.

The Employment Equity Act was written to address this issue and remove the barriers of discrimination, as well as to undo the disadvantages of the past. It also ensures that employers take the necessary steps to promote equal opportunity in the workplace by implementing affirmative action policies that eliminate unfair discrimination.

B. Objectives of the Act

The Employment Equity Act has the following objectives:

- Promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination.
- Implementing affirmative action measures to redress the disadvantages in employment experienced by designated groups, to ensure their equitable representation in all occupational categories and levels in the workforce.

Section 6(1) states that employers may not *"unfairly discriminate, directly or indirectly, against an employee on the grounds of race, gender, sex, pregnancy, marital status, family responsibility, ethnic or social origin, colour, sexual orientation, age, disability, religion, HIV status, conscience, belief, political opinion, culture, language, birth, or on any other arbitrary ground"*. All employment policies and practices, such as recruitment procedures, advertising and selection criteria, job classification and grading, training and development, promotion, transfer and disciplinary measures must not be discriminatory.

Employers must eliminate differences in conditions of employment (including remuneration) of employees who perform "work of equal value". Sections 6(4) and 6(5) have been added to the Employment Equity Act in 2013. It should be read together with the "Code of good practice on equal pay for work of equal value". For more information on the "Code of good practice on equal pay for work of equal value", visit http://www.gov.za/sites/www.gov.za/files/38837_gon448.pdf

C. Affirmative action

The Employment Equity Act states that every designated employer must implement affirmative action measures. Affirmative action measures are measures designed to ensure that suitably qualified people from designated groups have equal employment opportunities. Designated groups must be equally represented in all occupational levels in the workforce of a designated employer.

Affirmative action measures include:

- identification and elimination of barriers with an adverse impact on designated groups;
- measures which promote diversity;
- making reasonable accommodation for people from designated groups;
- retention, development and training of designated groups; and
- preferential treatment and numerical goals to ensure equitable representation.

D. Designated employers

A designated employer means:

- an employer who employs 50 or more employees;
- an employer who employs less than 50 employees, but whose annual turnover is more than the amount specified in Schedule 4 of the Employment Equity Act (the figures vary according to the type of industry);
- municipalities;
- organs of state;
- an employer appointed by a collective agreement; or
- any employers who volunteer to comply.

Important Information

Employers in the local spheres of government are no longer excluded from submitting equity reports.

The Employment Equity Act applies to all employers, workers and job applicants, but not members of the:
- National Defence Force;
- National Intelligence Agency; and
- South African Secret Service.

A designated employer must:
- consult with its workers;
- conduct an analysis;
- prepare an employment equity plan; and
- report to the Department of Labour annually on progress made in implementing its employment equity plan.

Schedule 4: Annual turnover threshold applicable to designated employers:

Sector or subsectors in accordance with the Standard Industrial Classification	Total annual turnover
Agriculture	R6,0m
Mining and Quarrying	R22,5m
Manufacturing	R30,0m
Electricity, Gas and Water	R30,0m
Construction	R15,0m
Retail and Motor Trade and Repair Services	R45,0m
Wholesale Trade, Commercial Agents and Allied Services	R75,0m
Catering, Accommodation and other Trade	R15,0m
Transport, Storage and Communications	R30,0m
Finance and Business Services	R30,0m
Community, Special and Personal Services	R15,0m

If an employer with less than 50 employees used to be a designated employer because the annual turnover exceeded the old amount, and that same employer now falls below the new turnover threshold, the employer loses its ‘designated’ status.

E. Designated groups

Designated groups are black people, women, and people with disabilities, who:

- are citizens of South Africa by birth or descent; or
- became citizens of South Africa by naturalisation:
  - before 27 April 1994; or
  - after 26 April 1994 and who would have been entitled to acquire citizenship by naturalisation prior to that date but who were precluded by apartheid policies.

'Black people' is a generic term for the purposes of the Employment Equity Act, which includes African, Coloured and Indian people.

Important information

Employment Equity for Chinese employees:

- ***If the Chinese employee obtained South African citizenship before 27 April 1994, then they are classified as black for employment equity purposes.***
- ***If the Chinese employee obtained South African citizenship after 27 April 1994, then they are classified as white for employment equity purposes.***

F. Equity reporting

The Department of Labour is responsible for monitoring and evaluating the implementation of affirmative action. To do this, it needs to receive regular reports from companies on their progress. Regular reporting to the department is a legal requirement.

Reports required by the Department of Labour

The two forms that must be submitted to the Department of Labour are the Employment Equity Report form (EEA2) and the Income Differential Statement (EEA4). The rest of the forms (EEA1, EEA3, EEA5 - EEA14) must be kept for inspection purposes and may be requested by the Department of Labour.

The EEA2 reports on the number of African, Coloured, Indian and White males and females and the number of male and female foreign nationals employed, per occupational level.

The EEA4 reports on the number of employees and their remuneration in each occupational level in terms of race and gender.

A summary of the equity reports required by the Department of Labour is provided below.

Report		Description
EEA2	Section A	Employer Details & Instructions
	Section B	Workforce Profile
	Section C	Workforce Movement
	Section D	Skills Development
	Section E	Numerical Goals & Targets
	Section F	Monitoring & Evaluation
	Section G	Signature of the CEO/CFO

Report		Description
EEA4	Section A	Employer Details & Instructions
	Section B	Information Regarding the Completion of the EEA4 Form
	Section C	Income Differentials Statement
	Section D	Reasons for differences in Section C
	Section E	Signature of the CEO/CFO

When must reports be submitted

From 1 August 2014, all designated employers must submit reports on the implementation of their affirmative action plans every year by the first working day of October. (Previously employers with between 50 and 150 employees were only required to report every second year.) Designated employers who submit online have until 15 January each year to submit reports.

An employer that becomes a designated employer on or after the first working day of April, but before the first working day of October, must only submit its first report on the first working day of October in the following year.

An employer who is a designated employer immediately before the Act takes effect, must report for the duration of the designated employer's current employment equity plan as they would have.

Employers who report on a voluntary basis: There are certain employers that do not meet the definition of a designated employer for equity purposes, but still feel obligated to comply with the Employment Equity Act. These employers can report to the Department of Labour on the progress made in terms of the equity plan on the first working day of October every year.

Important information

The reporting period is set by the employer and does not necessarily run from October to September.

How to submit reports

Employment equity reports can be submitted online or completed manually. Online submission is the preferred method. The online facility allows you to submit your employment equity reports electronically and assists you to submit fully and accurately.

Online submission of employment equity reports must be done by 15 January each year, unless other dates are published by the Department of Labour.

Manual submission of employment equity reports must be completed by the first working day of October each year.

Summary

This lesson explained the Employment Equity Act.

End of lesson

Addendum

A. Labour Relations Act

Purpose of the Act

The purpose of this Act is to advance economic development, social justice, labour peace and the democratisation of the workplace by fulfilling the primary objects of this Act, which are:

- to give effect to and regulate the fundamental rights conferred by section 27 of the Constitution;
- to give effect to obligations incurred by the Republic as a member state of the International Labour Organisation;
- to provide a framework within which employees and their trade unions, employers and employers' organisations can:
- collectively bargain to determine wages, terms and conditions of employment and other matters of mutual interest; and
- formulate industrial policy; and
- to promote:
  - orderly collective bargaining;
  - collective bargaining at sectoral level;
  - employee participation in decision-making in the workplace; and
  - the effective resolution of labour disputes.

Provisions of the Act affecting payroll administration

Deduction of trade union subscriptions or levies:

- Any employee who is a member of a representative trade union may authorise the employer in writing to deduct subscriptions or levies payable to that trade union from the employee's wages.
- An employer who receives an authorisation in terms of the above must begin making the authorised deduction as soon as possible and must remit the amount deducted to the representative trade union by not later than the 15th day of the month first following the date each deduction was made.
- An employee may revoke an authorisation given in terms of the above by giving the employer and the representative trade union one month's written notice or, if the employee works in the public service, three months' written notice.
- An employer who receives such a notice must continue to make the authorised deduction until the notice period has expired and then must stop making the deduction.

With each monthly remittance, the employer must give the representative trade union:

- a list of the names of every member from whose wages the employer has made the deductions that are included in the remittance;
- details of the amounts deducted and remitted and the period to which the deductions relate; and
- a copy of every notice of revocation.

End of addendum