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# Tax questions answered

## POST-BUDGET: HOW PAYROLL IS AFFECTED FOLLOWING MINISTER'S SPEECH

**➻ There are some important changes for 2018/19.**

**Rob Cooper**

The Budget Speech for 2018/19 and this year's Tax Law amendments rang in some important changes.

Here are common questions we're hearing about how new regulations and developments will affect payroll:

**1. Is National Minimum Wage (NMW) here to stay?**

The National Minimum Wage Bill will soon become law, with a proposed effective date of May 1 2018.

NMW sets the minimum hourly wage rate at:

- R18 for farm workers,
- R15 for domestic workers,
- R11 for workers employed on an extended public works programme, and
- R20 for the rest of the workers.

These rates set a new floor for compensation—an employer may not pay an employee less per hour, irrespective of whether they're paid weekly wages or a monthly salary. NMW will override other wage-regulating mechanisms where their minimum wages are set at a lower rate.

Bargain council agreements, sectoral determinations and wage regulating measures in general, can, however, set higher minimum wages.

Employers won't be allowed to unilaterally reduce workers' hours to reduce the cost of wages. Businesses that can't afford the minimum wage can apply for an exemption for up to 12 months.

**2. What are the travel allowance changes?**

With effect from March 1, the portion of a travel reimbursement above the 'prescribed' rate of R3.61 (was R3.55 for 2017/2018 tax year) per business kilometre is included in remuneration.

The latest "fixed rate per kilometre" regulation issued by Sars, will encourage employers to use a reimbursement rate per kilometre which isn't greater than the "prescribed" rate.

**3. What effect will NHI have on medical scheme fees tax credits?**

Many were bracing ourselves for the small tax credit that taxpayers receive for their medical aid payments to be done away with, to raise more funding for the National Health Insurance (NHI) plan. Good news: it'll stay in place; bad news: the tax credits will be increased below inflation over the next three years to fund NHI expenditure.

This is evident in the small increases to the fees tax credits for 2018/2019.

**4. What are the major changes to retirement funds?**

- The removal of the provision that employees must join a new pension or provident fund within 12 months of its establishment. Employees are now allowed to join their employer's fund at any time if the fund's rules allow it.
- An employee is allowed a tax deduction on retirement fund contributions (employee and deemed employee contribution) up to the lessor of 27.5% of remuneration and R350 000 a year. From March 2018, the legislation spreads the R350 000 cap across the year. Any unused portion will be considered on assessment.
- The postponement of compulsory annuitisation requirement of provident funds for another year, from March 2018 to March 2019.

▶ *Rob Cooper is a tax expert and director of legislation at Sage*


TAKE HEED

**If you decide to invest offshore, be careful of the costs and taxes involved and ensure they won't defeat your investment objectives, e.g. by negatively impacting the value of your estate, says Theunis Ehlers at Citadel Fiduciary Propriety Limited.** Picture: Shutterstock

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|---|---|---|---|---|
| Primary tax credit | 270 | 286 | 303 | 310 |
| Secondary tax credit | 181 | 192 | 204 | 209 |

## What to do if contacted by Sars debt collectors

Sars has appointed eight external debt collection agencies to start recouping some of the current R16.6 billion tax deficit. These agencies will be on contract with Sars until February 2019.

Colien de Villiers at CAP Chartered Accountants offers the following advice to any South Africans contacted by one of these third party debt collectors:

"Firstly, make sure they are in fact one of the enlisted agencies. These are:

- CSS Credit Solution Services (Pty) Ltd
- ITC Business Administrators (Pty) Ltd
- Medaco Capital Services (Pty) Ltd
- New Integrated Credit Solutions (Pty) Ltd
- Norman Bisset & Associates Group (Pty) Ltd
- Revenue Consulting (Pty) Ltd
- Transactional Capital Recoveries (Pty) Ltd
- Van de Venter Mojapelo (Pty) Ltd.

"Unfortunately we do anticipate some illegal activity around this announcement, with fake debt collection agents contacting people claiming to be from one of the above listed agencies. Because of this our strong advice is to not give any of your personal information to them – and do not confirm any information that they provide over the phone.

"Under no circumstances should debtors pay money directly to the debt collection agency. All outstanding tax or duties must only be paid directly to Sars via authorised payment channels," advises de Villiers.

CAP Chartered Accountants suggests that all South Africans who find themselves being contacted by a Sars debt collector contact their tax practitioner immediately and provide them with the name and contact details of the agency.

"It can be nerve-racking to receive a call from any debt collector. Stay calm, request that they send you all their details, both the agent and the agency, and the details of the claimed tax debt in writing.

"This information, and any other communications received from any agency claiming to collect outstanding Sars debt, must then be forwarded to your tax practitioner (ie letters, smses or emails) and your tax practitioner can contact the agency to verify their credentials and confirm the validity of any claimed outstanding Sars debt."

Anyone with queries or looking for assistance can contact the Sars National Contact Centre at 0800 00 7277.

– *Moneyweb*