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Compliance

Statutory Payroll Updates 2024

South Africa

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Contents:

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Introduction

The purpose of this document is to provide you with insight related to the budget speech delivered on the 21st of February 2024, as well as other government regulations and notices affecting payroll for the 2024/2025 tax year.

There is also an indication of product application and impact where applicable.

Tax Rates

In terms of section 5(2)(a) of the Income Tax Act, the Minister of Finance may change the rates of tax chargeable in respect of taxable income, as well as the effective date/dates of the changes, by announcement in the national annual budget.

Paragraph 9 of the Fourth Schedule to the Income Tax Act makes provision to apply the tax deduction tables announced in the national annual budget for purposes of employees' tax.

There is no change to Personal Income tax brackets, rebates, and tax thresholds for the period 1 March 2024 to 28 February 2025:

Annual Tax Rate for Individuals and Special Trusts	
Taxable income (R)	Rates of tax
1 – 237 100	18% of taxable income
237 101 – 370 500	42 678 + 26% of taxable income above 237 100
370 501 – 512 800	77 362 + 31% of taxable income above 370 500
512 801 – 673 000	121 475 + 36% of taxable income above 512 800
673 001 – 857 900	179 147 + 39% of taxable income above 673 000
857 901 – 1 817 000	251 258 + 41% of taxable income above 857 900
1 817 001 and above	644 489 + 45% of taxable income above 1 817 000

Tax Rebates			
Rebate	**2024/2025**	2023/2024	2022/2023
Primary	**R17 235**	R17 235	R16 425
Secondary (65 and older)	**R9 444**	R9 444	R9 000
Tertiary (75 and older)	**R3 145**	R3 145	R2 997

Tax Thresholds			
Age	**2023 / 2024**	2023 / 2024	2022 / 2023
Under 65	**R95 750**	R95 750	R91 250
65 and older	**R148 217**	R148 217	R141 250
75 and older	**R165 689**	R165 689	R157 900

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Medical and Disability Expenses

In terms of Paragraph 9(6) of the Fourth Schedule to the Income Tax Act, the employees' tax liability can be reduced by the following:

- Medical scheme fees tax credit in terms of section 6A of the Income Tax Act as detailed in the table below.
- Additional medical expenses tax credit in terms of section 6B(3)(a)(i) of the Income Tax Act for employees who are 65 years or older on the last day of the year of assessment. This additional credit is 33,3 per cent of the amount of the fees paid by the person to a medical scheme or fund as exceeds three times the amount of the medical scheme fees tax credit to which that person is entitled.

Medical Scheme Fees Tax Credits (section 6A)			
Per month	2024 / 2025	2023 / 2024	2022 / 2023
For the taxpayer; or for a dependant who is a member of a medical scheme or fund, where the taxpayer him- or herself is not a member of a medical scheme or fund	**R 364**	R 364	R 347
For the taxpayer and one dependant; or in respect of two dependants where the taxpayer him- or herself is not a member of a medical scheme or fund	**R 728**	R 728	R 694
For each additional dependant	**R 246**	R 246	R 234

Subsistence Allowance Rates

Subsistence Allowance Rates			
Per day or part of a day	2024 / 2025	2023 / 2024	2022 / 2023
Travel within South Africa: Meals & incidentals	**R 548**	R 522	R 493
Travel within South Africa: Incidentals only	**R 169**	R 161	R 152
Travel outside South Africa	Prescribed amounts applicable to the relevant country as published in the Government Gazette		

The Minister of Finance published the Income Tax Notice determining the daily amounts in respect of meals and incidental costs for purposes of section 8(1)(c)(ii) of the Income Tax Act effective 1 March 2024.

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The following amounts will be deemed to have been expended by a recipient to whom an allowance or advance has been granted or paid:
(a) where the accommodation, to which that allowance or advance relates, is in the Republic and that allowance or advance is paid or granted to defray—

- incidental costs only, an amount equal to R169 per day or part of a day; or
- the cost of meals and incidental costs, an amount equal to R548 per day or part of a day; or

(b) where the accommodation, to which that allowance or advance relates, is outside the Republic and that allowance or advance is paid or granted to defray the cost of meals and incidental costs, an amount per day determined in accordance with the rates published in the Government Gazette.

Please note that these rates are not maintained in the system and should be calculated and advised on the Subsistence components applicable to the type of reimbursement.

Advance / Reimbursement for Travel on Day Trips

Rates per day for an Advance / Reimbursement for Travel on Day Trips			
	2024/2025	2023/2024	2022/2023
Incidentals only	**R169**	R161	R152

The Minister of Finance published the Income Tax Notice fixing the maximum amount for expenditure in respect of meals and incidental costs for purposes of section 8(1)(a)(ii)(aa) of the Income Tax Act at R169 per day effective 1 March 2024.

Please note that these rates are not maintained in the system and should be calculated and advised on the Subsistence components applicable to the type of reimbursement.

Prescribed Rate per Kilometre

The Income Tax Notice, determining that where the provisions of section 8(1)(b)(iii) are applicable in respect of the recipient of an allowance or advance; and no other compensation in the form of a further allowance or reimbursement (other than for parking or toll fees) is payable by the employer to that recipient, that rate per kilometre is, at the option of the recipient, equal to R4.84 per kilometre.

The rate per kilometre determined in terms of this notice applies in respect of years of assessment commencing on or after 1 March 2024.

Rate per km			
	2024 / 2025	2023 / 2024	2022 / 2023
Fixing of rate per kilometre in respect of motor vehicles	**R 4.84**	R 4.64	R 4.18

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PSP Tax Rates

The rate of tax for a company (other than a public benefit organisation, recreational club or small business funding entity or a small business corporation referred to in paragraph 8) in respect of the year of assessment ending on any date between 1 April 2024 and 31 March 2025, is 27%

The rate of tax for a trust (other than a special trust) in respect of any year of assessment commencing on or after 1 March 2024 is 45%.

Trusts (other than special trusts)			
	2024 / 2025	2023 / 2024	2022 / 2023
Rate of Tax	**45%**	45%	45%

Other Changes

National Minimum Wage

Government Gazette No. 50073 was published on 2 February 2024, determining that in terms of section 6(5) of the National Minimum Wage Act, the minimum wages contained in Schedule 1 and Schedule 2 are amended in accordance with the schedules provided in this notice effective 1 March 2024.

The national minimum wage takes precedence over any contrary provision in any employment contract, collective agreement, sectoral determination or law, except a law amending the National Minimum Wage Act. The national minimum wage must constitute a term of the worker's contract except to the extent that the contract, collective agreement, or labour law provides a wage that is more favourable to the worker.

National Minimum Wage Rates	
Worker Categories	Rate per Hour
General workers	R27.58
Farm workers	R27.58
Domestic workers	R27.58
Expanded public works programme workers	R15.16

The minimum weekly allowances for workers who have concluded agreements contemplated in section 17 of the Skills Development Act are contained in Schedule 2 of this Government Gazette.

National Minimum Wage and ETI

As per section 4 of the Employment Tax Incentive Act, an employer is not eligible to receive the employment tax incentive in respect of an employee in respect of a month if the wage paid to that employee in respect of that month is less than the higher of -

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- the amount payable by virtue of a wage regulating measure applicable to that employer, or
- the applicable minimum wage according to the National Minimum Wage Act.

If the employer, upon application, is successfully exempted from the National Minimum Wage Act and no other wage regulating measure is applicable to that employer, then the employee must earn a monthly wage of at least R2 000 in respect of a month (160 ordinary hours).

For ETI purposes, employers must ensure that the applicable minimum wage rates are updated on the ETI minimum wage rate configuration. If the employee is paid a wage rate that is less than the national minimum wage, even if adhering to the wage regulating measure, the employee must not qualify for ETI. Where the wage regulating measure specifies a minimum wage rate that is higher than the national minimum wage, adherence to the wage regulating measure is necessary for ETI qualification.

COIDA Earnings Threshold Increase

Under section 83(8) of the Compensation for Occupational Injuries and Diseases Act, the Minister of Employment and Labour prescribes the maximum amount per annum on which an assessment of an employer shall be calculated. Each year the Compensation Fund publishes the change to the earnings threshold in a notice signed by the Commissioner and published in a gazette. The threshold limits the earnings calculated by the payroll per employee from 1 March 2024 until 28 February 2025 to assist the employer to complete the annual Return of Earnings form (ROE or W.AS.8 return).

The COIDA earnings threshold for 2024/2025 has not been published at the time of printing.

Key Payroll Amendments from the Tax Administration Laws Amendment Act 2023 and the Taxation Laws Amendment Act 2023

Retirement Fund Contributions

Currently, under paragraph 2(h), 2(l), 12D and 13 of the Seventh Schedule to the Income Tax Act, when an employer contributes towards a retirement fund on behalf of the employee, it is considered a taxable fringe benefit in the hands of the employee.
According to section 11F(4) of the Income Tax Act, contributions made by an employer to a retirement fund on behalf of an employee are deemed to have been made by the employee. Consequently, these contributions are factored in when calculating the employee's allowable tax deduction under section 11F of the Act (limited to the lessor of 27.5% of remuneration of R350 00 per annum).

However, an inconsistency arises: even if the employer's contribution to the retirement fund isn't taxed as a fringe benefit in the hands of the employee due to the employee's remuneration qualifying for exempt foreign employment income under section 10(1)(o)(ii) of the Act, the employee may still be entitled to a tax deduction in terms of section 11F, which goes against the intended policy.

To rectify this inconsistency and ensure fairness, section 11F(4) of the Income Tax Act is amended with effect from 1 March 2024 to specify that the tax deduction under this section would only apply if the employer's contribution to the retirement fund is included in the employee's taxable income as a fringe benefit.

PAYE Obligations for Foreign Employers

South Africa operates under a residence-based taxation system, whereby tax residents are taxed on their worldwide income, while non-residents are generally taxed only on income earned for services rendered in South Africa (subject to Double Taxation Agreements).

The responsibility to withhold PAYE from employees' remuneration rests with employers, as stipulated in paragraph 2 of the Fourth Schedule to the Income Tax Act. This paragraph originally specified that:

- every employer that is a resident, or
- a representative employer in the case of a non-resident,

must withhold PAYE from remuneration paid to employees and remit it to SARS before the specified deadlines.

However, prior to the amendment, the provisions of paragraph 2 of the Fourth Schedule did not adequately address scenarios where the employer is not a resident and lacks an agent or representative in South Africa for employees' tax purposes.

To address such scenarios, paragraph 2 of the Fourth Schedule to the Income Tax Act was amended, effective from 22 December 2023. The amendment requires every non-resident employer conducting business through a Permanent Establishment (PE) in South Africa, and paying or becoming liable to pay remuneration to any employee, to withhold and remit PAYE to the South African Revenue Service (SARS) within the prescribed deadlines.

It's important to note that this amendment applies solely to the PAYE obligations of foreign employers.

The application of the PE principle in relation to foreign employers can be intricate. Foreign employers are advised to consult their tax practitioners to determine whether they have a PE in South Africa and to take the necessary steps to register with SARS and withhold PAYE from remuneration paid to employees.

Tax Directives

Following the amendments to section 10(1)(o)(ii) of the Income Tax Act on 1 March 2020 which pertains to exempt foreign employment, employers gained the ability to request an IRP3(q) tax directive from SARS to adjust the basis for calculating PAYE deductions from the employees' remuneration, taking into account foreign taxes paid, as outlined in paragraph 10 of the Fourth Schedule to the Income Tax Act.

Paragraph 9 of the Fourth Schedule empowers the Commissioner to establish deduction tables and their application methods, ensuring that PAYE deductions align with these tables, subject to specific provisions. Additionally, paragraph 11A(4) mandates that obtain an IRP3(s) tax directive from SARS to ascertain the amount of PAYE to be withheld from section 8C share gains.

Despite these amendments, the language of paragraphs 9 and 10 of the Fourth Schedule didn't extend this flexibility to withholding requirements in paragraph 11A(4), concerning section 8C share gains. As a result, foreign taxes paid on these gains could not have been considered when determining the tax liability when applying for an IRP3(q) tax directive, which potentially impacted cash flow for affected employees until they could claim a foreign tax credit upon completing their personal income tax return. Therefore, paragraphs 9 and 10 of the Fourth Schedule were amended, with effect from 22 December 2023, to rectify this situation.

Two-Pot Retirement System

The Standing Committee of Finance (ScoF) has agreed to accept the Minister of Finance's proposal to delay the implementation date of the two-pot retirement system from 1 March 2024 to 1 September 2024. Further information will follow regarding what impact the two-pot retirement system will have on payroll.