

TAX ALERT

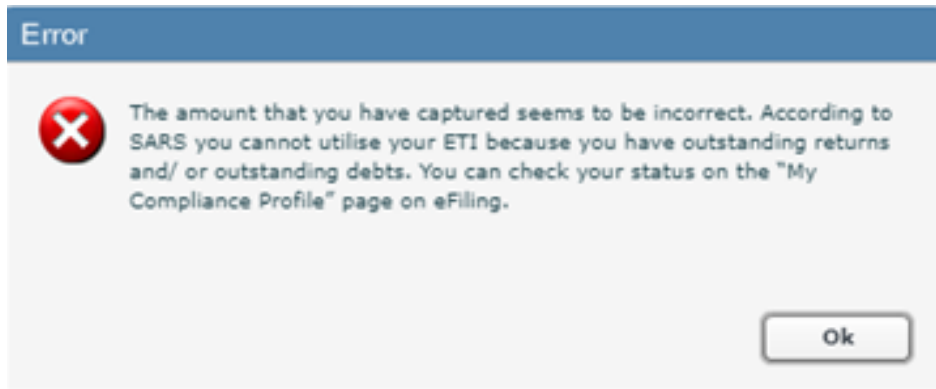
EMPLOYEES' TAX: EFILING ISSUE TO CLAIM EMPLOYMENT TAX INCENTIVE (ETI) CLAIMS

23 NOVEMBER 2017

The ETI was introduced from 1 January 2014 and is an incentive encouraging employers to hire young work seekers. The ETI (provided the requirements are met), in summary, reduces the employer's cost of hiring young people through a cost-sharing mechanism with government, allowing employers to reduce the amount of Pay-As-You-Earn (PAYE) they pay, while leaving the wage received by the employee unaffected.

One of the requirements to claim the PAYE ETI reduction is that the employer has no outstanding tax returns and has made specific payment arrangements with SARS for outstanding debt before the end of the relevant month.

Taxpayers are experiencing challenges in submitting their EMP201 PAYE reconciliations due to their tax compliance status not updating after a non-compliance event is rectified and therefore excluding their ETI claims. The following error notification appears:



However, the above notification still appears when:

- a minimal amount is outstanding as per the Tax Compliance status on eFiling, i.e. less than a R100 per section 8(b)(iii) of the ETI Act read with section 169(4) of the Tax Administration Act (SARS does however seem to use a threshold of R1 000 in practice);
- an amount is outstanding on a tax assessment on the same date of submission of the EMP201, but such outstanding amount per the assessment is only due and payable on a later date; or
- the taxpayer rectified the non-compliance and refreshed the data.



SAICA has engaged with the SARS on this aspect and has escalated examples to them to address the relevant concern.

SARS has responded to our initial concerns as follows:

SARS is aware of the issues and noted that it recently aligned the compliance check for ETIs with the Tax Compliance status system, as the ETI legislation provides that an employer can only utilise the ETI where that employer is compliant with all other taxes. SARS advised that in all cases of where taxpayers disagree with the Tax Compliance status, the status should be challenged. Once SARS allows the challenge, the Tax Compliance status will indicate compliance and the ETI will be allowed.

SAICA has raised additional concerns in respect of the above SARS response and have engaged with SARS to clarify how correcting this error will impact taxpayers that submitted the EMP201 late or submitted an incorrect EMP201 (i.e. ETI not claimed) and how these matters will be addressed and resolved without creating a further burden on the dispute process or directing taxpayers to branches.

SAICA will communicate to members as soon as more clarity has been provided by SARS on these matters.