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Outsourcing

The HRTorQue REPORTER

Cosatu National Strike Action

By Melany Bydawell

COSATU has given notice of its intention to embark on a nationwide strike, affecting major cities, including Durban, on 30 April. This is to protest against government's decision to proceed with e-tolling in Gauteng.

The process has been properly observed and this will be a protected strike. The matter of the Gauteng e-Tolling is due to be heard in court tomorrow. If the litigants are successful, the national strike may be averted, but if not it is expected that the strike will go ahead.

OID Earnings Ceiling

By Karen van den Bergh

The OID Earnings Ceiling increased from R277 860.00 to R292 031.00 from 1 April 2012.

Social Media and Networking Policy

By Melany Bydawell

Clients are increasingly seeking advice on how to manage employees who are abusing Company time with Social Media and Networking activities.

We have developed a policy to assist companies in dealing with this growing concern.

The policy describes the basic responsibilities that the employee is required to observe in using the Company's online systems and private cell phones in relation to accessing Social Media and Networking sites and applications.

In order to protect Company assets, images, associates, vendors, and customers, employees should preferably not be permitted to participate and/or represent the Company in personal blogs, social media or social networking sites while at work.

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The gazetted Broad Based Black Economic Empowerment (BBBEE) Amendment Bill is aimed at putting in place strict measures to prevent fronting, Minister of Trade and Industry Rob Davies says. "What we are doing is defining it... more closely in the bill so that there is a specific statutory offence of fronting," Davies said in Pretoria.

Fronting is when a company pretends to be compliant with the act by placing blacks in positions that make it appear that they own the company, or are at a level to make decisions. "Now that would be a fraud as you are trying to do that because you want to get a regulatory benefit, or present yourself as something that you are not," Davies said.

He was speaking after a presidential BBBEE advisory meeting at which progress made on the legislation and the codes of good practice were reviewed.

He said a commissioner would be assigned to focus solely on fronting. The commissioner would investigate cases of fronting, correct the situation and, in extreme cases, have the authority to prosecute those involved.

"The problem is we haven't got provisions in place to catch fronting... ordinary law enforcement officers don't have the capacity to go and investigate transactions of that nature to see where fronting is taking place. "So we are introducing a BEE commissioner who will be charged with looking into the matter."

Davies said the objective was to provide ways of measuring the degree to which an individual was involved in empowerment. The minister said the amendments to the bill would ensure black economic empowerment contributed to the creation of real entrepreneurs in SA. – Sapa

Reserve Bank Repo Rate as at 2/4/2012

By Karen van den Bergh

At a recent meeting of the Reserve Bank, it was confirmed that the current Repo Rate of 5.50% will remain as is. Therefore no change is required to the rate used to determine the fringe benefit value of low / interest free loans – i.e. the rate will still be 5.50 plus 1.00 being 6.50%.

Return of Earnings – W.As.8

By Karen van den Bergh

On or before the 31st of March each year, you are required to submit the above form to the Department of Labour. This is legislated under the COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES ACT (NO. 30 OF 1993).

This Act replaces the Workmen's Compensation Act and provides for compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment and for death resulting from injuries and diseases. The benefits are paid from the Compensation Fund, which gets its money from compulsory contributions, paid by employers. All employers carrying out business within the Republic of South Africa are required to register. If you require more information regarding this Act, please contact Karen.

Each March, this information must be supplied to the Commissioner by the employer (company) on the W.As 8 Return of Earnings form and each business must submit a separate return.

For 2012, the Submission deadline has been extended to 31 May 2012. The Return of Earnings forms (ie W.As 8) was apparently sent out on 2nd April 2012. Compensation Fund officials have apologised for the delay / non-communication / non-answering of phones and email / ignoring of Employers and Payroll Authors etc. (no reason given!).

There are a number of changes and additions to this submission. We are now required to declare the number of employees employed on a monthly basis and the earnings to a maximum of R 277 860.00 per employee per annum, for the tax year March 2011 to Feb 2012. There is still a significant amount of robust discussion around the monthly reporting of the earnings on the form, when the limit is still an annual one and how this is to be reported. We have consulted with and been directed by the Payrolls Authors Group who have been in discussion with the Department of Labour on how to best satisfy these requirements for this tax year.

A list of each employee employed during this period, for whom you have paid compensation, their name and identity number is to be attached to this form. This is a new requirement that employers are to be aware of. Please remember when submitting claims that the Commissioner will have a declared record of all employees for the 2011/2012 tax year.

Permanent, temporary and casual employees are to be included in this return. If you have casual or temporary employees that you do not put on your payroll that we do not have records for, please send this information to Kacey, so they can be included along with the payroll information for the year. The directors or members are to be reflected separately on the report.

You are also required to make an estimation of the remuneration and number of employees monthly for the next tax year that will begin shortly. This enables the Commissioner to budget for the following year and to fix the new OID limit. If you have not requested this service from us in the past and require us to complete and submit this return on your behalf, please contact Kacey on kacey@hrtorque.co.za. If we have submitted from you in the past then Kacey will contact you via email for the details we require. The cost for this service is R500.00.

Once completed we will deliver your return to the Department of Labour and have a copy stamped with proof of submission. Once you have been assessed by the Department, you will be posted an assessment notice from the Commissioner at your registered address and you will need to pay this amount within 30 days of receiving the assessment, there are 3 ways to pay.

Paying by Cheque

Employers can send a cheque to: The Compensation Commissioner, PO Box 955, Pretoria, 0001. If they send a cheque, employers must include the remittance advice part of the notice of assessment with the cheque. Employers should also write their reference numbers on the back of the cheque.

Paying by Direct Debit

Employers can pay the amount directly into the Compensation Fund account at any ABSA branch. A deposit slip with the banking details of the Compensation Fund is attached to the notice of assessment that employers receive. The deposit slip also has a unique deposit reference number printed on it. If employers use another deposit slip, they must make sure that they include the reference number on that slip.

Paying by Internet Banking

The reference number is the number printed on the deposit slip they receive with the notice of assessment. The banking details of the Compensation Fund are also printed on the deposit slip.

Please keep copies of all payments.

Tax Laws Amendment Act, 2011

By Karen van den Bergh

Taxation of Unapproved Insurance Benefits and Medical Credits

The recent changes to the Income Tax Act have impacted on the taxation of the premiums and proceeds in respect of an employer owned unapproved policy. What your insurer needs to supply you with to ensure that your payroll is correct.

Medical Credits - The difference between the previous method and the new method.

Taxation of Employment Related Insurance Policies

A specific provision has now been included that forces the taxation of the insurance policies paid for employee's by employers, if the policy is unapproved.

What does this mean?

If the employer is paying the premiums for Group Life, Dread Disease, Funeral Policy or Disability / PHI / Income Protector on behalf of the employee if it is an unapproved fund. The employee needs to pay tax on these benefits in the form of a fringe benefit through the payroll and it needs to be reported on the tax certificate.

The employer can then claim a deduction for the premiums.

Proceeds received will then be tax exempt in the employee's hands, unless the employee is entitled to a tax deduction as in the case with a Disability / PHI / Income Protector. This income is not paid as a lump sum payment and is taxed when paid monthly to the disabled employee, the employee is entitled to a tax deduction through the payroll. This has the effect of making the Disability / PHI / Income Protector portion of the insurance, tax neutral.

What do you need to do?

If you have an insurance policy of this nature for your employees, or a pension or provident fund which has a portion of this type of insurance built into the monthly contribution, and the company pays it on behalf of the employee, please contact your insurance broker today.

Ask if the risk portion is approved or unapproved.

If it is unapproved, please request the information regarding the contributions that fall into these categories and send to your payroll administrator at HRTorQue Outsourcing: payrollinput@hrtorque.co.za.

Please note that you must place reliance on your broker / insurer to provide you with the necessary information / guidance in this regard. We cannot ensure that the payroll calculates correctly in this regard unless you give us the information now and each time there is a change to contributions.

Medical Credits

The principal difference between the previous method and the new Medical Credit method is:

- A tax deduction lowers the individuals' taxable income
- A tax credit reduces the individuals' tax liability
- Therefore lower income earnings will benefit more under the new system

What does this mean?

High earners will benefit less as a result of Medical Credits, current higher earners are going to get less Nett Pay for March 2012 - this will result in lots of queries!

The base Medical Credits for 2012 are:

R230 p/m for the main member

R230 p/m for the first dependant (spouse?)

R154 p/m for all other dependants

R230 p/m for dependants/ persons over 65

R230 p/m for a disabled dependant

Additional medical credits require "special application"

If an employee is over 65, still employed and on the medical aid, the full medical aid contributions paid by or deemed to be paid by an employee on the last day of the tax year must still be deducted from that employee's taxable income. The amount of contributions paid by the employer on behalf of an employee who is 65 years and older and has not retired from that employer, will be a taxable fringe benefit, employer contributions are deemed to be employee contributions

However, when an employee has retired from an employer, irrespective of the age of the employee, and the employer continues to pay contributions on behalf of that retired employee, the no value fringe benefit still applies.

What do you need to do?

Please ensure that the date of birth and the identity numbers on the payroll are correct as the payroll will use this to determine the age of the employee.

Please ensure that the number of medical dependant details are correct on the payroll.

If you have employees who are "retired", (you can be younger than 65 and retired) but are still on the payroll and are on the medical aid, please inform your payroll administrator on payrollinput@hrtorque.co.za.

With South African experiencing an economic downturn and our Government on an ever expanding program of spending on infrastructure and development projects, an increasing amount of pressure is being put on the Minister of Finance to find the money to make these projects happen. He in turn is looking to the SARS Commissioner to ensure that his well-oiled machine collects the money necessary to meet the budget obligations. Year after year SARS has exceeded its collection targets. They have done so by not only working smarter but also employing well educated people who have devised innovative ways to increase revenue collection.

In the past year, I have seen an upsurge in the number of companies that have been exposed to either in-depth PAYE audits or the feared integrated audits. These audits are extremely stressful as the audits probe into all facets of a business and can last as long as 2 weeks. The more common of the audits is the 1 week PAYE audit. In the past they would shuffle through the payslips looking for calculation errors.

Now they delve into the following areas:

- The payslips
- The payroll reports
- The letters of appointment / contracts
- The rules of the retirement funds and any other benefit funds
- The companies policy and procedure manual
- The businesses cash book / petty cash book
- All company credit card statements

The results of these audits are frightening. In most cases these businesses end up with a tax, penalty and interest bill running into hundreds of thousands. This comes as a shock to the owners of the business as they generally believe that all is well in their business. In most cases the irregularities detected result from either ignorance of the law or a lack of internal controls. Both of these reasons are not compelling excuses for non-compliance and that is why additional tax of between 20% and 200% is imposed.

The only way to avoid the unpleasantness that comes with an audit is to take the necessary corrective steps as soon as possible. A good review of policies and procedures, salary structures and the various rules and regulations will ensure that an organised, legislatively compliant picture is presented to the auditors. When faced with this picture the results driven auditors are most likely to move on to more deserving victims.

HRTorQue Outsourcing can offer our clients an Employees Tax Review that covers all of the areas mentioned above. A detailed report will then be prepared listing all legislative irregularities, deviations from best practice as well as the suggested remedial actions that are necessary. This report will be presented to the directors / senior management who will have the opportunity to participate in a discussion regarding the remedial actions that have been suggested.

Should you be interested in this service please make contact with Dave Beattie on 031 582 7410 / 082 378 5655 or dave@hrtorque.co.za. Dave will promptly send you a proposal covering the cost of this service and explain the process that will be followed.