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Should you require any further detail on any of these topics, please feel free to contact us at [info@hrtorque.co.za](mailto:info@hrtorque.co.za)

### 1) Where to now with TERS and UIF Benefits?

**Author: Douw van der Walt & Meagan Cesare**

The Temporary Employer / Employee Relief Scheme (TERS) claiming process certainly did not start smoothly. The process changed regularly, and the systems often crashed due to the sheer volume of applications.

With the three-month legislated TERS period closing; employers have become increasingly concerned about the financial implications and long-term viability of retaining staffing at historical pre-Covid levels. The month of July looks to be a watershed month and without the TERS cushion, many employers may have to start looking at retrenchments or deeper short-time implementations. There is no simple answer as again mixed messages are being received from Government as to the likelihood of further Government support using UIF funding. The most recent message clearly states that TERS benefits will cease at the end of June as there has to be enough funds in the UIF coffers to pay out benefits based on the other UIF benefit pillars. That said, there have also been rumours that TERS will be extended for one more month as there is at least a system in place to get benefits to those employees in need. We hope that this uncertainty is cleared up by Government well before the next pay cycle comes around, but don't hold your breath...

Assuming TERS benefits ends, there is still a potential alternative. An additional benefit pillar was introduced in 2018 to cater for 'reduced working time' (short time). The big differences between this benefit and TERS are:

- The 'reduced working time' benefit is paid out based on the number of credits that the employee has.
- This benefit is paid out directly to the employee based on a claim made by the employee.

In an ideal world this process is not that complicated. We are not in an ideal world though and having hundreds of thousands of employees trying to make applications at the Department of Employment and Labour under COVID-19 conditions would be a disaster. In addition, there is still no clarity on how the benefit would be practically calculated. Any application at the current moment would need to be made with reduced expectations of the timing and amount of payment. This makes the process difficult particularly as the claim needs to be made by the employee.

So, we are at a crossroads.

If TERS is extended for a month, HRTorque will be able to assist you in submitting the claim for that month.

If TERS is not extended employers can still theoretically use the 'reduced working time' UIF benefit, with the hope that the UIF systems will allow for claims to be made with minimal human interaction. Bulk uploads by employers for such claims cannot currently be done on uFiling. HRTorque, will however be able to assist your employees with the collection of the paperwork necessary to make a claim. We are in daily contact with the Payroll Authors Group of South Africa in this regard, and we are aware that they are having high level discussions with the Head Office of the Department of Employment and Labour. We will disseminate information as soon as it becomes available.

You are welcome to give our Team a call to discuss these options. We understand the pressures that business owners are facing and will do our best to provide practical and cost-effective advice in these challenging times. Due to the constantly changing landscape presently surrounding UIF benefits, both for TERS and possibly short-time scenarios, our information and advice is correct as of today, but may well change at a future time. Ensure that you check in with us regularly for updated information.

## 2) Life after TERS

**Author: Douw van der Walt & Meagan Cesare**

*Editor's note: there are some useful options for employers to consider in this article. However, they all assume the proper functioning of the Department of Labour UIF Department and the CCMA. The UIF Department particularly is under immense strain. It is not certain therefore if these solutions are all workable practically i.e. will the processes at UIF allow them and will there be enough money to make payment and by when? This has an impact on employee / employer relationships as the employee naturally assumes that where they are not being paid it is the employer's fault. Please be careful, communicate well and do your homework first.*

South African business owners are emerging at the end of the lockdown period with a lot more wisdom, having suffered through some of the most testing times in recent history.

HRTorQue has experienced a high volume of enquiries from clients on how best to proceed in order to safeguard their business and to preserve jobs. The importance of having well-structured financial plans and high levels of accounting acumen became starkly apparent, as for many small business owners these issues have not always been a priority and became lost in the everyday need to keep their company working and afloat. This is an opportune moment to instill good financial habits or partner with a financial advisor and check in frequently with accountants for up to date results, which could allow analysis of problem areas before they go past a point of no return.

The introduction of the TERS UIF benefit by Government in March 2020 provided some relief to companies. However, TERS as a benefit has only been gazetted for a three-month period (April, May and June) and unless that stipulation is revised and a new Government directive passed; employers must now look for alternative relief to help them through another few months of potentially slow business conditions. There has been recent talk of extending the benefit for those businesses that are ostensibly still in lockdown, such as the tourism industry, but nothing has been clarified.

Our advice to business owners who are still not yet fully operational is to consider the following alternatives:

### **Remote Working:**

This is a key consideration before more drastic measures are considered and could be beneficial for both the employee and employer. Many companies cannot bring all their staff back due to COVID-19 regulations which prescribe social distancing measures between employees, as a result of limited space at their business premises. We suggest a careful analysis of your business structure and to identify those employees who are responsible, with good work ethics, and the right infrastructure to enable them to work from home.

### **Temporary Lay-Offs:**

Lay-offs are envisaged as a temporary solution to a problem that will hopefully resolve itself once business confidence strengthens. The principle of lay-off is that an employee remains employed with the company, but with no work and no remuneration for a certain period. This may be covered in the employee contract or in bargaining council agreements. If not, the employer and employee should enter into a consensus seeking process to enable the arrangement as provided for in s189 of the LRA. This gives the employer temporary relief for the stipulated period where salaries won't be required to be paid, but the employee is entitled to receive benefits from the Unemployment Insurance Fund.

### **Short Time or Reduced Working Time:**

This is another option in terms of s189 of the LRA, and for many employers this may be the only way forward for another month or two. Short time is a fairly new concept in the definitions under which the UIF provides assistance, having only been introduced in 2018. The concept is defined as: "A contributor employed in any sector who loses his or her income due to reduced working time, despite being employed, is entitled to benefits if the contributor's total income falls below the benefit level that the contributor would have received if he or she had become wholly unemployed, subject to that contributor having enough credits."

An employee can apply either online or in person at a labour office and the documents are the same as those for temporary layoffs. However please note our concerns that there is still no certainty on the calculation and practical payment of the short time benefit by UIF yet.

### **Illness Benefit UIF for fourteen-day quarantine period:**

Where an employee is ill, but has exhausted their sick leave days they can apply for the illness benefit from UIF.

### **Training Lay-Off Scheme:**

*(Editor's note: we have not seen this operating in practice yet, so caution is warranted)*

This benefit is overseen by the CCMA. It is another temporary relief scheme designed to assist employers in distress and was envisaged as a means of reducing retrenchments.

Employees are laid off work for a period whilst they undergo training; they are provided with a training allowance grant from the Department of Labour and calculated on similar principles to UIF unemployment benefits. Workers remain employed during the training lay-off but are not paid their normal salaries. The lay-off may be combined with the short-time work arrangement. The time period is flexible but is usually based on three to six months of training.

Employers may apply to the Department of Employment and Labour for the benefit and these are granted based on the submission of financial statements and budgets as well as a proposed turn-around plan. The CCMA also has dedicated resources that can be contacted for advice on how to start the process.

### **Retrenchments:**

Should employers be forced to restructure their Company and retrench staff they must be careful to follow the required labour legislation and established protocols.

Consultations must be initiated with all employment parties such as workplace forums, registered trade unions whose members are likely to be affected, as well as with individual employees as the situation dictates.

An attempt to reach consensus must be made on the following:

- Avoiding possible dismissals; this can be done by introducing reduced working time, temporary layoffs, offering early retirement to some employees or stopping overtime pay or the discontinuation of temporary employee contracts.
- Negotiating ways to minimise the retrenchment of employees as well as discuss the timing of the exits.
- The method of selecting employees to be retrenched must be stated as well as the severance pay envisaged.

The employer should provide all information related to these issues in writing; particularly the reasons for the retrenchment process as well as how many employees are going to be affected. Reduce to writing any alternatives that were proposed and why they have been rejected. The number of employees affected must be disclosed, the timing of the retrenchment process as well as the severance pay that has been proposed. There should be a reassurance of re-employment should the company find itself to have increased capacity at a later stage.

Retrenchments cannot be used for the sole purpose of getting rid of unwanted employees.

The employees or other consulting party must be given an opportunity to present alternatives and these must be considered, and a response provided.

At the conclusion of the consultation process, should no agreement be reached on the criteria for selection, then often the LIFO (last in, first out) principal may be applied, but this is not the only means of selection, i.e. for instance a combination of methods such as early retirements or departmental restructuring, or retention of key skill personnel may be used. The CCMA has published guidelines on how restructurings should be conducted, and these are updated from time to time and serves as a useful reference for parties involved in restructuring.

Severance pay as well as notice pay (per labour law) must be paid out. Employees are entitled to their outstanding leave pay as well as any other criteria stipulated in their employment agreement.

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There have been multiple press releases and changes announced over the past three months in relation to UIF benefits or DOL policies. These may change from day to day. Details reflected in this article are correct at the time of going to press. Kindly ensure that you check for updates from us on a regular basis.

## **3) Claiming UIF – practical challenges**

**Author: Denelle Gopal**

We are currently facing a difficult situation with regards to the submission of claims for any normal UIF benefits (such as unemployment, maternity, illness etc.). Although claims can be submitted online, the approval of these claims is largely dependent on whether the Department of Labour has correct and updated employment history of the individual claiming.

How this process works is that Department of Labour receive the declarations (not EMP201s) from the employer every month (by the 6th of the month for the previous month). The Department of Labour then update their systems accordingly to reflect any new employees, changes in UIF payments, credit history and termination records. This information creates an employment history for the employee which is important for the allocation of credits and the ability to claim.

Where employers have not been submitting the declarations, the employment history is not updated, the employee may not show any credits and their claim is rejected. There are also instances where, despite declarations being submitted, employees' history is not being reflected or rendering on the Department of Labour database.

In the past this was remedied by the submission of the UI-19 and the salary schedule by the employee to the Department of Labour. The Department of Labour would then manually capture the employment history and termination record which would then allow the claim to go through.

The Department of Labour have now advised that they will no longer be manually processing the UI-19s or salary schedules.

Way forward:

1) Declarations have not been submitted

It is important that declarations are submitted to [declarations@labour.gov.za](mailto:declarations@labour.gov.za) (in the correct format) or via uFiling for the last four years or if employed for a lesser time then for that time.

2) Declarations have been submitted and employee needs to claim for Unemployment Benefits

If employees wish to go submit a claim very soon after their last day of employment, they will either:

- need to wait for the Department of Labour to process the normal declaration file; or
- you as the employer will need to update the declaration manually on uFiling; or
- the employee must wait for the Department of Labour to update their systems via the normal declarations process.

To ensure your employees who are terminated can claim unemployment and receive full benefits please proceed to update their declarations via the link: <https://www.ufiling.co.za/uif/>

If you need assistance, please enquire by sending an email to [hra@hrtorque.co.za](mailto:hra@hrtorque.co.za) .

#### 4) Home Office Expenses – Tax deductions for Working from Home

**Author: Dave Beattie**

Whilst the concept of a 'home office' is certainly not new the unprecedented challenges of the COVID-19 pandemic has brought the concept and its terms and conditions firmly into focus. With many companies not able to return to full or partial employment until at least Level 2, employers have quickly had to formulate plans to get employees set up in their homes so that they are in a position to get to a productive capacity as soon as possible. The punitive cost of office space, traffic congestion and a changing work dynamic are all additional reasons why productivity conscious employers are looking at the 'home office' concept as a solution to such problems.

The onset of COVID-19 has pushed the need for employees to maintain a home office into a necessity. Overnight employees have been thrust into this new working culture. Employees have hurriedly had to set up a workspace to enable them to be productive and client-facing as soon as possible. In many of these cases the practicalities of such changes would have only been agreed after the fact, with the most important of these being the costs associated with the 'home office'. Depending on the agreement reached with the employer in terms of who is required to pay such costs, the employee may need to familiarise themselves with the tax legislation in this regard. SARS allows such employees to deduct their home office expenses within the "Other Deductions" section of their annual Income Tax return. It is important to note that this is only allowed under certain specific conditions. Before explaining the legislation though it is important to understand that the situation is different for sole proprietors or independent contractors who also work from home. They can automatically deduct their home office expenses and do not need to work through the same stringent set of conditions applied to employees to see whether they qualify for a deduction. The relevant

portion of home office expenses can simply be reflected within the "Local Business, Trade and Professional Income" section of their annual Income Tax return.

### **So, what are the requirements to deduct home office expenditure for a salaried employee?**

- The employer must allow the employee to work from home. SARS requires that this fact be put in writing in the form of a letter or an addendum to the employment contract.
- The employee must spend more than half of their total working hours working from their home office.
- The employee must have an area of their home which is used exclusively for this purpose. For example, employees who meet clients in their dining room at home would not qualify. A separate office, which is used specifically for the employee's work, must be maintained to qualify for the deduction. This is often a sticking point with SARS and could potentially be problematic, particularly with the flexible arrangements made to deal with the COVID-19 pandemic.
- The office must be specifically equipped for the employee's trade, i.e., it must be specially fitted with the furniture, tools and equipment required for the employee to perform their work. A room utilised for multiple activities would not qualify.

### **What expenses can be deducted?**

Firstly, one must look at the employee's remuneration structure to confirm whether they:

- Earn more than 50% of total remuneration either from commission or some other variable income based on work performance; or
- Is a normal salaried employee with variable payments or commission making up less than 50% of their total remuneration?

The first group (i.e., commission / variable income earners) can claim pro-rated deductions based on rent, interest on bond, repairs to the premises, rates, cleaning, wear and tear, and all other expenses relating to their home. In addition, they can also take other commission-related business expenses, such as telephone, cell phone, gifts, stationery and repairs to the printer into account.

The second group (i.e., salaried employees with variable payments or commission making up less than 50% of their total remuneration) can only claim pro-rated deductions based on rent, interest on bond, repairs to the premises, rates, cleaning, wear and tear, and all other expenses relating to their home.

### **How to calculate the home office deduction.**

First calculate the total square meterage of the home office in relation to the total square meterage of the home and then convert this to a percentage. Then, apply this percentage to the home office expenditure to calculate the portion that is deductible.

This calculation is best explained with an example.

James is a design engineer who works for Smart Engineering. His remuneration only consists of a salary. His company is happy for him to work from home due to limited office space and flexibility in terms of working hours. He has a separate office at home which is fitted with a desk, cupboard, computer and printer which he uses exclusively for his job. The computer and printer were purchased one year ago for R21 000. His office is 10m<sup>2</sup> and the floor space of his entire home, including the office, is 100m<sup>2</sup>.

During the 2020 tax year he incurs the following expenditure:

- R100 000 interest on mortgage bond
- R42 000 rates and electricity
- R36 000 cleaning costs (including maids wages)
- R8 000 security and monitoring costs
- R23 000 cell phone expenses (business portion)

Based on the above information, James qualifies for a home office deduction. The square meterage of his home office (10m<sup>2</sup>) is 10% in relation to his entire home (100m<sup>2</sup>).

James's home office deduction for the tax year can be calculated as follows:

$$10\% \times (R100\,000 + R42\,000 + R36\,000 + R8\,000) = R18\,600$$

James would also be entitled to a R 7 000 wear and tear deduction on his laptop / printer (assuming a three-year SARS write-off).

As a 'salaried employee' James would reflect his home office expense / other claimable expenses claim within the 'Other Deductions' section of the annual Income Tax return (ITR12).

It is important to note that any deduction reflected in the 'other deductions' field will elicit a query from SARS. They will request details of the claim. The first thing to do is to clearly show the calculation of how the percentage of home office expenses were arrived at. It is advisable to have a detailed schedule reflecting the totals per expense item and then have the schedules of the expenses specific to the claim. It is not always practical to send every invoice to SARS so a schedule will allow them to choose specific expenses if necessary. With any home office submission to SARS you must include a copy of the letter / employment contract from your employer confirming the requirement to maintain a home office.

There is another tax issue that needs to be understood before going down the road of the home office. While people are eager to claim the home office tax deduction in order to reduce their taxable income (and ultimate tax liability), few people understand the negative tax impact a home office will have on the calculation of Capital Gains Tax when they sell their homes one day.

When taxpayers sell their primary residence, there is a primary residence exclusion of R2 million. This means the first R2 million of the capital gain (or loss) is excluded for the purposes of working out Capital Gains Tax. All individual taxpayers receive an additional R40 000 capital gains exclusion per year.

However, if the taxpayer worked from home and used part of the house as an office, the Income Tax Act requires the capital gain to be apportioned between primary residence use and business use. This apportionment must take into account the length of time that the home office was used as a portion of the entire period of ownership, as well as the size of the home office compared to the size of the entire property.

Before happily agreeing to the use of a home office there is some homework that the employee should do. The employee should compare the potential Capital Gains Tax implications with the annual tax saving from the home office deduction to decide which is more advantageous from a tax perspective. Whilst the Capital Gains Tax implications are unlikely to be material if only a small part of the home is used as a home office, it is still important to factor this consideration into the decision.

With the tax position now clear focus now needs to be put on the implementation process. Whilst we can all agree that we are working and living in unprecedented times, what we as humans often have problems with is communication. Disagreements abound because people battle with communication. There is no better place to see communication challenges than in the workplace. Factor in a money issue and there is sure to be unhappiness. When discussing a change in working conditions with an employee ensure that there is adequate consultation on the matter and that the applicable terms and conditions are put in writing. The employee must understand what the expectations of them will be and what equipment and facilities will be required in this home office. After explaining the tax position and successfully negotiating the specifics of the new working conditions employer and employee should be in a good position to take advantage of this remote working relationship.

## 5) Can compliance wait?

**Author: Dave Beattie**

We always hear that South Africa has some of the best legislation in the world. We also hear that South African has too much red tape that stifles the entrepreneurial spirit. In the 26 years that I have been a tax practitioner I have seen legislation introduced that clearly unnecessarily adds to the compliance burden of the business owner. Very often this legislation is introduced in a haphazard manner that complicates the application of the legislation at company level. The introduction of the Employment Tax Incentive in 2013 is a case in point. We are 7 years down the line and making very slow progress in terms of achieving a stable and easy to understand product.

When dealing with clients and prospective clients, legislative compliance is often a very emotional issue. In our tough economic times, most businesses are concentrating on keeping clients and generating revenue. Compliance almost becomes a nuisance factor. Irrespective of how hard we try and put legislative compliance into the spotlight we find that there is a ready reason to put it on the backburner. No matter how frustrating this is, it isn't until a crisis that legislative compliance becomes important. So, what constitutes a crisis?

When celebrating the turn of the year very few people would have predicted the position the world would be in now. Enter the COVID-19 pandemic stage left. This unprecedented event has wrought havoc on economies across the world. In our own economy panic set in when it was announced that there was going to be a general shutdown. The poor state of the economy left most employers ill prepared for such an event and very quickly it was evident that many companies would not be able to pay their employees for April. Government quickly stepped in with the introduction of funding schemes and the TERS UIF scheme.

We were faced with the difficult situation of trying to analyse and interpret this new legislation whilst receiving a deluge of TERS claims to process on behalf of clients. The volume of work was certainly not a problem. The problem was the fact that many of the claims related to new clients who did not run their payroll with us. Compliance issues that we regularly post articles on and highlight in Health Checks to our clients are now the cause of many of these new clients either not getting TERS claims, or having such claims delayed. What is abundantly clear is that compliance around payrolls and the human resources space is one of those areas that organisations are neglecting. Who would have thought that it would take something like COVID-19 to bring these inadequacies and non-compliance into the spotlight.

Whilst we have seen a frantic scramble to meet the necessary compliance standards by many organisations, this behaviour is akin to putting a plaster on a leaking dyke. There has to be a real intention to get the basic building blocks of the payroll / HR process correct. This is not a very time-consuming process and the solutions need not be expensive, corporate solutions. A practical solution can be designed to ensure that there is legislative compliance and that the company meets industry best practice. 'Nice to have' systems can be added at a later stage if a need is established.

Step one though is to highlight the areas of non-compliance, the areas where there are holes, and to not only plug those holes but to implement a basic system that provides the comfort of knowing that non-compliance is not going to cost the company a lot of time and money at some stage in the future.

HRTorQue offers a free HR Health Check to any organisations wanting a snapshot of where they are in terms of compliance and industry best practice. The process takes a maximum of 1.5 hours and the outcome is a report listing the areas of non-compliance and where improvements can be made. If you would like to take advantage of this opportunity you are welcome to contact Dave Beattie on [dave@hrtorque.co.za](mailto:dave@hrtorque.co.za).

## 6) Empowering the retrenched

**Author: Davina Pillay**

In the current economic climate, organisational change is almost certain for many companies. This has led to fluctuations in the labour market as companies have been forced in many instances to downsize and go through retrenchment processes.

Employers and businesses are encouraged to adopt best-practice retrenchment programmes that look to empower those being retrenched – both emotionally and practically. This best practice should help limit the damage to the remaining employees helping productivity recover faster, thereby mitigating the negative impact of the retrenchment process.

It is not only the retrenched employee(s) that experience a high degree of stress and anxiety during the process, but the remaining employees and stakeholders as well – be they the line manager, the human resources department, or the business owner. All involved parties go through a substantial amount of psychological stress before, during, and long after the process has ended.

Irrespective of the reason for the retrenchment, a portion of the psychological stress can simply be lessened through programmes that aim to empower the retrenched employee/s. These programmes include inter alia:

- Training to help the employees find alternative employment
- Counselling
- Financial advice

If the impact of retrenchment can be minimised, then all parties can move on with their lives quicker, leading to a healthier working environment, more constant efficiency levels, upkeep of employer brand, and lower rates of post-retrenchment resignations.

By investing in a programme that assists each individual being retrenched to move on and find new opportunities, some of the pessimism of retrenchment can be eradicated.

## 7) Namibia Budget Speech

(source: [crs.co.za](http://crs.co.za))

The 2020/2021 Budget Statement was delivered by the Minister of Finance, Ipumbu Shiimi on Thursday, 27 May 2020.

New tax proposals under review:

- Introduction of special economic zones;

- Resident dividend tax of 10%;
- Taxation of trusts and income derived from commercial activities of charitable, religious, educational and other types of institutions;
- Mandatory requirement to issue VAT tax invoices;
- Key tax administration reforms to be implemented during the FY2020/21 and over the medium term.

#### Previous tax proposals:

- The previous tax proposal to disallow the tax deductibility of royalties for mining entities was withdrawn.
- In addition, the proposal to increase the tax deductibility of retirement fund contributions from the current N\$40,000 per annum to 27.5% of income, with a maximum of N\$150,000 to encourage savings and provisions for retirement, was not mentioned.

No changes to tax rates were announced. The Minister of Finance reiterated the importance of individuals earning above the tax threshold of N\$50 000 or more per year to pay the corresponding tax, irrespective of the type of economic activity from which they derive their income. This money is sorely needed for the payment of medicines, schoolbooks, construction and maintenance of roads and other critical public goods and services that the public enjoys.

#### COVID-19 Relief Measures

- Ministry of Finance and Social Security Commission wage subsidy programme:
  - The programme supports employers and employees in severely affected sectors.
  - The subsidy will be in the form of social security contribution waiver and a cash payout.
  - The subsidy will be a cash subsidy of 17% of the total wage bill and a social security contribution holiday, or both for a period of three months, from May to July.
  - To qualify for the programme, prospective beneficiary employers:
    - Should agree not to retrench staff for three months (we assume this is for the period 1 May 2020 to 31 July 2020);
    - May not reduce staff salaries by more than 50%; and
    - Should be in good standing with the Social Security Commission.
- Tax-back loan scheme for individuals:
  - Individuals will be able to borrow one-twelfth of the tax payments made in the past year.
  - The qualifying tax payments on which the loan amount will be based are PAYE payments for the tax year ending 28 February 2020.
  - Individuals will be required to provide proof of such tax payments to their chosen commercial banks.
- Accelerated repayment of overdue and undisputed VAT refunds.
- Accelerated payment of overdue and undisputed invoices for goods and services provided to government.
- Non-agricultural small business loan scheme.
- Agricultural business loan scheme.
- Granting of the policy relief to borrowers and policy holders and members in the non-banking financial sector.
- A one-year tax-back loan scheme capped at N\$470 million for non-mining corporates

## 8) Mauritius Budget Speech

(source: crs.co.za)

The 2020/2021 Budget Statement was delivered by the Minister of Finance, Economic Planning and Development, Dr the Hon Renganaden Padayachy on Thursday 4 June 2020.

#### Economic Highlights:

- As a result of the Coronavirus pandemic, the government's debt is expected to jump significantly from a forecast of 61.6% to 83.4% of GDP.
- In addition, the following is expected:
  - An economic recession of -5.8% of GDP;
  - Unemployment at 17% (an increase of 153.7%).
- The budget deficit, which has evolved in a stable range of 3 to 3.5% of GDP since 2013, is estimated to explode to 13.6% in 2020, largely due to the COVID-19 crisis.
- In regard to the outlook for 2020-2021, total revenue is expected to amount to Rs 162.9 billion and total expenditure to Rs 162.9 billion.

- The Development Bank of Mauritius will invest Rs 10 billion in the SME (small medium enterprise) sector and cooperative societies, with a maximum of Rs 10 million per enterprise to sustain small and medium firms at a concessional rate of 0.5% per annum.
- Rs 20 billion will be injected to support small and medium-sized enterprises and vulnerable households.
- Government has earmarked Rs 15 billion to provide an exceptional minimum monthly support of Rs 5,100 to each beneficiary faced with unemployment.
- The Private Pensions Scheme Act will be amended to:
  - Allow for a member of a private pension scheme to transfer the amount of accrued benefits to another private pension scheme; and
  - Establish a procedure for unclaimed funds under a private pension scheme to be transferred to a special fund to be set up by the Financial Services Commission.

#### Tax measures:

- As from 1 July 2020, the solidarity levy rate for Mauritian citizens will increase from 5% to 25% on their annual chargeable income, plus dividends, in excess of Rs 3 million instead of Rs 3.5 million. The levy will be payable under the PAYE system.
- As from 1 September 2020, the National Pension Fund will be abolished and replaced by a new system, the Contribution Sociale Généralisée (CSG), a progressive contribution system ranging from:
  - 1.5% on a monthly salary of up to Rs 50,000;
  - 3% on a monthly salary over Rs 50,000.
- An income tax holiday of eight years will be granted to a company manufacturing:
  - Nutraceutical products with operations starting on or after 4 June 2020; and
  - Pharmaceutical products, medical devices or high-tech products with operations starting on or after 8 June 2017.
- The end-of-year bonus to employees earning up to Rs 100,000 monthly is secured under the Worker's Rights Act.
- No changes to personal income tax rates were announced.
- Income exemption thresholds:
  - As from 1 July 2020, the income exemption thresholds will be increased by amounts ranging from Rs 15,000 to Rs 80,000.
  - A taxpayer who has a bedridden next of kin as a dependent will be allowed to claim an additional annual deduction in the range of Rs 80,000 to Rs 110,000, provided that the total number of dependents does not exceed four.

## 9) Tanzania Budget Speech Highlights & Tax Changes

(source: crs.co.za)

The 2020/2021 Budget Statement was delivered by the Minister of Finance and Economic Planning, Hon. Dr. Philip Mpango, on 11 June 2020.

#### Economic Highlights:

- Real GDP growth rate for 2020 will decline from the initial projection of 6.9% to 5.5%, mostly due to the COVID-19 pandemic.
- Domestic revenue increased by 8.2% to 6.8 trillion shillings for the period January to April 2020, compared to 6.3 trillion shillings during the same period in 2019.
- TZS 34.88 trillion was allocated in the budget to development expenditure.
- Total national debt reached 55.43 trillion shillings at the end of April.
- Inflation remains stable (single digits) between 3.0 and 5.0% for 2020/21.

#### Tax Measures:

- Proposed amendments to the VAT Act to exempt agricultural crop insurance and allow exporters of raw products to claim input VAT on their purchases.
- Increase of the minimum threshold of primary cooperatives societies liable to income tax from TZS 50,000,000 to TZS 100,000,000 per annum.
- 100% allowable deduction for contributions made to the AIDS Trust Fund, as well as contributions made to the Government for fighting against the COVID-19 pandemic until the Government announces the end of the pandemic.
- Amendments to the Income Tax Act to increase the minimum threshold of employment income not liable to tax from TZS 170,000 per month to TZS 270,000 per month and adjustment of the income brackets accordingly.

The new tax rates, effective 1 July 2020 are:

Total Annual Income (TSZ)	Tax Rate
0 – 3,240,000	0%
3,240,001 – 6,240,000	9% of the amount in excess of 3,240,000
6,240,001 – 9,120,000	TSZ 270,000 plus 20% of the amount in excess of TSZ 6,240,000
9,120,001 – 12,000,000	TSZ 846,000 plus 25% of the amount in excess of TSZ 9,120,000
Above 12,000,000	TSZ 1,566,000 plus 30% of the amount in excess of TSZ 12,000,000

## 10) Namibia Payment of Vocational Education and Training (VET) Levy Postponed

(Source: crs.co.za)

On 18 June 2020, the National Training Authority (NTA) announced a two-month payment holiday on the VET levy as a further response to the visible adverse impact of the COVID-19 pandemic on the Namibian economy. Employers will not be required to pay the VET levy for July and August 2020, i.e. the declaration and payment of June 2020 that would have been due on 20 July, and the declaration and payment of July 2020 that would have been due on/before 20 August 2020.

Despite the payment holiday, employers are still required to submit their payroll declarations (returns) for those two months

## 11) Kenya - Finance Act 2020 Assented

(Source: crs.co.za)

The Finance Act 2020 was assented to by President Uhuru Kenyatta on 30 June 2020. The amendments relevant to payroll under the Act are outlined below:

### Allowable expenses

Effective from 1 January 2021, the following items will be deleted from the list of allowable deductions:

- Any entrance fee or annual subscription paid during that year of income to a trade association;
- Club subscriptions paid by an employer on behalf of an employee.

### Home Ownership Savings Plans (HOSP)

- Effective from 1 January 2021, the Act has deleted the provisions on Home Ownership Savings Plan (HOSP)
- Effective 30 June 2020, the following exemptions have been deleted:
- Exemptions previously granted on incomes accruing to a registered HOSP;
  - Contributions by individuals to a HOSP will not qualify as an allowable deduction when determining the taxable income;
  - Interest income earned on deposits in a HOSP will also be subject to tax, as opposed to previously where the initial KES 3 million was exempt from tax.

### Income Tax Exemptions

Effective 30 June 2020, the following tax exemptions have been removed:

- Income from employment paid in the form of bonuses, overtime and retirement benefits to employees whose taxable employment income before bonus and overtime allowances does not exceed the lowest tax band;
  - Payment of a lump sum pension to persons of 65 years or older will be subject to tax;
  - Only monthly pensions paid to persons of 65 years or older will be exempted

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