



Tax and Legal News



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The effects of the COVID-19 pandemic have been far-reaching, and taxpayers are not exempt from its grasp. The President of South Africa's announcement of a 21-day lockdown, which came into effect at midnight on Thursday 26 March 2020, resulted in some businesses having to temporarily close down, leaving many Unemployment Insurance Fund (UIF) contributors uncertain as to whether they would be allowed to claim from the UIF during this period of temporary unemployment.

How and when are UIF contributions collected?

UIF contributions are payable by employers and employees. The employee pays a UIF contribution of 1% of remuneration limited to a monthly remuneration cap of R14 872. The employer makes a matching contribution. The 2% contributions are payable to the South African Revenue Service (SARS) by the employer together with its employees' tax and skills development levies by no later than the 7th day of the month in which those amounts were withheld.

A new Directive and who qualifies?

Subsequent to the President of South Africa declaring a National State of Disaster^[1] to manage this pandemic virus, a new Directive, the COVID19 Temporary Employee/Employer Relief Scheme (**C19 TERS**), was issued by the Minister of the Department of Employment and Labour in Government Gazette 43161, dated 25 March 2020.

Should an employer as a direct result of COVID -19 pandemic close its operations for a 3 (three) months or lesser period and suffer financial distress, the company shall qualify for a COVID-19 Temporary Relief Benefit.^[2]

This Directive created a special benefit under the UIF for employees who have been compelled to take leave during the lockdown, and have lost all (or part of) their income as a result, thereby minimising the economic impact of the loss of income due to the COVID-19 pandemic. The application process (online, via email or fax) – discussed below - also aims to reduce contact and contain the spread of COVID-19.

It is observed that the gazette notice refers to "leave". It is submitted that C19 TERS can only apply to employees who are on "unpaid leave" on the basis that annual leave means "paid-time-off"

What exactly is C19 TERS?

C19 TERS is a temporary relief scheme for contributors who, as a direct result of the COVID-19 pandemic, suffer financial distress due to forced lockdown as regulated, and therefore employers have insufficient funds to pay their employees. The scheme has been established to compensate employees who have lost income due to the COVID-19 pandemic. The temporary relief measures are provided in terms of section 12(1)b and section 12(1B) of the Unemployment Insurance Act (Act No. 63 of 2001) (**the UI Act**).

Types of benefits

As C19 TERS is a temporary relief measure, the benefit is de-linked from the UIF's normal benefits. Therefore, the normal rule that, for every four days worked, the employee accumulates a one day credit, to a maximum credit of 365 for every four

years, will not apply. In addition, the benefit will only pay for the salary cost of the employees during the temporary closure of the business operations. Employees who are being paid in full by their employers during this period, are not eligible for these benefits.

The maximum Unemployment Insurance (UI) benefit will be paid as per the benefit structure in section 12(1)b of the UI Act, if the employer is unable to pay its employees during the lockdown period. However, if an employer partially pays its employees, the UI benefit will be reduced accordingly.

The Gazetted Directive provides for the following instances in which access to the short-term UIF benefits will apply:

1. Loss of income due to short term shut down

This will be applicable in circumstances where an employee loses income (wholly or partially), despite being still employed, due to the temporary closure of the company's operations as a result of the lockdown.

The salary benefit will be capped to a maximum amount of R17,712 per month, per employee. Employees will be paid in terms of the income replacement rate sliding scale (38 % - 60 %) as provided for in the UI Act. However, should an employee's determined income fall below the minimum wage of the sector concerned, the employee's replacement income paid will be equal to that minimum wage (which is presently R20.76 per hour from 1 March 2020).

2. Illness benefit

Employees will qualify for this benefit where the employee is in quarantine for 14 days due to the COVID-19 pandemic. Confirmation letters from both the employer and employee that the employee was in an agreed precautionary self quarantine for 14 days, must be submitted together with the application. A medical certificate is not required in relation to the self-quarantine period.

In special circumstances, should an employee be quarantined for longer than 14 days, a medical certificate from a medical practitioner is also required to be submitted.

3. Death benefit

This benefit will be applicable where the contributor passes on due to the corona virus, in terms of Part F of the UI Act, as amended. The surviving spouse, life partner, children of the deceased or the nominated persons (in that order) are eligible to apply for this benefit. The benefits are then paid to the beneficiaries^[3] of the deceased, in terms of the prescribed benefits structure per section 12(3)b of the UI Act.

How do affected taxpayers apply?

Employers:

For a company to qualify for the C19 TERS benefits, the following requirements should be met^[4]:

- The company must be registered with UIF;
- The company must comply with the application procedure for the relief; and
- The company's closure must be directly linked to COVID-19 pandemic.

Employers shall apply by reporting their closure to covid19ters@labour.gov.za. An automatic response will outline the application process, as well as the documents / information required by the UIF to process the application. A provincial-based departmental rapid response team will thereafter contact the company to further assist with the application. All documents submitted will be subject to verification.

Employees:

A claim for illness can be lodged online (www.ufiling.co.za, Illness benefits), or application forms downloaded from the Department of Employment and Labour website (www.labour.gov.za) can be emailed or faxed to the nearest UIF Processing Centre.

A claim for deceased benefits can be emailed or faxed to the nearest UIF Processing Centre. Application forms for this benefit can be downloaded from the Department of Employment and Labour website (www.labour.gov.za).

Details of the relevant email and fax numbers are listed on the aforementioned website.

Observation

All the documentation submissions appear to be electronic submissions. It is a small portion of the South African population who has access to sophisticated technology such as laptops, printers and scanners. This makes it difficult for the average employee (especially low-income earners who need this financial support) to prepare, sign and submit the required documentation via the stated electronic channels.

Additional assistance

As mentioned by President Ramaphosa in his address to the nation on 30 March 2020, we find ourselves in unchartered territories. Although the collation of the necessary documentation may take some time, SARS has indicated that the process for claiming these benefits should be easy.

The UIF has also provided a dedicated line that will assist all employers, employees, or Bargaining Council on C19 TERS (012 337 1997). All relevant / key information or any urgent changes will be communicated on the Department of Employment and Labour website (www.labour.gov.za).

For additional information or assistance, please contact your KPMG Tax & Legal team.

[Contact us](#)



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Regards
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FOOTNOTES

- [1] The Disaster Management Act No.57 of 2002
- [2] Paragraph 3.1 of the Government Gazette 43161
- [3] Part F of the Unemployment Insurance Act 2001 (No.63 of 2001)
- [4] Paragraph 3.7 of Government Gazette 43161

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[\[1\]](#) The Disaster Management Act No.57 of 2002

[\[2\]](#) Paragraph 3.1 of the Government Gazette 43161

[\[3\]](#) Part F of the Unemployment Insurance Act 2001 (No.63 of 2001)

[\[4\]](#) Paragraph 3.7 of Government Gazette 43161