

Further COVID-19 PAYE Deferral

As part of the COVID-19 relief package of the Government, there was a cash flow relief granted to employers.

The purpose of this relief is to assist the cash flow of small to medium sized businesses (i.e. a business with an annual turnover not exceeding R100 million) which have employees in respect of whom PAYE is payable.

In respect of the PAYE liabilities for the months of April to July 2020 –

- Only 65% of the total amount of PAYE payable must be paid on time i.e. by the 7th of the following month. 35% is deferred without penalty or interest.
- The total amount deferred in respect of these 4 months must be paid to SARS in six equal monthly instalments. The first amount is payable on 7 September 2020 and the same amount in the following 5 months.

This relief will **not be available** to those employers (or representative employers of non-resident businesses) if the employer –

- has failed to submit **any return** to SARS (not only in respect of PAYE) in the prescribed form and manner and by the due date;
- has any outstanding tax debt in excess of R100 (unless an instalment agreement with SARS is in place).

It must be realized therefore that if employers are in default with any returns or payments, this relief is **not** available and the usual penalties and interest will apply. Furthermore, penalties and interest will apply if PAYE liabilities are understated for any of the 4 months referred to above.



In terms of a Media Statement issued by Treasury on 31 July 2020, the relief has been extended by a further month. The exact wording of the Statement reads as follows:

“Deferral of the payment of employees tax liability for tax compliant small to medium sized businesses

This tax relief permits tax compliant small to medium sized businesses to defer payment of 35 per cent of the employees' tax they have deducted from their employees in the four months from 1 April 2020 to 31 July 2020. It is proposed that the four month period be extended by one month to five months. As a result of this extension, repayments on the deferred tax will now only begin in October 2020 and run through until March 2021.”

The effect is that the PAYE payable in respect of August 2020 will also only need to be paid to the extent of 35%. The total amount deferred as a result of these concessions will then need to be paid starting October 2020 to March 2021.

Please do not hesitate to contact us should you have any queries.

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