

South African Reward Association

Budget Update 2015/16

Tax Law Changes since 01 March 2014

Jerry Botha

Direct Taxes: Individuals

First Income Tax

The first Income tax appears to be in the year 10 AD, in China.

The Emperor Wang Mang (during the Xan Dynasty) brought in a tax of 10% on all profits for any skilled laborers and professionals.

It lasted a mere 13 years later as the Emperor was overthrown in 23 AD.
(Perhaps not a popular move)

Direct Taxes: Individuals

SARS' First

The Customs Detector Dog unit was –

- first in the world to train dogs to detect lion bones;
- the second in the world to detect fake DVDs, and
- the first in Africa to detect tobacco/cigarettes and cellphones.

Direct Taxes: Individuals

Tax World Records

Denmark has two tax world records:

Record number 1:

Denmark is the first country to impose a FAT TAX. They are now taxing all foods which contain more than a 2.3 per cent of saturated fat.

Record Number 2:

And another Danish tax world record is that they have the highest income tax rate, with its top-taxed citizens paying 68%.

Budget 2015/16

Announcements

Direct Taxes: Individuals

Treasury's View on Inflation

“To provide relief for inflation-related earnings increases (fiscal drag), all income tax brackets and rebates will be increased by 4.2 per cent.”

Budget Speech 2015/16

Finance Minister Nhlanhla Nene



Electricity Levies

“Given electricity supply constraints, additional measures are needed to manage demand”.

Government is considering an increase in the electricity levy from 3.5c/kWh to 5.5c/kWh.

The additional revenue will be used to fund the broadening of the scope of the energy-efficiency savings tax incentive to include co-generation and an increase in the amount available for this incentive.

Consultation process will be followed first.

Direct Taxes: Individuals

Tax Rate Background

Between 1998 and 2002, the top personal income tax rate was decreased from 45 per cent to 40 per cent.

Between 2005 and 2014, the tax-free threshold (below which individuals do not pay personal income tax) for taxpayers below 65 years old increased by an average of 8.1 per cent per year, from R35 000 to R70 700.

Income Tax: Individuals

Table C.3 Personal income tax rate and bracket adjustments, 2014/15 – 2015/16

2014/15		2015/16	
Taxable income (R)	Rates of tax	Taxable income (R)	Rates of tax
R0 - R174 550	18% of each R1	R0 - R181 900	18% of each R1
R174 551 - R272 700	R31 419 + 25% of the amount above R174 550	R181 901 - R284 100	R32 742 + 26% of the amount above R181 900
R272 701 - R377 450	R55 957 + 30% of the amount above R272 700	R284 101 - R393 200	R59 314 + 31% of the amount above R284 100
R377 451 - R528 000	R87 382 + 35% of the amount above R377 450	R393 201 - R550 100	R93 135 + 36% of the amount above R393 200
R528 001 - R673 100	R140 074 + 38% of the amount above R528 000	R550 101 - R701 300	R149 619 + 39% of the amount above R550 100
R673 101 and above	R195 212 + 40% of the amount above R673 100	R701 301 and above	R208 587 + 41% of the amount above R701 300

Income Tax: Individual Rebates

2014/15 & 2015/16

Rebates		Rebates	
Primary	R12 726	Primary	R13 257
Secondary	R7 110	Secondary	R7 407
Tertiary	R2 367	Tertiary	R2 466
Tax threshold		Tax threshold	
Below age 65	R70 700	Below age 65	R73 650
Age 65 and over	R110 200	Age 65 and over	R114 800
Age 75 and over	R123 350	Age 75 and over	R128 500

Income Tax: Individual Rebates

2014/15 & 2015/16

Taxable income (R)	2014/15 rates (R)	Proposed 2015/16 rates (R)	Tax change (R)	% change
85 000	2 574	2 043	-531	-20.6%
90 000	3 474	2 943	-531	-15.3%
100 000	5 274	4 743	-531	-10.1%
120 000	8 874	8 343	-531	-6.0%
150 000	14 274	13 743	-531	-3.7%
200 000	25 056	24 191	-865	-3.5%
250 000	37 556	37 191	-365	-1.0%
300 000	51 421	50 986	-435	-0.8%
400 000	82 549	82 326	-223	-0.3%
500 000	117 549	118 326	778	0.7%
750 000	213 247	215 297	2 050	1.0%
1 000 000	313 247	317 797	4 550	1.5%

Direct Taxes: Individuals

Medical Tax Credits

From 1 March 2015, increased

- from R257 to R270 per month for the first two beneficiaries; and
- from R172 to R181 per month for each additional beneficiary.

Income Tax Calculator Posted

Annual Tax Comparison Example

Number of People on Medical Aid

Taxable Income	Tax Liability		Diff	
	2016	2015		
R 87 276	R 0	R 0	R 0	0.00%
R 223 626	R 23 854	R 24 794	-R 940	-0.42%
R 325 076	R 52 279	R 52 776	-R 496	-0.15%
R 452 726	R 94 827	R 94 834	-R 7	0.00%
R 600 551	R 149 558	R 148 749	R 809	0.13%
R 800 000	R 229 317	R 227 078	R 2 239	0.28%

Annual Tax Comparison Calculation

Taxable Income *(enter own amount)*

Number of People on Medical Aid

Taxable Income	Tax Liability		Diff	
	2015	2014		
R 0	R 0	R 0	R 0	0.00%

Direct Taxes: Individuals

Medical Tax Credits as part of PAYE: over 65 years

Employees over 65 are experiencing a decrease in their take-home pay as a result of the move to medical tax credits, although they may claim back some of these amounts on assessment after the end of the tax year.

To alleviate this burden, it is proposed that medical tax credits related to medical scheme contributions be taken into account for both PAYE and provisional tax purposes.

Direct Taxes: Individuals

Employee Share Schemes

The interrelationships in the application of section 8C of the Income Tax Act, including

- the taxation of directors and employees on vesting of equity instruments;
- the attribution of capital gains to beneficiaries;
- the income tax exemption of dividends; and
- the employees' tax provision related to the return of capital,

will be reviewed to remove anomalies.



Direct Taxes: Individuals

Withdrawal of Retirement Annuity Funds by Non-Residents

“Non-residents who move to South Africa for a fixed term of employment often contribute to a retirement annuity fund to continue saving for retirement in a tax-efficient manner” (really?)

The current definition of “retirement annuity fund” does not allow these individuals to withdraw the amounts they have saved over this fixed term if they return to their home countries.

Where South Africans emigrate, they are allowed to withdraw their retirement annuity interest.

The mismatch in treatment will be reviewed.

Direct Taxes: Individuals

Harmonisation of the treatment of retirement funds

The taxation of contributions and the rules on compulsory annuitisation for pension funds, provident funds and retirement annuity funds will change from 1 March 2016.

The level of deductible contributions will be limited to 27.5 per cent of the greater of taxable income or remuneration per year.

No word on capping amount (R350,000).

Defined benefit fund valuation rules also come into play 01 March 2016.

Retirement Reform

Employee Benefit Committee – Main Items

1. Taxation = no impact except for executives (R350,000 limit)
2. Compulsory annuitisation – only future contributions and growth (history no impact)
3. Fund rule changes (most umbrella funds – no issue)
4. Flexibility on special rules (more value delivered with same remuneration)
5. Employment contracts and policy documentation

Retirement Reform

Fund Rule Review

1. Flexible definition of “fund salary” (separate definition of “risk salary”?)
2. Exclusively costed
3. Flexible life cover and disability cover
4. Investment choice
5. Costs (not those you know off)

Direct Taxes: Individuals

Maximum age of preservation of retirement assets

From 1 March 2015, a retirement fund member may defer the drawing of their retirement income until after their retirement date (if the retirement fund allows).

This will provide greater flexibility for retirement fund members and encourage the preservation of retirement assets. However, to limit tax planning opportunities, it is proposed that a maximum age at which withdrawals must be taken be introduced.

- Should your employee benefit provider also provide personal financial advice?

Direct Taxes: Individuals

Estate Duty and Retirement Funds

In 2008 the upper age limit at which an individual was required to purchase an annuity if they had an interest in a retirement annuity fund was removed.

Retirement fund benefits from the dutiable estate on death was removed.

Planning = avoid estate duty by transferring their assets into a retirement annuity fund before their death.

To eliminate the potential to avoid estate duty, government proposes that an amount equal to the non-deductible contributions to retirement funds be included in the dutiable estate when a retirement fund member passes away.

Direct Taxes: Individuals

Withdrawal of special foreign tax credit for service fees sourced outside South Africa

In 2011, government introduced a special foreign tax credit for withholding taxes imposed on South African residents by foreign countries for services rendered in South Africa for clients who were residents in those countries.

However, taxes imposed in these circumstances were not in accordance with the provisions of tax treaties between South Africa and these countries. The concession aims to alleviate the compliance burden on South African taxpayers to apply for a refund of the tax that was incorrectly imposed.

While the introduction of relief was well intended, it has resulted in a significant compliance burden to both taxpayers and SARS. Some taxpayers are also exploiting this relief. As a result, it is proposed that the special foreign tax credits for services be withdrawn.

Self-assessment system for income tax

Amendments to the Income Tax Act are proposed to provide for the move to an income tax self-assessment system.

Means –

- More compliance burden
- You compute and declare own taxes payable
- SARS no longer has assessors, just auditors (enforcement focussed)
- More penalties and where non-compliance

Fuel Levy Increase

Government proposes to increase the general fuel levy by 30.5 c/litre. At the same time, the RAF levy, used to finance third-party motor vehicle personal accident claims, will be increased by 50 c/litre to support the RAF.

It is proposed that these increases become effective on 1 April 2015.

The overall fuel tax burden will be about 41 per cent.

Fuel Cost Table

Table 4.9 Total combined fuel taxes on petrol and diesel, 2013/14 – 2015/16

Cents/litre	2013/14		2014/15		2015/16	
	93 octane petrol	Diesel	93 octane petrol	Diesel	93 octane petrol	Diesel
General fuel levy	212.50	197.50	224.50	209.50	255.00	240.00
Road Accident Fund levy	96.00	96.00	104.00	104.00	154.00	154.00
Customs and excise levy	4.00	4.00	4.00	4.00	4.00	4.00
Illuminating paraffin marker	–	0.01	–	0.01	–	0.01
Total	312.50	297.51	332.50	317.51	413.00	398.01
Pump price: Gauteng (as in February) ¹	1 077.00	1 026.69	1 206.00	1 129.17	1 009.00	926.09
<i>Taxes as percentage of pump price</i>	<i>29.0%</i>	<i>29.0%</i>	<i>27.6%</i>	<i>28.1%</i>	<i>40.9%</i>	<i>43.0%</i>

Employee Travel

- Eqstra Survey 2015/16 – no cost
- Employee travel on company vehicles and travel allowances
 - Reimbursement rate – benchmarked vehicle rate
 - Company vehicles and limitation of private usage
 - No fuel cards at travel allowance level
 - Essential user (55% plus on business) company vehicle is best
 - Survey per sector

Income Tax: Travel Allowance

Value of the vehicle (including VAT) (R)	Fixed cost (R p.a.)	Fuel cost (c/km)	Maintenance cost (c/km)
0 - 80 000	26 105	78.7	29.3
80 001 - 160 000	46 505	87.9	36.7
160 001 - 240 000	66 976	95.5	40.4
240 001 - 320 000	84 945	102.7	44.1
320 001 - 400 000	102 974	109.9	51.8
400 001 - 480 000	121 886	126.1	60.8
480 001 - 560 000	140 797	130.4	75.6
exceeding 560 000	140 797	130.4	75.6

Income Tax: Exempt Reimbursement

Code 3703

Alternatively:

Where the distance travelled for business purposes does not exceed 8 000 kilometres per annum, no tax is payable on an allowance paid by an employer to an employee up to the rate of **318 cents per kilometre**, regardless of the value of the vehicle.

Income Tax: Travel Allowance



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Annual Business Travel Expense Comparison Example

Total Mileage	20 000
Total Business Mileage	15 000

Cost Price of Vehicle	Business Expense		Diff	
	2016	2015		
R 50 000	R 35 660	R 37 445	-R 1 785	-4.8%
R 80 000	R 35 660	R 37 445	-R 1 785	-4.8%
R 150 000	R 53 342	R 55 307	-R 1 965	-3.6%
R 165 000	R 70 283	R 72 413	-R 2 130	-2.9%
R 200 000	R 70 283	R 72 413	-R 2 130	-2.9%
R 250 000	R 85 283	R 87 578	-R 2 295	-2.6%
R 310 000	R 85 283	R 87 578	-R 2 295	-2.6%
R 350 000	R 100 930	R 103 330	-R 2 400	-2.3%
R 380 000	R 100 930	R 103 330	-R 2 400	-2.3%
R 410 000	R 118 783	R 121 528	-R 2 745	-2.3%
R 450 000	R 118 783	R 121 528	-R 2 745	-2.3%
R 485 000	R 135 720	R 138 450	-R 2 730	-2.0%
R 540 000	R 135 720	R 138 450	-R 2 730	-2.0%

Employee Travel: Calculation Posted

Income Tax: Employees

Subsistence Allowances


The recipient is obliged to spend at least one night away from usual place of residence on business and the accommodation to which that allowance or advance relates is in South Africa and the allowance or advance is granted to pay for—

- meals and incidental costs, an amount of R353 per day
- incidental costs only, an amount of R109 for each day

Where the accommodation to which that allowance or advance relates is outside the Republic of South Africa SARS Published Table per country.

Unchanged

Retirement Savings Reforms

- Interest and dividend exemptions
 - Retirement fund withdrawal pre-retirement
 - Retirement fund withdrawal on retrenchment or retirement
- 

Direct Taxes: Individuals

Pre-retirement lump-sum taxation 2013/14 – 2014/15

2013/14		2014/15	
Taxable income (R)	Rates of tax	Taxable income (R)	Rates of tax
R0 - R22 500	0% of taxable income	R0 - R25 000	0% of taxable income
R22 501 - R600 000	18% of taxable income above R22 500	R25 001 - R660 000	18% of taxable income above R25 000
R600 001 - R900 000	R103 950 + 27% of taxable income above R600 000	R660 001 - R990 000	R114 300 + 27% of taxable income above R660 000
R900 001 +	R184 950 + 36% of taxable income above R900 000	R990 001 +	R203 400 + 36% of taxable income above R990 000

Direct Taxes: Individuals

Retirement & Retrenchment Lump-sum Taxation 2013/14 – 2014/15

2013/14		2014/15	
Taxable income (R)	Rates of tax	Taxable income (R)	Rates of tax
R0 - R315 000	0% of taxable income	R0 - R500 000	0% of taxable income
R315 001 - R630 000	18% of taxable income above R315 000	R500 001 - R700 000	18% of taxable income above R500 000
R630 001 - R945 000	R56 700 + 27% of taxable income above R630 000	R700 001 - R1 050 000	R36 000 + 27% of taxable income above R700 000
R945 001 +	R141 750 + 36% of taxable income above R945 000	R1 050 001 +	R130 500 + 36% of taxable income above R1 050 000

Tax Reference Numbers

As an employer, you may be faced with people telling you that they have forgotten their numbers. The following link can be shared with them, which is advice straight from SARS

(<http://www.sars.gov.za/ClientSegments/Individuals/Need-Help/Pages/I-need-my-tax-number.aspx>)

Implementation

01-04-2015 - Employer Annual Reconciliation starts

29-05-2015 - Employer Annual Reconciliation ends

01-07-2015 - Start of Tax Season for Individuals and Trusts

IRP5 Certificates

- There are no changes for the 2014/15 IRP5 certificates.
- Changes are expected for 2015/16 and on 1st reconciliation in August 2015.

Direct Taxes: Individuals

Unemployment Insurance

- The UIF has an accumulated surplus of over R90 billion.
- Improved benefits are now being introduced, but it is nonetheless possible to provide temporary relief to both employers and employees.
- The proposal is that the contribution threshold should be reduced to R1000 a month for the 2015/16 year.
- This means that employers and employees will each pay R10 a month during the year ahead, putting R15 billion back into the pockets of workers and businesses.

Tax Law Changes

Introduced since 01 March 2014



Introduction of remuneration principles into law

Small Business Entity

the small business funding entity may not pay to any employee, office bearer, member or other person any remuneration, as defined in the Fourth Schedule, which is excessive, having regard to what is generally considered reasonable in the sector and in relation to the service rendered;

Certain Insurance Policies Exempt

“Risk Benefit” definition

“risk benefit” means a benefit payable by the fund in respect of the death or permanent disablement of a member to that member or to a dependant or nominee of that member”

Read your Rules

What is part of your fund?

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1.2. Objects

The object of the FUND is to provide benefits for employees of PARTICIPATING EMPLOYERS on their retirement or, upon the death of such employees, for their dependants and nominees.

Read your Rules

What is part of your fund?

The object of the Fund is, in terms of these Rules, to provide retirement and other benefits for employees and former employees of the Employers, and benefits in the event of their death.

Company Vehicles

New Fringe Benefit Rule

- “retail market value” used for fringe benefit tax purposes.
- The old “determined value” and “actual cost” method repealed.
- Applicable only not company vehicles from when “acquired by the employer” after 01 March 2015.

Employee Housing

New Fringe Benefit Rule

- Arm's length accommodation
- Lower of formula; or
- Expenditure incurred.

SARS directives no longer needed in these instances, but be aware of total “expenditure incurred” must now be used.

Direct Taxes: Individuals

Tax Free Savings and Investment Accounts

Contributions to all tax free savings accounts will be limited to R30 000 during any year and R500 000 over the life of an individual (balance in these accounts may exceed the R500 000 limit due to growth).

Where no guaranteed return, the provider must disclose all charges, fees or similar costs payable-

- (a) directly or indirectly by the investor out of any amount forming part of the assets underlying the tax free investment; and
- (b) implicit in the trading or holding of any derivative instrument or other assets underlying the tax free investment.

Direct Taxes: Individuals

Tax Free Savings and Investment Accounts

- (1) Any fee charged in respect of a tax free investment must be reasonable.
- (2) A product provider may only charge a fee that is expressed as a percentage of the value of the tax free investment that is not-
 - (a) performance based, except where on contribution; or
 - (b) calculated with reference to the period of investment held.

Direct Taxes: Individuals

Tax Free Savings and Investment Accounts

The investment strategy -

- (a) not more than 10 per cent of the value in shares of single company; and
- (b) not less than 80 per cent of any shares must be listed on a recognised exchange.

Offshore Services and Pension

- 26 February 2015 - Tax Directive Change Form A&D, Form B and Form E have been updated make provision for the fund administrator to include the portion of the service that was rendered outside South Africa.

Binding General Ruling No 22

Subsistence Allowance

The amount the recipient is deemed to have actually expended is equal to Government Gazette rate amount for meals and other incidental costs, or incidental costs only; for each day or part of a day in the period during which the recipient is absent from his or her usual place of residence -

- excluding any amount of expenditure borne by the employer (otherwise than by way of the allowance or advance) for which the allowance was paid or granted for that day or part of that day;
- excluding any amount proven by the recipient to SARS as actual expenditure and claimed as a deduction for meals or incidental costs equal to the actual costs for that day or part of that day; and
- limited to the amount of the allowance or advance granted to meet these expenses.

Binding General Ruling No 23

Travel Allowance and Borne Expense of Fuel

Recipients who are provided with principal-owned petrol or garage cards are regarded as having “borne the full cost of the fuel” if the full amount expended on that card during the year of assessment is included in the recipient’s travel allowance and is taxed as remuneration.

Binding General Ruling No 25

Foreign Pensions

The term “source outside the Republic”, for purposes of section 10(1)(gC)(ii), refers to the originating cause which gives rise to the pension income, namely, where the services have been rendered.

Binding Private Ruling 183

Employee Housing Scheme

Specific arrangements to facilitate transfer of ownership over period and addressing funding problem of housing – confirmed tax exempt.

Binding Private Ruling 258

Expatriate Transport - Flights

Confirms exemption from fringe benefit tax where specific conditions have been achieved.

Interpretation Note 77

Employer Provided Telephone, Computer or Telecommunication Service, Business Equipment

- More than 50% business exemption requirement confirmed
- Policy hereon very important
- SARS audit focus (including any reimbursement approach)

Court Case Update

Employer Provided Telephone, Computer or Telecommunication Service, Business Equipment

“Billing limits are provided by the employer which is not based on actual business expenditure or calls. The employee and respondent agreed on the estimate business usage and the company pays the entire cell phone bill, which includes private usage.”

“This too was not disputed by the applicant.”

Court Case Update

Travel Allowance

“The respondent further took into account that a number of employees received travel allowances and are entitled to elect this allowance as a percentage of their package. The policy limits the allowance to 25% of the package. Depending on the employees’ grade, allowance became an automatic elective and in some instances the quantum of the allowance is unrealistic or considered excessive, e.g.”

Court Case Update

DFG Annual Total Package Allocation Agreement ⁷		
Employee Name:	Mr Z	
Company Number:	xxx	
Occupation:	Management Accountant	
Job Grade / Level:	4	
<p>This serves to confirm that your Total Package for the period 00-Jan-00 to 00-Jan-00 Has been agreed to between the company and yourself as follows:</p> <p>Your total employment costs will be R1,171,071 per annum</p> <p>This will comprise the following:</p>		
	COST / VALUE	
	Monthly	Annually
1. You will be paid a Cash Salary of	78,919	947,031
2. You are a compulsory member of the Retirement Fund, Contributions to this fund will be based on your Agreed Pensionable Emoluments (PE) of R68,312 per month. Which equals 70.0% of your Total Package. You selected the following Option: Corporate Office ("OLD" Employee 10% Company 17.6% member) In terms of the rules of the fund, the company will contribute 16.00% of your PE to the fund and you will contribute 7.50%	10,930 5,123	131,160 61,481
3. You are a member of the medical Aid Scheme Enhanced Option. Member – Adult: 1 and Minor: 0 The Company will make all the contributions as required by the scheme, in respect of your membership. Should the contribution be increased or decreased by the medical aid scheme, the Company contribution and your cash salary will be adjusted accordingly without a fresh agreement having to be signed.	540	6,480
4. If applicable, you will continue to participate in the Deferred Compensation Scheme. The Company's total liability in terms of contributions will be limited to	-	-
5. If applicable, you will receive a Car Allowance that will be limited to	-	-
6. If applicable, you will be allocated a Company Car, in terms of the rules Of the car scheme. The Company's total liability in terms of capital, Running and insurance costs of such a car will be limited to	7,200	88,400

Court Case Update

In substance, the employees are entitled to an amount equal to the sacrificed portion in that the unused or credit balance in the suspense account is not forfeited in favour of the employer, but accrues to the employees as a right to claim such monies and upon demand are in fact paid such monies. This submission, in my view, has merit, seen in the background of the terms of the employment agreement which provides, inter alia, that:

“7. The Company shall be entitled to deduct from the Employee’s cash salary and travelling allowance components of the flexible package or other moneys payable to the employee, an amount that may be owing to the Company and may be lawfully set off against remuneration or any other moneys payable to the Employee and likewise any contributions, subscriptions or amounts owing to any pension or medical aid scheme contemplated by this agreement.”

Package Structuring Tool

Important Principles

- Correctly designed
- Executed by employees – confirm “accrual” of remuneration
- Consider default options – same as compulsory selections
- Significant tax risk where administration fails
- Contract and policies must support methodology
- Take great care where company vehicles structured

Income Disability Taxable

Portion of Retirement Reform Not Postponed

- Effective 01 March 2015.
- No longer tax deduction on income disability policies
- Pay out tax-free, even where previously tax deductible
- Direct impact on take-home pay

Income Disability Taxable

Example



Income Disability Taxable

Considerations

- Types of policies covered – income disability policy, temporary income disability, premium protection policies, functional impairment policies.
- Before 1 March 2015 average gross monthly income was used to calculate how much income disability cover was qualified for.
 - From 1 March 2015, some insurers use average net monthly income – due to the changes in the tax law.
 - From 1 March 2015, the maximum allowable cover of 75%, based on the life covered average gross monthly income, is often reduced to 50%.

“Equal pay for work of equal value”

Legislative
Amendments:

The right of equal pay for work of equal value introduced to
EE Act No. 55 of 1998

The When:

Amendments to the Act is effective as at 1 August 2014

The Where:

Inclusion of principle to the Act – Section 6(4) of the Act

What does the act say:

“(4) A difference in terms and conditions of employment between employees of the same employer performing the same or substantially the same work or work of equal value that is directly or indirectly based on any one or more of the grounds listed in subsection (1), is unfair discrimination.”

What does it say (in
English):

That it is against the law to discriminate unfairly between the remuneration and working conditions of employees doing the same work or similar work of equal value.

Draft Code of Good Practice on the Equal Pay for Work of Equal Value EEA Amendment

Total Guaranteed Package	Variable Remuneration			Circumstantial Allowances
	Incentives	Bonuses	Recognition	
Definition: Total value of the remuneration package including company contributions and excluding variable remuneration and circumstantial allowances	Definition: "Pay at risk" normally based on performance criteria and contracted upfront with scheme participants	Definition: Once off payments after the fact and linked to defined criteria	Definition: Programs that give special recognition to employees through tangible or non tangible awards	Definition: Payments due to circumstantial requirements and only if/when the circumstance apply.
Typical Elements of the Total Guaranteed Package:	Typical Incentive Programs:	Typical Bonus Programs:	Typical Recognition Programs:	Typical Circumstantial Allowances:
Base Pay	Short Term Incentives	Sign On Bonuses	"Pay in kind"	Geographic Allowances
Cost of employee benefits	Long Term Incentives	Referral Bonuses	Recognition Awards	Overtime
Housing	Commission	Project Completion Bonuses		Shift Allowances
Car Benefits		Lump sum/ex gratia payments		Standby Allowances
13th Cheque				Expatriate Allowances
Total value forms basis for equity requirements	Eligibility and qualifying criteria clear and free from unfair discrimination			Criteria and policy clearly defined and free from unfair discrimination

Objective of “Equal pay for work of equal value”

Elimination of unfair discrimination

On grounds stipulated in Section 6(1) of the Act – “race, gender, pregnancy, marital status, family responsibility, ethnic or social, origin, colour, sexual orientation, age, disability, religion, HIV status, conscious, belief, political, opinion, culture, language and birth or on any other arbitrary ground.”

Employer Approach

Onus is on employers to analyse internal remuneration levels, practices and conditions of employment to identify pay differentiation and potential inequity risk in accordance with the principles of Section 6(4).

Practical?

Achieving equity won't happen overnight. Essentially same/similar jobs = same pay. However, the Act makes provisions for justifying differentiation in different levels of pay or conditions.

Differentiation in conditions and remuneration

- Difference in remuneration and conditions of service **DOES NOT** automatically constitute unfair discrimination according to draft code of good practice on equal pay for work of equal value.
- The following is **JUSTIFIABLE** reasons for differentiation – (Gazetted under No. 37873, Schedule, “Work of Equal Value”, Section 7 - Employment Equity Regulations, 2014, EEA)
 - Performance, quantity or quality of work subjected to same measuring criteria and fair assessment.
 - Length of service.
 - Justifiable demotion from a higher grade to lower grade(s) without reduction in pay.
 - Scarce Skill status.
 - Qualifications, ability, competence or potential above the minimum acceptable level.

Importance of Reward Function



How to establish compliance to the EEAA?

• QUALITATIVE ANALYSIS

- **Review of:**
 - Terms and Conditions of Employment.
 - HR and Reward Philosophy, Policies, Procedures and Practices.
 - Job Evaluation Practices

- **Inequitable legacy issues**
 - Contribution to retirement funds
 - Health services provisions

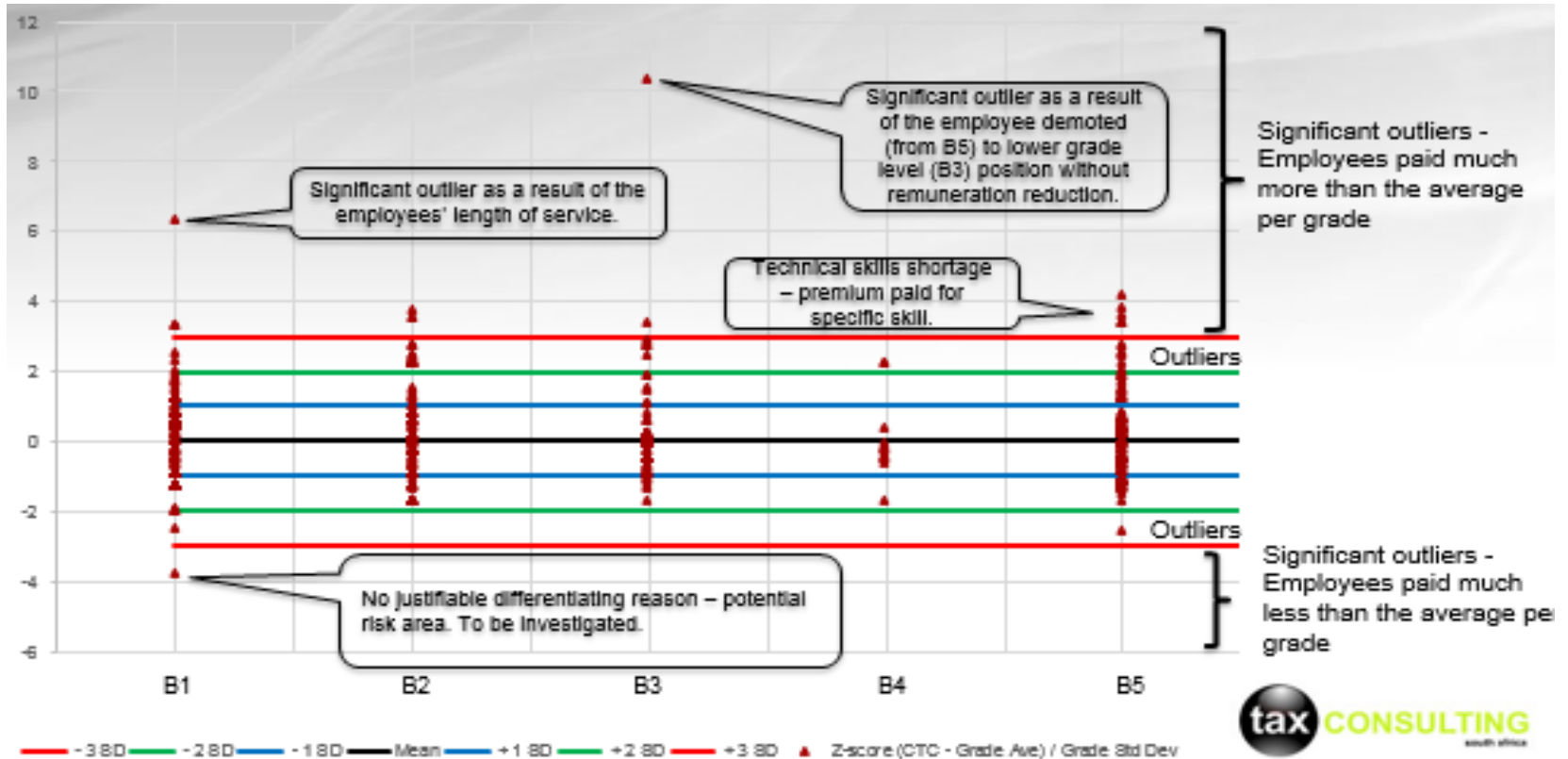
Links
to



• QUANTITATIVE ANALYSIS

- **Guaranteed Remuneration**
 - Basic salary
 - Allowances
 - Benefits (legacy issues)
- **Identify areas of inequality.**
- **Develop action plan to address unwarranted inequalities and monitor this over time.**
- **Analyse reasons for differentiation.**

“Equal pay for work of equal value”



Implementation

- Minister Sign-off expected end March 2015 and publication soon thereafter.

Questions
