

TAX TREATMENT OF TERS BENEFITS

There has been some uncertainty regarding whether TERS benefits will qualify for an exemption from income tax. During recent discussions with the South African Revenue Service (SARS), it has been confirmed that TERS benefits are payable in terms of the Unemployment Insurance Act and thus exempt from income tax.

It is important to keep in mind that it is the employee, and not the employer, who becomes entitled to the payment of TERS benefits. Accordingly, in those instances where the employer receives the TERS benefits from the Unemployment Insurance Fund (UIF) in order to pay to employees, the employer is merely processing the payment on behalf of the UIF. It does **not** constitute remuneration paid by the employer. Employers should thus not reflect TERS payments as remuneration on employees' payslips and it should also not be included in their pay-as-you-earn (PAYE) reporting to SARS. There is no obligation to withhold PAYE from TERS payments paid to employees on behalf of the UIF.

TERS benefits should also not be taken into account as remuneration when considering the calculation of other benefits (such as retirement fund contributions) or when claiming employment tax incentives.

Ideally, the payment of TERS benefits should be communicated separately to employees, and should not be included in their payslips.

B4SA Labour Workstream

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