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18/1/4

Mr. F. de Bruin
General Secretary: Public Service Co-ordinating Bargaining Council
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Dear Mr De Bruin

INCORRECT TAXATION OF BACK PAYMENTS FOR TEMPORARY EMPLOYEES: 2018 COST-OF-LIVING ADJUSTMENT FOR EMPLOYEES ON SALARY LEVELS 1 TO 12 AND THOSE COVERED BY OCCUPATION SPECIFIC DISPENSATIONS (OSDs)

My letter dated 27 June 2018 regarding the implementation of Clause 3.1 of PSCBC Resolution 1 of 2018 refers.

A total of 901 184 payments were generated by the PERSAL system for the pay date OF 9 July 2018. The adjustment was implemented over 6 mainframes within 2 weeks of notification from the DPSA. This excludes the SA Police Service, where personnel will receive their payments on 12 July 2018.

Unfortunately, due to incorrect projections of the back pay for 3 months to an annual amount for tax purposes on the PERSAL system for temporary employees, a lower tax bracket was used to calculate the tax on the back pay for approximately 77 000 temporary employees.

In terms of the tax provisions, employees' tax receives preference over any other deduction from the employee's remuneration. Therefore, PERSAL is obliged to pay over the correct tax (deductions) for these 77 000 employees for July 2018, notwithstanding that there is a shortfall resulting from the incorrect taxation of the back pay.

To manage the shortfall, National Treasury (PERSAL) decided to create a Tax Debt in the accounts of the Departments for each of the officials involved. The tax debt will be recovered from the affected employees per normal salary deduction, commencing from July 2018. The situation (number of monthly deductions etc.) is explained in the table below:

Staatsdiens en Administrasie . Ditirelo tsa Puso le Tsamaiso . Ditshebeliso tsa Mmuso le Tsamaiso . uMnyango wemiSebenzi kaHulumeni nokuPhata

Muhasho wa Tshumelo ya Muvuso na Vhulanguli . Kgoro ya Ditirelo tsa Mmušo . Ndzawulo ya Vutirela-Mfumo na Valawuri

LiTiko le Tebasebenti baHulumende nekuPhatsa . ISebe leNkonzo kaRhulumente noLawulo . UmNyango wemiSebenzi kaRhumende nokuPhata

TAX DEBT	Number of Instalments	No of Officials involved	Total tax amount to be recovered
R0 – R1 000	1	42 328	R 19 929 095.18
R1 000,01-R2 000	2	17 178	R 23 806 218.36
R2 000,01-R5 000	3	15 561	R 54 288 521.10
R5 000,01-R10 000	5	1 827	R 10 366 606.75
R10 000,01 and greater	6	13	R 177 561.40
TOTAL TAX DEBT		76 907	R 108 568 002.79

This unfortunate situation is regretted. National Treasury (PERSAL) confirmed that the necessary steps were taken to prevent a re-occurrence of this situation, and has informed the affected departments accordingly.

Kind regards,



MS. THULI RADEBE
ACTING DIRECTOR-GENERAL

DATE: 12/07/2018