

Sage Business Cloud Payroll

Release Notes

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Sage

Table of Contents

1.0	Tax Related Items Relevant to the System	3
1.1	Tax Table 2025/2026	3
1.2	Retirement Fund Lump Sum Withdrawal Benefits	4
1.3	Retirement Fund Lump Sum Benefits or Severance Benefits	4
1.4	Subsistence Allowances and Advances	4
1.5	Reimbursement/Advance for Business Travel on Day Trips	5
1.6	Vehicle Lookup for the Purpose of Calculating a Travel Allowance	5
1.6.1	Prescribed Rate for Reimbursive Kilometres (Travel)	5
1.7	Cumulative Exemption for Retirement Fund Benefits and Severance Benefits	5
1.8	Value of 'B' in the Residential Accommodation Fringe Benefit Calculation	5
2.0	Changes affecting the system	6
2.1	Repayments/refunds to employers	6
2.1.1	Background on the Change	6
2.1.2	IRP5 Code	7
2.1.3	Effect of the Tax Deduction on Other Payroll Elements	7
2.1.4	Refunds/repayments to employers Deduction Line in the System	8
2.2	Employment Tax Incentive (ETI) Changes	9
2.2.1	National Minimum Wage Increase	9
2.2.2	Wage Test	9
2.2.3	Qualifying Employee	10
2.2.4	ETI Calculation Table	10
2.3	OID Maximum Earnings and Annual Application	10
2.4	Savings Pot Withdrawal Benefit Exempt from SDL and UIF	10
3.0	Changes not affecting the system	11
3.1	Remuneration Proxy	11
3.2	Definition of 'Monthly Remuneration' for ETI	11
3.3	Extension of the Learnership Allowance	12
3.4	Labour Broker with an Exemption Certificate	12
3.5	VAT Increased	12
3.6	BCEA Earnings Threshold Increase	12
4.0	Transition of Sliding Scale billing model to Fixed Bracket subscription billing model	13
4.1	What's changing	13
4.2	What should you do now?	14
4.3	Why is this important?	14
4.4	Need help?	14

1.0 Tax Related Items Relevant to the System

The following amendments, according to the Budget Speech by the Minister of Finance on 12 March 2025, are effective from 1 March 2025 (2025/2026 Tax Year ending on 28 February 2026), unless stated otherwise.

Please Note:

Many items have remained unchanged.

1.1 Tax Table 2025/2026

The Tax Table, rebates, and medical aid tax credits have remained **unchanged**.

Taxable Income (R)	Fixed Amount	Rate of Tax (R)
1 – 237 100	0	18% of taxable income
237 101 – 370 500	42 678 +	26% of taxable income above 237 100
370 501 – 512 800	77 362 +	31% of taxable income above 370 500
512 801 – 673 000	121 475 +	36% of taxable income above 512 800
673 001 – 857 900	179 147 +	39% of taxable income above 673 000
857 901 – 1 817 000	251 258 +	41% of taxable income above 857 900
1 817 001 and above	644 489 +	45% of taxable income above 1 817 000

Tax Rebates

Primary	R17 235
Secondary (Persons 65 and Older)	R9 444
Tertiary (Persons 75 and Older)	R3 145

Age Tax Thresholds

Below age of 65	R95 750
Age 65 to below 75	R148 217
Age 75 and over	R165 689

Medical Scheme Fees Tax Credit

Main Member	R364
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First Dependant	R364
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Additional Dependants	R246
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Personal Service Providers (Company):	27%
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Personal Service Providers (Trusts):	45%
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You can view the Statutory Rates of Tax by clicking on the <View Tax Calculation> button and then select the <View Tax Rates> button on any Employee's Payslip Screen.

1.2 Retirement Fund Lump Sum Withdrawal Benefits

These rates have remained **unchanged**.

Taxable Income (R)	Fixed Amount	Rate of Tax (R)
1 – 27 500	0	0% of taxable income
27 501 – 726 000	0	18% of taxable income above 27 500
726 001 – 1 089 000	125 730 +	27% of taxable income above 726 000
1 089 001 and above	223 740 +	36% of taxable income above 1 089 000

1.3 Retirement Fund Lump Sum Benefits or Severance Benefits

These rates have remained **unchanged**.

Taxable Income (R)	Fixed Amount	Rate of Tax (R)
1 – 550 000	0	0% of taxable income
550 001 – 770 000	0	18% of taxable income above 550 000
770 001 – 1 155 000	39 600 +	27% of taxable income above 770 000
1 155 001 and above	143 550 +	36% of taxable income above 1 155 000

1.4 Subsistence Allowances and Advances

Where the recipient is obliged to spend at least one night away from his/her usual place of residence in South Africa for work purposes:

Subsistence Allowance (RSA)

Meals and Incidentals	R570 per day/part of a day
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Incidentals Only	R176 per day/part of a day
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Foreign subsistence rates can be found on the SARS website.

1.5 Reimbursement/Advance for Business Travel on Day Trips

Reimbursement/Advance for Business Travel on Day Trips (RSA)

Meals and Incidentals R176 per day/part of a day

1.6 Vehicle Lookup for the Purpose of Calculating a Travel Allowance

Where the value of the vehicle -	Fixed Cost R	Fuel Cost c/km	Maintenance Cost c/km
does not exceed R100 000	33 940	146.7	47.4
exceeds R100 000 but does not exceed R200 000	60 688	163.8	59.3
exceeds R200 000 but does not exceed R300 000	87 497	177.9	65.4
exceeds R300 000 but does not exceed R400 000	111 273	191.4	71.4
exceeds R400 000 but does not exceed R500 000	135 048	204.8	83.9
exceeds R500 000 but does not exceed R600 000	159 934	234.9	98.5
exceeds R600 000 but does not exceed R700 000	184 867	238.9	110.5
exceeds R700 000 but does not exceed R800 000	211 121	242.9	122.5
exceeds R800 000	211 121	249.9	122.5

1.6.1 Prescribed Rate for Reimbursive Kilometres (Travel)

Prescribed Rate Per Kilometre

R4.76 per kilometre (**reduced** from R4.84).

Please Note:

If you have entered travel transactions before the latest system update was applied, the rate per kilometre used to determine the excess for PAYE inclusion was calculated at R4.84. Delete these transactions and recapture them to apply the **reduced** rate.

1.7 Cumulative Exemption for Retirement Fund Benefits and Severance Benefits

This amount has remained **unchanged**.

Cumulative Exemption for Retirement Benefits and Severance Benefits

R550 000.00

1.8 Value of 'B' in the Residential Accommodation Fringe Benefit Calculation

The value of "B" has remained **unchanged** at R95 750.

2.0 Changes affecting the system

The following includes required changes according to the Taxation Laws Amendment Act, 2024 and the Tax Administration Laws Amendment Act, 2024.

All amendments are effective **01 March 2025** except where otherwise mentioned.

2.1 Repayments/refunds to employers

2.1.1 Background on the Change

Previously, the legislation provided for a tax deduction when an employee repaid an amount to the employer that had been included in the employee's taxable income. For example, if an employee was paid during maternity leave and had an agreement to repay the salary should they not work for a certain period after returning, the employer could issue a letter stating that the employee had repaid the salary, which was earned and taxed in the prior assessment year. The employee could then claim a tax deduction upon assessment. Examples of such repayments include the repayment of a retention bonus if specific conditions are not met and the clawback of commissions from an insurance industry employee when a policy lapses.

In the past, the South African Revenue Service (SARS) has also informally allowed payroll administrators to make corrections within the same year of assessment to avoid prejudicing taxpayers. However, with the introduction of monthly payroll reporting in the future, it was necessary to amend the legislation to explicitly allow refunds made within the same year of assessment to be allowed as a tax deduction too.

Effective March 2025, an employee will be entitled to a tax deduction on the payroll if they repay the employer any amount in respect of services rendered which was included in taxable remuneration in the current or prior year of assessment.

The tax deduction will be limited to the remuneration for the month during which the refund is deducted, and any excess may be carried forward to the following month if it falls within the same year of assessment in which the refund is paid.

Therefore, the balance of remuneration will be calculated as follows:

- Taxable remuneration (taxable earning and taxable fringe benefits)
- Allowable deductions (retirement funds contributions subject to limits, donations subject to limits, repayments/refunds to employer)
- = Balance of remuneration

Example:

An employee received a retention bonus of R3,000 with the condition of completing an additional year of service. However, the employee resigned during the next tax year, with their final month of employment being April. As a result, the retention bonus is refunded to the employer in April.

		March	April	IRP5
3601	Salary	20 000	20 000	40 000
3605	Retention bonus			
4042	Refund/repayment deduction		(3 000)	3 000
	Remuneration* for the month	20 000	20 000	
	Minus refund/repayment tax deduction		(3 000)	
	Balance of remuneration** for the month	20 000	17 000	
	YTD+ balance of remuneration	20 000	37 000	

*Remuneration is used to calculate UIF, ETI and the allowable tax deduction for retirement funds.

**Balance of remuneration is used to calculate PAYE and SDL.

Please Note:

The repayment may occur in the same or in a different year of assessment from the one in which the amount was originally received.

2.1.2 IRP5 Code

The repayment/refund deduction must be reflected against **IRP5 code 4042** on the IRP5.

Please Note:

We are verifying with SARS whether the refunded amount should be reported under IRP5 code 4042 or only the portion considered in determining the reduced balance of remuneration.

It is our understanding that the tax deduction must not be applied to an overpayment resulting from an administrative error, however, we are verifying this with SARS.

2.1.3 Effect of the Tax Deduction on Other Payroll Elements

- **UIF:** Will not be affected in the month the amount is refunded as UIF is calculated on remuneration and not balance of remuneration.
- **SDL:** Will be adjusted in the month the amount is refunded as SDL is calculated on balance of remuneration.
- **ETI:** Will not be affected in the month the amount is refunded as ETI is calculated on remuneration (excluding non-cash benefits and after deducting those deductions not allowed as per the BCEA) and not balance of remuneration.
Employers should confirm whether the relevant deduction must be subtracted from ETI remuneration if it is not a deduction allowed as per section 34(1)(b) of the BCEA and indicate it as such.

- **Tax deductible limit for retirement funds:** It is calculated as 27.5% of remuneration and not balance of remuneration.
- **Donations tax deduction (payroll giving):** The allowable deduction should be calculated based on 5% of the balance of remuneration before considering the allowable tax deduction for the refund/repayment.
- **Tax Directive:** Employees taxed as per a directive (fixed amount or percentage) is taxed on remuneration and not balance of remuneration. The refund/repayment tax deduction will not result in a PAYE benefit.

Please Note:

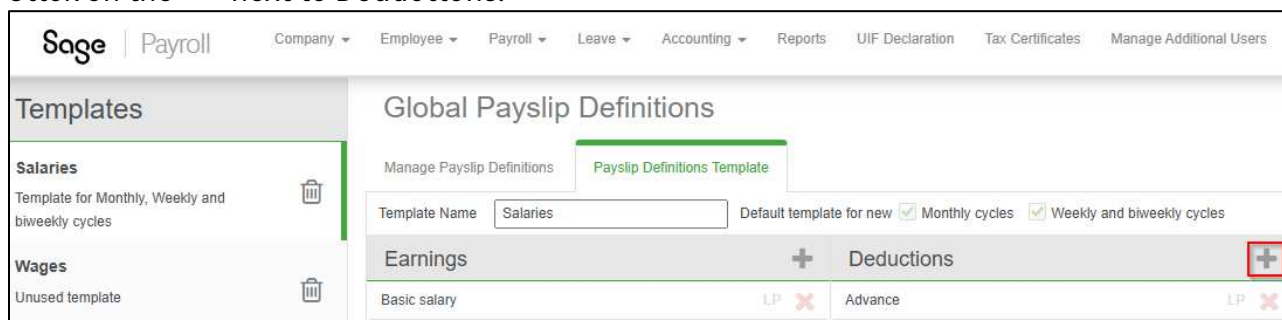
You must ensure the repayment/refund to the employer, which is subsequently allowed as a tax deduction, does not exceed the remuneration in the month in which the refund/repayment is deducted.

2.1.4 Refunds/repayments to employers Deduction Line in the System

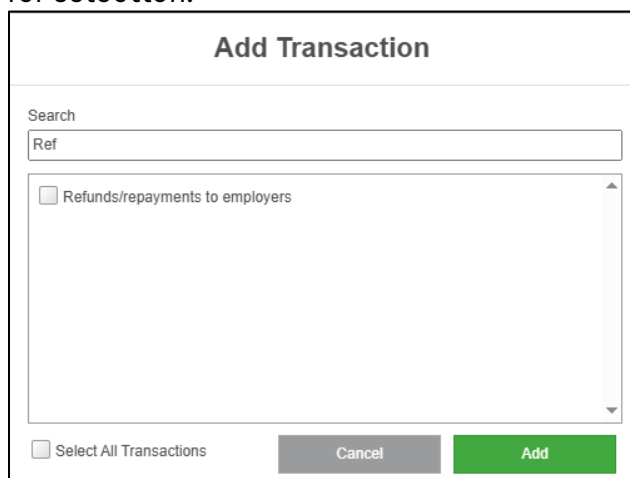
The Refunds/repayments deduction line is configured on **Main Menu > Company > Global Payslip Definitions**

To add the Refunds/repayments deduction to a pay cycle template:

- Navigate to the Payslip Definitions Template tab on the “Global Payslip Definition” screen.
- Select the relevant template where the deduction line should be added.
- Click on the “+” next to Deductions.



- In the search box, type "Ref"—the "Refunds/Repayments to Employers" deduction will appear for selection.



- Select it and click <Add>
- The “Refunds/repayments to employers” deduction will now be listed under Deductions and added to the template.
- Click on <Save> at the bottom of the screen to ensure the selection is saved.
- When processing an employee’s payslip, this deduction line can be selected under Deductions for processing.

2.2 Employment Tax Incentive (ETI) Changes

2.2.1 National Minimum Wage Increase

From **1 March 2025**, the National Minimum Wage rates increased as follows:

- from R27.58 to R28.79 per hour,
- from R27.58 to R28.79 per hour for farm workers,
- from R27.58 to R28.79 per hour for domestic workers,
- from R15.16 to R15.83 per hour for workers employed on an expanded public works programme, and
- for workers who have concluded learnership agreements contemplated in section 17 of the Skills Development Act, new rates are indicated in Schedule 2 of the Government Gazette.

Please Note:

For Employment Tax Incentive (ETI) purposes, you must confirm that the correct minimum wage rate per hour is processed for each employee from **1 March 2025**, to ensure the correct **‘minimum wage test’** is applied by the system.

National Treasury has also released the updated draft legislation on 14 March 2025 with the following changes regarding the Employment Tax Incentive, **effective 1 April 2025**.

2.2.2 Wage Test

One of the requirements for an employee to qualify for ETI is that the employee must earn at least the minimum wage, which is:

- the higher of:
 - the applicable minimum wage according to the National Minimum Wage Act, or
 - the applicable minimum wage according to the wage regulating measure (i.e. collective agreement, bargaining council or sectoral determination), or
- if none of the above is applicable (i.e. no wage regulating measure is applicable and the employer is exempt from the National Minimum Wage after successful application), then the employee must earn a monthly wage of at least **R2 500** (was R2 000) for a full month (160 ordinary employed and remunerated hours).

Please Note:

We have made the adjustment of R2 500 in the system, so no user intervention is required.

2.2.3 Qualifying Employee

An employee does not qualify for ETI if their remuneration is **R7 500** (was R6 500) or more in a month.

2.2.4 ETI Calculation Table

The brackets have changed as well as the percentage in the first row.

Monthly remuneration	First 12 incentive months	Next 12 incentive months
R0 – R2 499.99	60% of monthly remuneration	30% of monthly remuneration
R2 500 – R5 499.99	R1 500	R750
R5 500 – R7 499.99	R1 500 – (0.75 x (monthly remuneration – R5 500))	R750 – (0.375 x (monthly remuneration – R5 500))
R7 500.00+	0	0

2.3 OID Maximum Earnings and Annual Application

The OID limit for the 2024 assessment period (March 2024 - February 2025) is **R597 328.00**. The OID limit for the 2025 assessment period (March 2025 – February 2026) has **yet to be published**.

The OID Report can be accessed by navigating to:

- Main Menu > Reports > Financial > OID Report

The limit is automatically applied to the OID PDF Details and Summary Reports.

Please Note:

The Return of Earnings submission period for the 2024 assessment period (2024/2025) will be from 1 April 2025 to 30 June 2025.

2.4 Savings Pot Withdrawal Benefit Exempt from SDL and UIF

From September 2024, members of a retirement fund are allowed to withdraw from their savings pot once a year. The legislation exempts these withdrawals from SDL and UIF contributions.

Funds are required to apply for a directive if the member wants to withdraw from the savings pot and the amount must be reflected against IRP5 code 3926.

3.0 Changes not affecting the system

3.1 Remuneration Proxy

The term ‘associated institution’ is used in the definition of remuneration proxy and is relevant when calculating the fringe benefit for scholarships/bursaries, employer-provided accommodation and low-cost housing.

As from **1 March 2025**, ‘Associated institution’ is clarified to be an associated institution as defined in the Seventh Schedule to the Income Tax Act and not the ordinary meaning of ‘associated institution’.

3.2 Definition of ‘Monthly Remuneration’ for ETI

To determine the ‘monthly remuneration’ paid or payable for the purpose of calculating the Employment Tax Incentive (ETI), as from **1 March 2025**, the amended provision clarifies that an amount other than a cash payment to the employee after adding back deductions in terms of section 34(1)(b) of the Basic Conditions of Employment Act, must be disregarded.

As a result, **remuneration should exclude non-cash benefits** and be reduced by deductions not permitted under the BCEA. **Monthly remuneration is therefore limited to cash payments made to the employee, plus any deductions legally allowed under section 34(1)(b) of the BCEA.**

This approach was implemented in our systems in March 2022 to automatically exclude non-cash benefits and allow employers to adjust remuneration based on permitted deductions.

For ETI purposes “monthly remuneration” is calculated as follows:

- **Remuneration** (excluding non-cash benefits),
- **Minus** deductions that are not required or permitted by law, a collective agreement, a court order, or an arbitration award (as per section 34(1)(b) of the BCEA).

This determination of ‘remuneration’ must be applied before grossing up remuneration to 160 hours, where applicable.

Although non-cash benefits are automatically excluded in the system, employers should ensure that only the cash component of remuneration is included, excluding any non-cash elements—such as shares, or a travel allowance provided via a petrol card.

Employers are encouraged to classify deductions correctly and indicate those not permitted by law, collective agreements, court orders, or arbitration awards. This ensures accurate ETI calculations.

Please Note:

National Treasury cited the following reason for the change:

“In the past three years, the Government has amended the ETI Act to curb abuse of the incentive through aggressive tax schemes. These schemes often involved training institutions claiming the incentive for students classified as employees under the ETI Act, who, however, never received cash payouts in their bank accounts. Instead, the training institutions would deduct training fees from their wages. The Government's position is that training costs should be the responsibility of the employer. The misuse of the ETI for creating fictitious employment, primarily to exploit the incentive, contradicts the policy's intention and should be avoided.”

3.3 Extension of the Learnership Allowance

The learnership tax incentive is extended by another three years, to **31 March 2027**, in line with the Minister's 2024 Budget announcement to further facilitate the evaluation of the tax incentive.

Deemed to be effective from April 2022.

3.4 Labour Broker with an Exemption Certificate

As from **1 March 2025**, a labour broker in respect of which an exemption certificate has been issued, is specifically included in the definition of a provisional taxpayer.

3.5 VAT Increased

According to the Budget Speech by the Minister of Finance on 12 March 2025, the VAT is proposed to be increased from 15% by 0.5% to 15.5% with effect from **1 May 2025**. Another increase of 0.5% is proposed as from **1 April 2026**.

3.6 BCEA Earnings Threshold Increase

The Minister of Employment and Labour published Gazette No. 52232 increasing the BCEA earnings threshold from R241 110.59 per annum to R261 748,45 per annum, effective **1 April 2025**.

Therefore, employees earning in excess of R261 748,45 per annum are excluded from section 9, 10, 11, 12, 14, 15, 16, 17(2) and 18(3) of the BCEA.

For this purpose, “earnings” means the regular annual remuneration before deductions i.e., income tax, pension, medical and similar payments but excluding similar payments (contributions) made by the employer in respect of the employee: Provided that subsistence and transport allowances received, achievement awards and payments for overtime worked shall not be regarded as remuneration.

“Remuneration” is defined in the BCEA (Basic Conditions of Employment Act) as any payment in money or in kind, or both in money and in kind, made or owing to any person in return for that person working.

4.0 Transition of Sliding Scale billing model to Fixed Bracket subscription billing model

Please Note:

This information applies only to clients on the **Sliding Scale billing** model.

If your account is affected, you will see a billing update modal upon login, requiring you to review and accept the updated Terms and conditions before proceeding.

Clients on the Fixed Bracket billing model are **not** affected by the change.

4.1 What's changing

In line with our commitment to simplify complexity for our customers, we are moving to a fixed bracket subscription. This change will simplify account management and provide greater flexibility with payment methods.

Starting **March 2025**, you will be required to accept the updated Terms and conditions before accessing your account. Until you accept, you will not be able to proceed.

Billing Change

Starting 1 March 2025, your subscription will change to a fixed bracket subscription.
Your previous cost was based on the number of employees paid in the invoice period. Your new cost based on active employees (90), placing you in the 81 to 90 bracket.

Your new cost will be R 2523.6 per month.
To access Sage Payroll, you must read and accept our updated Terms and conditions.
[Read the updated Terms and conditions \(opens in a new tab\)](#)

Read and accept the Terms and Conditions
You cannot proceed without accepting the billing change.

I accept the terms and conditions and agree to waive rights under the old agreement and enter into a new agreement, which shall govern your relationship with Sage.

Submit

4.2 What should you do now?

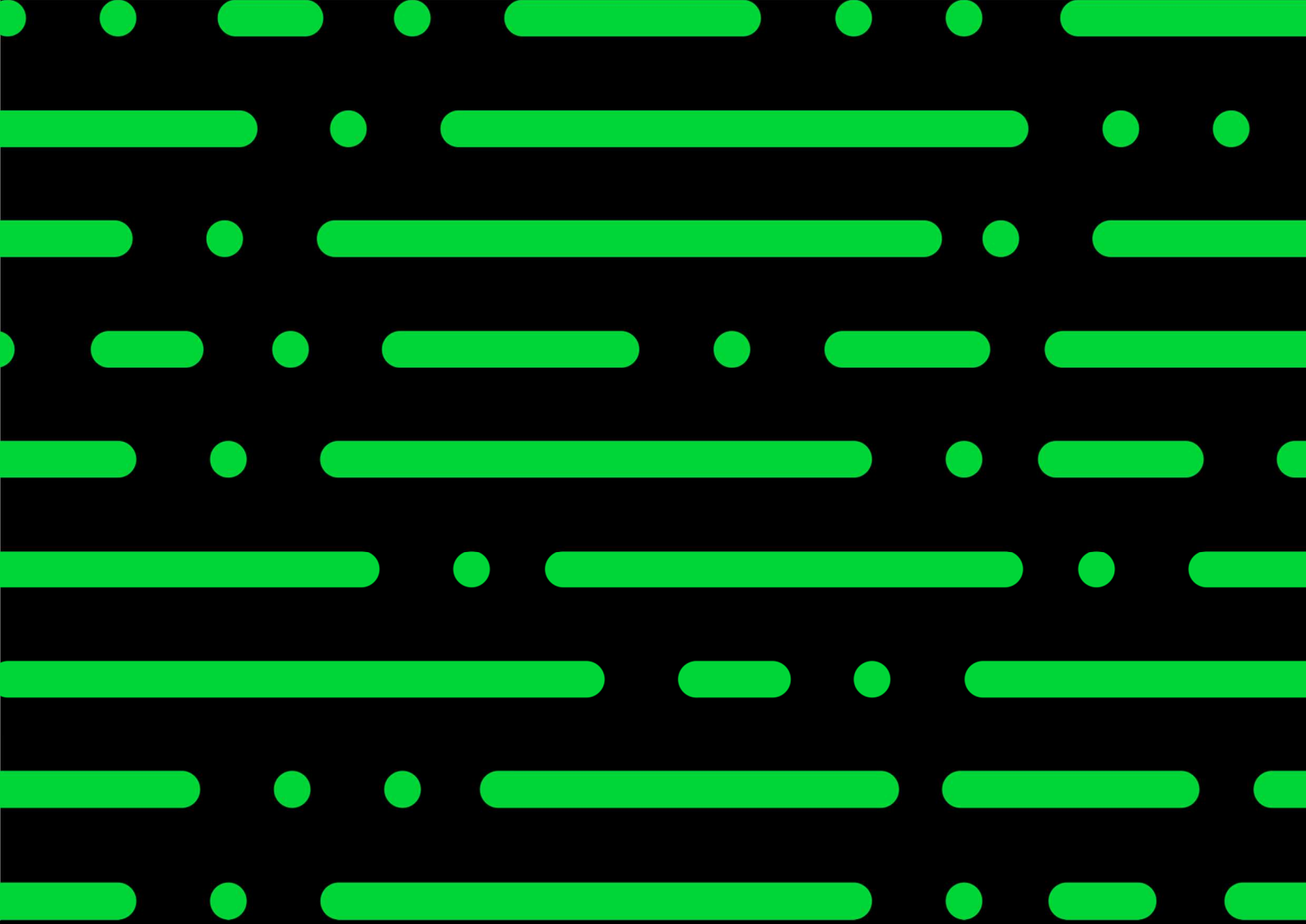
- Upon login, accept the updated Terms and conditions to regain access to your account.
- After accepting, review your list of active employees and terminate any who are no longer being paid to ensure you are billed in the correct bracket.

4.3 Why is this important?

- Previously, you were charged based on the number of employees paid through the system.
- Going forward, you will be billed for all active employees, regardless of whether they were paid in each cycle.

4.4 Need help?

For questions about the updated Terms and conditions or assistance with managing your account, please contact us at cloudrenewals@sage.com.



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