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CIRCULAR



NO: 23/2015

DATED: 19 October 2015

TO ALL PARTICIPANTS IN THE MOTOR INDUSTRY

Taxation on ADDITIONAL HOLIDAY PAY (AHP)

Please be informed that this circular replaces Circular 23/2015 dated 15 October 2015.

As you are aware MIBCO currently administers the Additional Holiday Pay (AHP) Fund on behalf of the Industry.

It has come to MIBCO's attention that on application of the general tax principles set out in the Income Tax Act No. 58 of 1962, there exists an employees' tax withholding obligation in respect of the payments made from the abovementioned Fund by the employer.

MIBCO is currently in the process of seeking further clarity in respect of all contributions made to and the payments made from the abovementioned Fund. MIBCO has sought legal tax advice and has also approached the Department of Finance (National Treasury) for guidance on how to remedy any previous non-withholding of employees' tax.

Whilst MIBCO is investigating and clarifying the position, MIBCO is of the view that as a solution it would be in the best interest of the Motor Industry for those Employers that are not withholding employees' tax on the contributions made to the AHP Fund should from the next payroll cycle implement the withholding of employee's tax.

MIBCO believes that this is the best approach, until an indication is received from the decision makers on the way forward, as it will reduce any possible loss suffered by the tax authorities and will demonstrate the Council's commitment and co-operation in finding an acceptable solution to the current uncertainty.

MIBCO will keep all concerned informed as soon as we receive formal instruction from the National Treasury.

Yours faithfully
The MIBCO Team

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