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CIRCULAR



CIRCULAR NO: 10/2017

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TO ALL PARTICIPANTS IN THE MOTOR INDUSTRY

**REVISED CALCULATION OF INTEREST FOR LATE OR NON-PAYMENT OF
PROVIDENT FUND CONTRIBUTIONS IN TERMS OF THE PENSION FUNDS
ACT**

The purpose of this communication is to create awareness to all employers in the Motor Industry of the pending changes that are planned to take place as from 1 July 2017.

The Council wishes to inform you that as from 1 July 2017, the calculation of **Interest for late or non-payment of provident fund contributions** as set in the Pension Funds Act, will strictly be charged through the Council return system.

Currently the Council charges interest in terms of Clause 21 of the Collective Administrative Agreement, in the event of late or non-payment Provident Fund contributions, payments are calculated at the interest rate of 1.5% or part thereof.

The Pension Funds Act prescribes its own formula which is to be used for the purpose of calculating the late or non-payment Provident Fund contributions.

The formula used is as follows:

- Unpaid contributions not exceeding R10 000
 - Repo rate + 1/3 thereof + 11%
 - Currently: $7\% + (7\%/3) + 11\% = 20.33\%$
- Unpaid contributions exceeding R10 000
 - Repo rate + 1/3 thereof + 8%
 - Currently: $7\% + (7\%/3) + 8\% = 17.33\%$
- Effective date prescribed for rate of interest is the 1st of the month following the repo rate change.
- This interest is due and payable not later than two months after the month in respect of which the late payment was due. Interest will start attracting interest after interest due date.

Provident fund attracts interest according to the following formula (compounded daily): $(\text{Outstanding balance} (1 + \frac{r}{365})^n) - \text{Outstanding balance}$

r – Interest rate

n – Number of days outstanding

We further advise that, in terms of the same Pension Funds Act, the failure to remit the retirement funds contributions deducted from employees may, in future, lead to criminal prosecution.

The interest charged for late or non-payment of all other MIBCO related contributions such as Additional Holiday Pay, Council Levies, Sick, Accident and Maternity Pay Funds and Union Fees will not change and will still remain calculated at the rate of 1.5%, in terms of Clause 21 of the Administrative Collective Agreement.

MIBCO, with the assistance of the Provident Funds (Motor Industry Provident Fund and the Auto Workers Provident Fund), have adjusted the MIBCO Returns System in order to ensure that the Council system meet all legal requirements.

In addition to the above, the MIBCO Returns System will automatically effect changes as result of any increase or decrease of the repo rate as mentioned in the formula above.

The MIBCO Team