



CIRCULAR MEMO

NO: 04 of 2018

DATED: 26 MARCH 2018

REMINDER TO EMPLOYERS FALLING UNDER THE MIBCO REGISTERED SCOPE AND LIABLE FOR THE PAYMENT OF ADDITIONAL HOLIDAY PAY IN TERMS OF THE MAIN AGREEMENT TO WITHHOLD PAYE FOR THESE CONTRIBUTIONS.

In terms of Clause 6 of the Main Collective Agreement, Additional Holiday Pay is payable to Grade 7 and 8 employees. It has been brought to MIBCO's attention that certain employers may perhaps not deduct Pay As You Earn (PAYE) for these contributions.

MIBCO further obtained a legal opinion from the Legal Advisory Division of South African Revenue Services (SARS) with particular reference to AHP.

In summary the opinion confirmed the following:

The payment of AHP constitutes "gross income" in the employee's hands as well as "remuneration". As a result the employer is required to deduct PAYE in terms of paragraph 2 (1) of the fourth schedule in terms of the Income Tax Act 1962 (Act 58 of 1962);

The purpose of this circular is to remind all employers of the legal obligation to deduct PAYE for AHP contributions.

The MIBCO team