



the dpsa

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AMENDMENTS TO TAXATION WITH EFFECT FROM 1 MARCH 2009: IMPACT ON SMS AND MMS MEMBERS

INTRODUCTION

1. The structure of the inclusive flexible remuneration packages of SMS and MMS members is as follows:

1.1. **Members admitted to the GEPF**

The packages consist of three components, namely-

- 1.1.1. the basic salary (pensionable income);
- 1.1.2. the employer's contribution to the GEPF; and
- 1.1.3. the flexible portion (non-pensionable income), which the member may structure according to his/her personal needs (i.e. motor vehicle allowance or an employer's contribution to a registered medical aid scheme) within certain parameters.

1.2. **Members not admitted to the GEPF**

The packages do not consist of any components. A member not admitted to the GEPF may therefore structure the total package according to his/her personal needs (i.e. motor vehicle allowance or an employer's contribution to a registered medical aid scheme) within certain parameters.

2. A member entering the SMS and the MMS for the first time must structure the flexible component of his or her inclusive remuneration

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package. Each change following the original structuring would entail a restructuring (change) to the flexible component. Members may only restructure (change) the flexible component of their packages in the following circumstances in terms of the SMS and MMS Dispensations:

- 2.1. One year after the date of implementation of the respective inclusive flexible remuneration package dispensation.
- 2.2. On promotion to a higher grade (position).
- 2.3. Adjustment of the remuneration scale.
- 2.4. On transfer to another post.
- 2.5. **Substantial changes to tax legislation.**
- 2.6. Any changes to the total contribution to a registered medical aid scheme.
- 2.7. On decision by the Minister for Public Service and Administration.

TAX AMENDMENTS WITH EFFECT FROM 1 MARCH 2009 (2010 TAX YEAR)

Personal income tax rates

3. The Minister of Finance has amended the personal income tax rates with effect from 1 March 2009 (2010 tax year). The details are available from the SA Revenue Service (SARS).

Amendments to monetary caps for tax-free medical scheme contributions

4. The Minister of Finance has amended the SARS capped amounts as follows with effect from 1 March 2009 (2010 tax year):

Membership profile	With effect from 1 March 2009
First beneficiary (principal member)	R625 pm (R7 500 pa)
Second beneficiary (irrespective the age of the beneficiary)	Additional R625 pm (R7 500 pa)
Further additional beneficiaries (irrespective the age of the beneficiary)	Additional R380 pm (R4 560 pa) per beneficiary

5. The Minister of Finance has indicated that the possibility is currently being investigated to replace the current medical scheme contribution deduction (for tax purposes) with a non-refundable tax credit system. Departments will be informed on developments that may impact on the SMS and MMS package dispensations.

Traveling (motor vehicle) allowances

6. Members who structure for a motor vehicle allowance may claim a traveling expense against the allowance on the following bases:

6.1. Deemed business kilometres

6.1.1. A pre-determined portion of the kilometres that a member travels in a tax year with his or her private vehicle, as determined by SARS, is deemed as private travel. The rest of the kilometres that the member travels with his or her private vehicle, up to a specified cap, is then deemed as official traveling for business purposes, on which the member may claim (generate) a traveling expense against the allowance.

6.1.2. This basis is not reliant on a detailed logbook of official traveling for business purposes.

6.2. Actual official traveling for business purposes

The claim is based on actual kilometres that a member travels with his or her private vehicle for business purposes and actual expenses, as supported by a detailed logbook.

7. The Minister of Finance indicated that the “**deemed business kilometres**” basis will be abolished with effect from 1 March 2010 (commencement of the 2011 tax year). As this amendment will impact on the majority of SMS and MMS members in the Public Service, the dpsa advises those members who anticipate that they will in all likelihood not qualify for a claim against the travel allowance in the 2011 tax year based on a logbook, to commence phasing-out the amount that they have structured as motor vehicle allowance with effect from 1 March 2009 (2010 tax year).
8. However, the Minister of Finance indicated that the basis referred to in paragraph 6.2 above will remain.

RESTRUCTURING OF THE FLEXIBLE PORTION OF PACKAGES

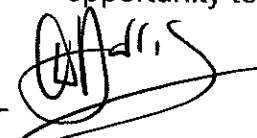
9. Due to these amendments referred to in paragraphs 3 and 4, approval is granted to SMS and MMS members, **who so wish**, to restructure the flexible portion of their packages under the following circumstances, effective from 1 March 2009:
- 9.1. Members of a registered medical aid scheme may restructure the employer contribution **up to and including the maximum of the revised SARS capped amounts referred to in paragraph 4 above**, depending on their membership profile, effective from 1 March 2009. As only a maximum amount is set which the member may structure for this purpose in terms of the respective SMS and MMS dispensations, it means that members are not be obliged to restructure for this purpose – they may retain the employer contribution at the pre-1 March 2009 levels.
- 9.2. Members who have structured for a motor vehicle allowance, or who contemplate to structure for a motor vehicle allowance.

SMS AND MMS MODELS (ACTIVE EXCEL SPREADSHEETS) AND DISPENSATIONS

10. The relevant SMS and MMS Models, which serve as tools to members to structure their packages, have been updated to incorporate the revised determinations by the Minister of Finance and the subsequent amendments to these Dispensations. These Models are available on the DPSA website (www.dpsa.gov.za) (following the links to document archives; Circulars; Remuneration Policy).
11. The SMS and MMS Dispensations are amended accordingly to include the revised maximum amount that may be structured as an employer contribution to a registered medical aid scheme, effective from 1 March 2009. The amended dispensations will be posted on the DPSA website in due course.

CONCLUSION

12. Departments are requested to inform all SMS and MMS members regarding these amendments and to afford those, who wish, the opportunity to restructure accordingly.

for 
DIRECTOR-GENERAL
 Date: 18/02/2009