



the dpsa

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AMENDMENTS TO TAXATION WITH EFFECT FROM 1 MARCH 2010: 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 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 2010 (2011 TAX YEAR)

Personal income tax rates

3. The Minister of Finance has amended the personal income tax rates with effect from 1 March 2010 (2011 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 2010 (2011 tax year):

Membership profile	With effect from 1 March 2009
First beneficiary (principal member)	R670 pm (R8 040 pa)
Second beneficiary (irrespective the age of the beneficiary)	Additional R670 pm (R8 040 pa)
Further additional beneficiaries (irrespective the age of the beneficiary)	Additional R410 pm (R4 920 pa) per beneficiary

Traveling (motor vehicle) allowances

5. Members who structure for a motor vehicle allowance may claim a traveling expense against the allowance on the basis of the actual official traveling for business purposes. The actual kilometers traveled during a tax year and the distance traveled for business purposes **substantiated by a log book** are used to determine the costs which may be claimed against the traveling allowance.
6. It must be noted that the Minister of Finance have abolished the “**deemed business kilometres**” basis with effect from 1 March 2010. 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 have a tax liability for a claim against the travel allowance in the 2011 tax year based on a logbook, to consider reducing the amount that the member wish to structure as motor vehicle allowance.

RESTRUCTURING OF THE FLEXIBLE PORTION OF PACKAGES

7. Due to these amendments referred to in paragraphs 3 to 6 above, 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 2010:
 - 7.1. 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 2010. 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 obliged to restructure for this purpose – they may retain the employer contribution at the pre-1 March 2010 levels.
 - 7.2. 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

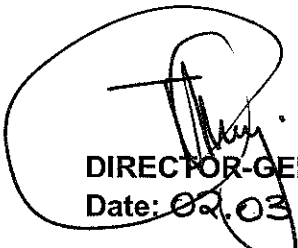
8. The relevant SMS and MMS Models, which serve as tools to members to structure their packages, have been updated to incorporate the revised determinations by the Minister of Finance and the subsequent amendments to these Dispensations. These Models are available on

the DPSA website (www.dpsa.gov.za) (following the links to document archives; Circulars; Remuneration Policy).

9. 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 2010. The amended dispensations will be posted on the DPSA website in due course.

CONCLUSION

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



DIRECTOR-GENERAL
Date: 02.03.2010