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What you should know about changes when calculating Skills Targets for 2020/2021

The amended Codes of Good Practice published on 31 May 2019 set the target for skills spend based on the Leviable amount.

Although the target percentage may differ, other sector codes follow suit in setting a target for skills spend based on the Leviable amount.

How is the Leviable amount calculated?

The Leviable amount is calculated using the Skills Development Levy (SDL) paid over to SARS.

The SDL is a compulsory monthly levy raised by SARS to fund education and training as per the Skills Development Act, 1998. Payment of this levy is due 7 days after month-end (or last business day prior if the 7th day is a Saturday, a Sunday or public holiday). Only certain Measured Entities are exempt from registering for SDL payments, but the ones worth noting are those that have reasonable grounds to believe that their annual payroll will not exceed R500 000.

Measured Entities pay over 1% of their monthly payroll to SARS, as reflected on their Monthly EMP 201 (or summarised EMP 501). The Leviable amount is calculated by adding up the SDL payments made as per the EMP 201s for the 12 months of the financial year in question. The total of these 12 months' SDL payments is then multiplied by 100% to give the Leviable amount. The skills target will then be based on a percentage (determined by the applicable skills development scorecard) of this Leviable amount.

What happens if no SDL payments were made?

During lockdown, SARS announced a four-month SDL payment holiday from 1 May 2020 to 31 August 2020. The notion behind this was to assist businesses with their cash flow during these cash-strapped times. SARS estimates the total relief provided at R6 billion. Consequently, for these 4 months no SDL payments were levied by SARS and therefore no SDL payments will be indicated on the EMP 201s. The result is that SDL payments would only have been made for 8 months. Using only these 8 months for calculations will erroneously indicate a reduced Leviable amount figure for skills calculations, which ultimately means that the Measured Entity will not earn the skills points aimed for.

As the Leviable amount relates to the Measured Entities' payroll, EMP 201s are merely used to correctly relate the figures back to the payroll. This, however, is not the only way to calculate the Leviable amount. Where EMP 201s do not reflect SDL payments, the Measured Entity should make use of their payroll to calculate the Leviable amount. For the months that the client had not paid the SDL, the gross payroll figure for the month will be considered. Multiplying this figure by 1% will then give the calculated SDL amount. Measured Entities should also remember that TERS payouts will not effect the end targets.

Most companies should have a summarised payroll readily available. Financials may also be consulted for entries relating to Salaries and wages and/or directors' remuneration. Financials do not, however, always reflect these entries.

SARS External Guide for Employers

In the 5th revision of the SARS External Guide for Employers in respect of Skills Development Levy, remuneration for SDL purposes is described as follows:

Remuneration for SDL purposes is defined as remuneration for Employee Tax purposes (this means after taking into account the allowable deductions that the employer may have made for purposes of calculating employee tax, including remuneration of employees who earn less than the tax threshold) but does not include any of the following:

- An amount paid or payable to any Labour broker or any other person declared by the Minister of Finance per Notice in the *Government Gazette* as an employee to whom an exemption has been issued by SARS in terms of paragraph 2(5) of the Fourth Schedule;
- An amount paid or payable to any other person by way of a pension, superannuation allowance or retirement allowance;
- An amount contemplated in the paragraphs (a), (d), (e) or (eA) of the definition of Gross Income in section 1 of the Income Tax Act;
- An amount payable to a learner in terms of a contract of employment contemplated in section 18(3) of the Skills Development Act.

To summarise:

- Skills targets as per the skills scorecard are mainly based on the Leviable amount;
- The Leviable amount is calculated by using the SDL levies as indicated on the EMP 201s;
- Subsequently in the absence of EMP 201s with SDL levies indicated, the annual payroll will then be used to calculate the Leviable amount;
- For entities who utilised the SDL payment holidays and who does not have a payroll, the SARS external guide definition will give guidance on what should be considered as remuneration.

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