

Updated information on SITE

In the state budget this year a number of changes were made to the SITE tax system. This pamphlet summarises how the system works now.

Introduction

Since 1988 most workers in South Africa have had their wages taxed under the SITE system.

SITE stands for Standard Income Tax on Employees.

Under SITE the employer is responsible for making sure that workers pay the correct amount of tax. The Receiver of Revenue is not directly involved.

Workers are now the only people who can check up on their employers to make sure that the correct amount of tax is being taken off their wages.

So, it has become very important that workers know about SITE and how it works.

Who does SITE apply to?

SITE applies to everyone who earns less than R50 000 per year. (this works out to R4167 per month, or R962 per week) If they earn more than this they pay SITE on the first R50 000 and PAYE on the rest.

Factors that affect the amount of tax you pay :

The amount of tax you pay depends on:

- * How much you earn (before any deductions and including overtime or bonus).
- * Your age (whether you are under 63, between 63 and 65 or over 65).
- * The number of children you have who are under the age of 18 and not married.
- * Whether you are a married or a single person.
- * Whether you are a married woman.

Who are regarded as married persons?

This may seem like a simple question to answer, but it is not when you are dealing with the tax system.

A married person can be a female or a male and need not be married in the normal sense of the word.

It may be helpful if you think of married persons as breadwinners or people who have others to support. All the people listed below, except widows and widowers, have to support spouses or children.

For tax purposes, therefore, only the following people are regarded as married persons :

- * a man who was married for any portion of the tax year.
- * a widow or widower.

- * a divorced person who supports a child or children under 18 years old.
- * a person who is the second wife of a customary marriage where there is more than one wife and who supports a child/children under 18 years old.
- * any person who has her/his own child or an adopted child or step child to support, even if he or she is single.
- * a married woman whose husband earns less than R10 000 a year (this is R833 per month, or R192 per week) - that is, the woman is the sole breadwinner.

So, single men and women who have children under the age of 18 will now pay the same tax as married men with children.

Women whose husbands have died and divorced people with children under 18 years old will also pay the same tax as married men.

Who is regarded as a Married Woman?

A woman is regarded as married for tax purposes if she is a woman who is married in the ordinary sense of the word and does not qualify as a married person in any of the ways mentioned above. Married women are taxed at a higher rate than anyone else.

So, married women whose husbands are unemployed and married women whose husbands earn less than R10 000 per year (this is R833 per month, or R192 per week) will also pay the same tax as married men because they will be defined as a married person for tax purposes.

Who is regarded as a Single Person?

Men and women who have never been married or who are divorced and who have no children to support are regarded as single. Also, women who are not the first wife of a customary marriage and who have no children to support are regarded as single persons.

How do employers know which category you fit into?

When you start work, your employer must give you an IRP 2 Form to fill in. You fill in all your personal details on this form - for example, whether you are married or not, and how many children you have.

The employer uses this form to work out which category you fit into.

The information on the form must be correct

If your circumstances change - for example if you marry or have a child - a new form must be filled in.

If your circumstances change and you do not update your IRP2 Form then you could end up paying more tax than you should. If you do not fill in an IRP2 Form at all, then your employer is obliged to tax you at the highest possible rate.

Married women who are sole breadwinners must make a special application

If you are a married woman whose husband is unemployed or earning less than R192 per week you have to make a special application to be taxed as a married person.

You need to fill in an "Application for a Tax Deduction Directive" form (Form IRP 3(a)). You have to send this form to the Receiver of Revenue together with :

- * details of how much you and your husband expect to earn in this tax year
- * copies of both your pay-slips
- * the name, address and phone number of both your employers

The Receiver of Revenue will then give your employer a tax directive saying that you must be taxed as a married person.

What if your circumstances change again?

Once your employer has been instructed to tax you as a married person, and not as a married woman, that is in force for the whole of the tax year (the tax year runs from 1st March one year to 28th February the next year).

It makes no difference if your husband finds a job, or gets an increase or a better-paying job, you will still be taxed as a married person for that tax year.

You need to apply for this directive every year

The directive lasts until the end of the tax year only - that is, until the end of February. If your situation is still the same you will have to apply for a new directive for the next tax year.

Tax is a political issue

Clearly, the payment of tax is a political issue. Although everyone in South Africa is liable to pay tax, the majority of

the people have no vote and therefore have no say in how their money is spent.

Tax is a womens' issue

The tax system discriminates against married women in a number of ways :

- * A single person earning R210 per week pays 88 cents tax per week.
- * A married person with no children, earning R210 per week pays no tax at all.
- * A married woman earning R210 per week pays R21.02 tax per week.

2. Men who are married and have children pay less and less tax the more children they have. Their wives get no deduction for children and pay much more tax than their husbands.

3. As we saw above, if a married woman is the sole breadwinner she can apply to be taxed as a married person. The procedure for doing so is very complicated, however. It also has to be repeated each year. This will discourage many women from applying.

Different methods of deducting tax.

Once the company has worked out which category a worker fits into, they can then deduct tax from the workers' wages.

Companies use the tax tables which they get from the Receiver of Revenue to establish how much tax to deduct.

Different companies have different methods of deducting.

The weekly method

If the company is deducting week by week, they simply use the weekly tax tables provided by the Receiver of Revenue.

This method is easy for workers to understand and to check. All you need is a copy of the weekly tax tables. You can get these from your local receiver of revenue, your union office or service organisation.

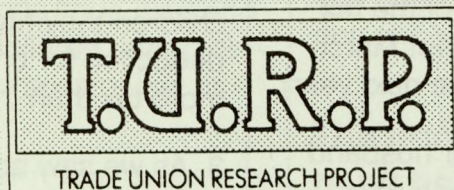
The annualized method

Many companies now use computer programmes which deduct SITE from

workers' wages using an annualized system of deduction.

Although in the end this is a more accurate system, it is much more complicated method and is impossible to check on a weekly basis. It can only be checked at the end of the tax year.

To do this you need to know what you have earned for the whole year. If you look this amount up in the annual tax tables, you will see what tax you should have paid for the whole year.



This pamphlet is issued by the Trade Union Research Project (TURP). TURP is a service organisation which assists trade unions with education and research. We also produce publications for workers and shop stewards and run a resource room.

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