

The UIF TERS Top-up confusion – update

With the payment of the first COVID-19 Temporary Employee / Employer Relief Scheme (TERS) benefits, various misunderstandings have arisen that have subsequently been resolved.

Since the release of the SAICA media statement and member communication on 24 April 2020, SAICA met with the UIF Commissioner to clarify the requirements and formulae to be used for the benefits of employers and employees.

The UIF Commissioner, Mr Teboho Maruping, has confirmed that the UIF will be assisting employers and employees who are affected by the COVID-19 pandemic where employers may not be able to pay employees by implementing the COVID-19 TERS. Previously the UIF TERS benefits calculation stated that where the employer's top-up and the UIF TERS benefit exceeded R17 712 the employee did not qualify for a TERS benefit. The UIF will now pay additional benefits even if the employer has paid the employee a certain portion of his or her salary, provided that the total amount paid to the employee does not exceed his or her normal salary.

To enable this alignment, the UIF has now gazetted various amendments to the initial directive, with some important changes (Government Gazette No.43216 (8 April 2020) and Government Gazette No 43265 (4 May 2020).

Employers can now claim the UIF TERS benefit on behalf of their employees who have either lost income or have been required to take annual leave in terms of section 22(10) of the Basic Conditions of Employment Act. Employers who required employees to take annual leave can now set off any amount received from the UIF in terms of the COVID-19 benefit against the amount paid to the employee in respect of annual leave provided that the employee is credited with the proportionate entitlement to paid annual leave in future. Employers can also pay employees based on the directive and set off the payments with the UIF benefit received.

As mentioned above, the Directive published by the Minister of Employment and Labour, the COVID-19 Temporary Employee / Employer Relief Scheme as amended states that the total of the benefit together with any additional payment by the employer, in any period, may not be more than the remuneration that the employee would have ordinarily received for working during that period (clause 5.3).

There are two further important principles:

1. Should the amount of the benefit to which an employee is entitled by applying the UIF's formula be less than R3 500, the employee will receive the minimum of R3 500.
2. For employees earning above the threshold amount of R17 712 per month, the benefit that may be received is the maximum of 38% of R17 712, which is R6 638.40.



UIF confirmed that on the wording of the Directive prior to this correction, the benefit was calculated up to the threshold amount of R17 712 (and not the employee's actual remuneration). Thus, if the employer's top up and the benefit exceeded the amount of R17 712, the employee would not have qualified for a TERS benefit. We were informed that the UIF will automatically re-calculate the benefits of employees whose applications were rejected on this basis.

The UIF has confirmed the calculations of UIF TERS benefits, and will be indicated in the four examples below:

EXAMPLE 1

For a salary of R6 000 where the employer does not pay the employee a salary the UIF TERS benefit for 30 days is calculated as follows:

Step 1: Calculate daily income

The daily income = R6 000 (benefit limited to R17 712) x 12/365 = R197.26 per day

The salary to be taken into account when calculating the benefits will be capped at a maximum amount of R17 712.

Step 2: Calculate Income Replacement Rate (IRR) using UIF formulae

Formula: $29.2 + (7173.92 / (232.92 + DI))$
 $29.2 + (7173.92 / (232.92 + \underline{197.26}))$
 $29.2 + (7173.92 / 430.18)$
 $29.2 + 16.68$
45.88%

IRR is calculated as 45.88%

Step 3: Calculate daily benefit

The UIF TERS benefit is R197.26 x 45.88% (IRR - Income Replacement Rate is the rate that determines the percentage of a contributor's previous income to which the contributor is entitled to in the form of benefit and is calculated using a formula) = R90,50 per day

Step 4: Calculate monthly benefit

The UIF TERS benefit is R90,50 x 30 = R2 715

Step 5: Calculate monthly benefit payable

As the UIF TERS benefit R2 715 is below the National Minimum Wage of R3 500, employee will be paid R3 500.



EXAMPLE 2

For a salary of R6 000 where the employer pays the employee a partial salary of R2 800, the UIF TERS benefit for 30 days is calculated as follows:

Step 1: Calculate daily income

The daily income = R6 000 (benefit limited to R17 712) x 12/365 = R197.26 per day

The salary to be taken into account when calculating the benefits will be capped at a maximum amount of R17 712.

Step 2: Calculate IRR using UIF formulae

Formula: $29.2 + (7173.92 / (232.92 + DI))$
 $29.2 + (7173.92 / (232.92 + 197.26))$
 $29.2 + (7173.92 / 430.18)$
 $29.2 + 16.68$
45.88%

IRR is calculated as 45.88%

Step 3: Calculate daily benefit

The UIF TERS benefit is R197.26 x 45.88% (IRR) = R90,50 per day

Step 4: Calculate monthly benefit

The UIF TERS benefit is R90.50 x 30 = R2 715

Step 5: Calculate monthly benefit payable

As the UIF TERS benefit R2 715 is below the National Minimum Wage of R3 500, the employee will be paid R3 500. But as the employer has paid the employee R2 800, the UIF will only contribute R3 200. The employee can only receive up to normal salary of R6 000 (R2 800 + R3200).

EXAMPLE 3

For a salary of R18 640 where the employer does not pay the employee a salary, the UIF TERS benefit for 30 days is:

Step 1: Calculate daily income

Salary for benefit purposes to be capped at R17 712 and not R18 640

Daily income: R17 712 x 12/365 = R582.31 per day



The salary to be taken into account when calculating the benefits will be capped at a maximum amount of R17 712.

Step 2: Calculate IRR using UIF formulae

$$\begin{aligned} \text{Formula: } & 29.2 + (7173.92 / (232.92 + DI)) \\ & 29.2 + (7173.92 / (232.92 + \underline{582.31})) \\ & 29.2 + (7173.92 / 815.23) \\ & 29.2 + 8.80 \\ & 38\% \end{aligned}$$

IRR is calculated as 38%

Step 3: Calculate daily benefit

The UIF TERS benefit is R582.31 x 38% (IRR) = R221.28 per day

Step 4: Calculate monthly benefit

The UIF TERS benefit is R221.28 x 30 = R6 638.33

Step 5: Calculate monthly benefit payable

Employee will be paid R6 638.33

EXAMPLE 4

For a salary of R18 640 where the employer pays the employee a partial salary of R9 320 (50%), the UIF TERS benefit for 30 days is:

Step 1: Calculate daily income

Salary for benefit purposes to be capped at R17 712 and not R18 640

Daily income: R17 712 x 12/365 = R582.31 per day

The salary to be taken into account when calculating the benefits will be capped at a maximum amount of R17 712.

Step 2: Calculate IRR using UIF formulae

$$\begin{aligned} \text{Formula: } & 29.2 + (7173.92 / (232.92 + DI)) \\ & 29.2 + (7173.92 / (232.92 + \underline{582.31})) \\ & 29.2 + (7173.92 / 815.23) \\ & 29.2 + 8.80 \\ & 38\% \end{aligned}$$

IRR is calculated as 38%



Step 3: Calculate daily benefit

The UIF TERS benefit is $R582.31 \times 38\%(\text{IRR}) = R221.28$ per day

Step 4: Calculate monthly benefit

The UIF TERS benefit is $R221,28 \times 30 = R6\ 638.33$

Step 5: Calculate monthly benefit payable

As the employee received R9 320, UIF will top-up the payment of R9 320 with R6 638.33 and the employee would receive a total of R15 958.33 which is still less than the normal remuneration of R18 640.

References:

[Updated UIF Frequently asked questions](#)

[Consolidated COVID-19 TERS Directive with all amendments](#)

Regards

Juanita Steenekamp
Project Director: Legislation, Ethics and Governance