



TAX INDABA

2018

WELCOME



# Loans to Employees

# Why are employers providing loans to employees?

General

- A loan may alleviate financial stress that make staff less productive
- In a small business it may contribute to building loyalty and improve morale
- It may contribute to employee retention

## **In a South African context**

- A loan could make it possible for an employee and/or the employee's family to further their education
- Low income employees are able to access the fixed property



# But, what happens when...

- the employee does not make payment on time, or does not make payment at all?
- the employee is struggling financially and attempts to lengthen the term or reduce the interest rate?
- the employee requests a loan frequently?
- one employee is granted a loan, and now everyone wants one?
- the employee resigns? How will you collect the outstanding balance?
- the National Credit Regulator comes knocking on your door?



# The basics

## Interest benefits

- A loan granted to an employee by an employer, or by another person by arrangement with the employer, or by an associated institution of the employer;
- Low interest rate or no interest at all;

*Difference between the official rate of interest and actual interest charged.*

## Release from debt

- Employee no longer obliged to settle the debt;
- The debt prescribes – unless the employer can satisfy the Commissioner that it was not its intention to transfer the benefit to the employee;

*Difference between the official rate of interest and actual interest charged.*



# Casual loans

- Short term loans granted at irregular intervals
- Does not exceed R3 000 in aggregate

## **What about a long term loan?**

- Loan used by the employee in the production of income.

## **What about a loan to a shareholder?**

- Loan granted by virtue of shareholding and not employment



# Study loans

- Loans granted to enable employees to further their own studies;
- What about an amount owing due to the non-fulfilment of obligations in respect of a bursary or scholarship?
- Loan / debt taken over by a new employer?

# Loans to acquire residential property

- Employee has the right to reside in an employer owned property
- Employee is granted a low / interest free loan to acquire residential property
- Ownership will ultimately be transferred to the employee

## Changes from 1 March 2019

- Loan value not exceeding R450 000
- Market value of property not exceeding R450 000 at the time it is acquired
- Remuneration proxy not exceeding R250 000 at the time the loan is granted





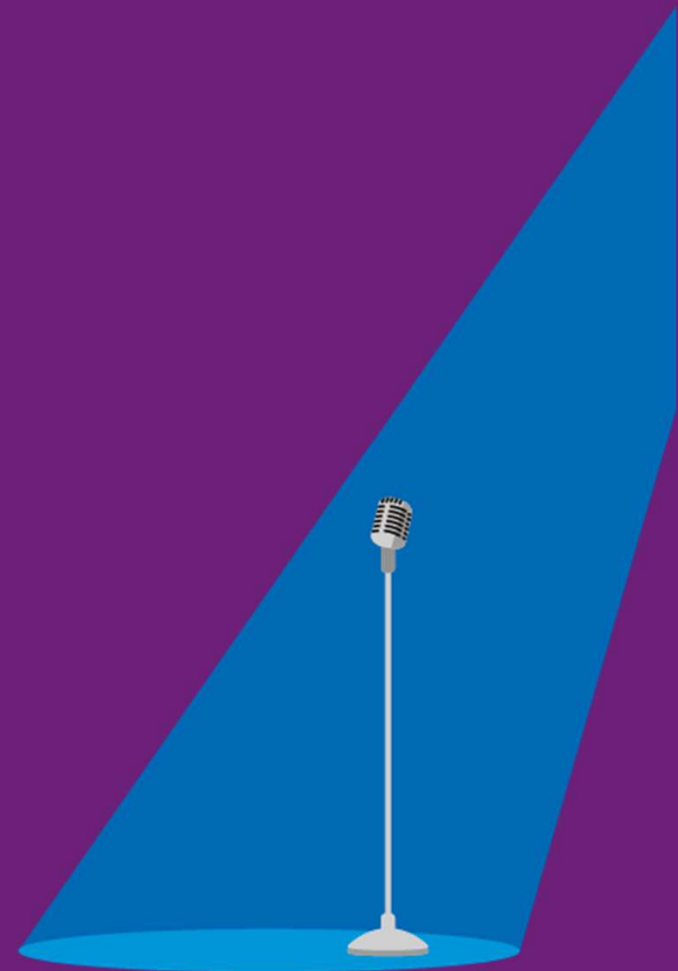
# Questions?

## Contact

Sarika Rautenbach  
Senior Manager

T: +27 (0)82 719 5685

E: [sarika.rautenbach@kpmg.co.za](mailto:sarika.rautenbach@kpmg.co.za)





Thank you