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GOVERNMENT NOTICES • GOEWERMENTSKENNISGEWINGS

DEPARTMENT OF EMPLOYMENT AND LABOUR

NO. 6141 **25 April 2025**

COMPENSATION FOR OCCUPATIONAL INJURIES AND DISEASES ACT, 1993 (ACT NO 130 OF 1993)

NOTICE ON THE MANNER OF CALCULATION OF RETURN OF EARNINGS AND THE DETERMINATION OF EARNINGS FOR INCLUSION/EXCLUSION IN THE MEASUREMENT OF COMPENSATION BENEFITS

I, Nkosazana Meth hereby in terms of section 97(h) of the Act issue the following Notice. The Notice is intended to provide guidance regarding the manner of calculation of earnings for the purpose of Return of Earnings in terms of section 82 and for calculating compensation benefits in terms of sections 63 and 67 of the Compensation for Occupational Injuries and Diseases Act, 130 of 1997, as amended.

This Notice shall be effective from the date of publication hereof.

Ms N Meth, MP

MINISTER OF EMPLOYMENT AND LABOUR

DATE 31 March 2025

SCHEDULE A

Notice on the calculation of Earnings in terms of section 63 and 67 and 82 of the Act.

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1. Purpose

The purpose of this Notice is to provide clarity to employers on the manner of calculating earnings for the purpose of the Compensation for Occupational Injuries and Diseases Act.

2. Definitions

(a) **"Intermittent allowances"** refers to allowances paid to an employee for a minimum of 3 months retrospectively from the date of accident/date of diagnosis of a disease and that is non-consecutive. This definition excludes earnings in terms of section 82.

(b) **"Non-recurrent occasional services"** refers to payment to an employee for a once off service or work performed by the employee;

(c) **"Allowance of a regular nature"** refers to allowances paid to an employee retrospectively from the time of the accident/diagnosis of a disease for a minimum of 3 (three) consecutive months or more but not exceeding 12 months. This definition excludes earnings in terms of section 82.

(d) **'Prescribed period'** refers to, in terms of item 6.3 below, 30 days from the date of request for further information.

3. Manner of calculating earnings in terms of section 82

2.1 For the purpose of the submission of Return of Earnings (ROEs) in terms of section 82; an employer shall include the following earnings types with employees' earnings (salary/wages) in the payroll for the declaration of ROE earnings:

a) 13th cheque
b) Service bonus
c) Holiday bonus/pay/Christmas bonus
d) Housing allowance/ subsidy allowance
e) Acting allowance
f) Attendance allowance
g) Overtime allowance
h) Commission
i) Danger allowance

j) Grazing allowance
k) Production bonus
l) Public holiday allowance
m) Rural allowance
n) Shift allowance
o) Sunday allowance
p) Night shift allowance
q) Standby allowance
r) Harvest allowance
s) Scares skills allowance
t) Petrol/Car/Cell phone allowance
u) Transport allowance
v) Travel allowance
w) Value of free food and quarters (accommodation)
x) Any other non-pensionable allowance

2.2 Exclusions on earnings - the following list are the examples of allowances that shall be excluded when calculating earnings:

a) Reimbursements
b) Ex-gratia payments (voluntary payments to employees without legal obligation)

4. Manner of calculating compensation benefits in terms of sections 63 and 67

3.1 For the purpose of calculating compensation benefits in terms of section 63 and 67; the following non-exhaustive list of earnings types will be considered if they meet the criteria of regular in nature as defined in this Notice. Allowances that meet the criteria of intermittent in nature will be excluded in the calculation of compensation.

a) 13th cheque
b) Service bonus
c) Holiday bonus/pay/Christmas bonus
d) Housing allowance/ subsidy allowance
e) Acting allowance
f) Attendance allowance
g) Overtime allowance
h) Commission

i) Danger allowance
j) Grazing allowance
k) Production bonus
l) Public holiday allowance
m) Rural allowance
n) Shift allowance
o) Sunday allowance
p) Night shift allowance
q) Standby allowance
r) Harvest allowance
s) Scares skills allowance
t) Petrol/Car/Cell phone allowance
u) Transport allowance
v) Travel allowance
w) Value of free food and quarters (accommodation)
x) Any other non-pensionable allowance

3.2 With regards to exclusions on the calculation of compensation benefits, the following allowances will be excluded from the calculations:

a) Payment of allowances of an intermittent nature
b) Payment of non-recurring, occasional services
c) Amounts paid to cover any other special expenses/reimbursement of travelling expenses
d) Ex-gratia payments

5. Proof of earnings for the purpose of calculating compensation benefits

5.1 For the purpose of calculating compensation benefits the employer is required to submit the following:

a) The full names of the employee
b) The employee work /Identification number
c) Full details of the employer's name and the employer address
d) Earnings in full which the employee received prior to the month of accident

e) All allowances and deductions

f) The employer shall clarify if the employee qualified for a bonus by stating the amount and period in which the bonus was paid out.

5.2 In terms of this Notice, the number of proof of earnings which shall be acceptable by the Fund for the purpose of compensating benefits shall be a minimum of three months from the month of the accident to the maximum of 12 months retrospectively.

5.3 The employer shall declare earnings on the W.CL 1/2 forms, including the amount that the employee qualified for as bonus and the month in which the bonus was paid.

6. Consideration in calculation of earnings for compensation benefits

6.1 The basic salary as per the employee's pay slip, per month shall be used for calculating earnings.

6.2 The Fund shall only consider allowances of a regular nature when calculating earnings for processing benefits.

6.3 In case where the employer failed to provide the proof of earnings within the prescribed period; the minimum and maximum compensation shall be considered when calculating benefits payable.

6.4 Conversion of weekly earning to monthly earnings: The calculation of monthly earnings shall be calculated as equal to four and one-third times the amount of such weekly earnings.

7. Applicable example in calculating compensation benefits using allowances

The employee has received five types of allowances, and determination of such allowance should be added to the basic salary to derive the monthly earnings:

	Month 1	Month 2	Month 3 (month of accident)	Number of months	Total earned	Average earnings
Overtime (1)	R2500	R1000	R1000	3	R4500	R1500 (R4500/3)
Commission	R1000	R0.00	R0.00	1	R1000	R0.00 (R1000 not a regular allowance)
Acting allowance	R0.00	R0.00	R750.00	1	R750	R0.00 (R750 not a regular allowance)
Food	R200	R200	R200	3	R600	R200 (R600/3)

Quarters	R150	R150	R150	3	R450	R150 (R450/3)
Total						**R1 850.00**

8. Proof of earnings in terms of section 82 return of earnings

8.1 For the purpose of calculating earnings (assessments) the employer is required to submit but not limited to the following:

(a) detailed payroll report
(b) audited/ independently reviewed/ compiled, signed annual financial statement
(c) SARS EMP 501/ SARS Exempt Certificate
(d) Employee master file
(e) List of subcontractors
(f) Incident report
(g) Employment contract (for domestic employees)

Refer to Annexure A – Guidance Note: on the calculation of earnings in terms of sections 82 and 83 on employers' assessments (return of earnings and maximum earnings)

ANNEXURE A – GUIDANCE NOTE: on the calculation of earnings in terms of sections 82 and 83 on employers' assessments (return of earnings and maximum earnings)

1. **Background**

   Since the amendment of the Act in 1997, the sections dealt with in this guidance note has never changed, including their interpretation and application by the Compensation Fund (CF).

2. **How employers are assessed under section 83 and their obligation under section 82**

   2.1 Employers are assessed based on their declaration of annual earnings of employees for the year of assessment, taking into account tariffs as per published industry classifications of their business.

   2.2 Earnings of employees for the year of assessment are considered on an annual basis as opposed to monthly for purposes of applying the maximum amount of earnings. Employers are required to submit their Return of Earnings (ROEs) annually under the Act.

   2.3 The obligation to submit a Return of Earnings rests with the employer and not employees. Thus, the maximum amount of earnings limit is applied separately to each employer's return. If the employee's total annual earnings from all employers, in a particular year, exceeds the maximum threshold, each employer is only liable for their portion of the earnings up to the threshold.

Example 1 – Employer's annual submission of return of earnings

Facts:

XYZ PTY LTD, during the year of assessment of 2020 (i.e. 01 March 2020 to 28 February 2021) paid a total of R45 000 000.00 to its employees. The published maximum amount of earnings for the 2020 year of assessment is R484 200.00

The following is an extract of the payroll report:

Employee No	Employee name	Months worked	Total Annual Earnings
290000	M Simon	4	R 600 345.00

280000	M James	12	R 235 098.00
270000	P John	12	R 159 500.00
260000	E Western	12	R 435 000.00
250000	S Kane	11	R 967 459.00

Results:

The maximum amount of earnings must be applied to the annual earnings or the full period's earnings in a scenario wherein employer ceases operations in the middle of the year of assessment or the employee resigns or is terminated.

Employee No	Employee name	Months worked	Total Annual Earnings	Maximum limit	Earnings to declare to CF
290000	M Simon	4	R 600 345.00	R 484 200.00	R 484 200.00
280000	M James	12	R 235 098.00	R 484 200.00	R 235 098.00
270000	P John	12	R 159 500.00	R 484 200.00	R 159 500.00
260000	E Western	12	R 435 000.00	R 484 200.00	R 435 000.00
250000	S Kane	11	R 967 459.00	R 484 200.00	R 484 200.00

Example 2 – Employer's annual submission of Return of Earnings in an employee's job hopping scenario

Facts:

Using the same scenario in Example 1 with M Simon who subsequently gets employed by QPR Pty Ltd for the remainder of the year of assessment which is 8 months and received earnings of R1 255 200.00 for this period.

Results:

Mr M Simon's total annual earnings exceeds the maximum amount of earnings limit for employer XYZ Pty Ltd and QPR Pty Ltd individually and combined.

XYZ Pty Ltd must declare to CF earnings for Mr Simon of R484 200.00 on which basis an assessment will be calculated, since his earnings exceeded the maximum amount of earnings limit.

The same approach must be taken by QPR Pty Ltd.

Submission of Return of Earnings is a compliance obligation of each and every employer and the payment of an assessment thereof. Whether an employee earns from 2 or more employers in an assessment period, is irrelevant as it is not the employee who is assessed but rather the employer.

Employee No	Employee name	Months worked	Total Annual Earnings	Maximum limit	Earnings to declare to CF
290000	M Simon	8	R1 255 200.00	R 484 200.00	R 484 200.00

Based on the employers' industry classification, a tariff of assessment rate as published by the Compensation Fund is used to calculate a liability amount on the earnings declared by the employer as correct, excluding earnings exceeding the maximum amount of earnings limit.

3. Submission of returns online and manually

3.1 Employers must submit their Return of Earnings (ROE) online or manually by completing a manual ROE form.

3.2 The manual ROE form requires employers to declare what is referred to as "actual earnings" for the year of assessment ending on the last day of February. The form also requires employers to declare what is referred to as "provisional earnings", which represents estimated earnings for the following year of assessment ending on the last day of February.

3.3 In the "actual earnings" section, the following statement appears "*Number of employees and amount of earnings (staff costs/salaries & wages) per month paid to all employees (excluding directors of a Company or members of a close corporation) up to a maximum of Rxxx xxx per person for the above period".* Immediately below the above statement, a "Number" and "Earnings (Rands only)" is required per month as per the table. A "Total" for both number of employees and rand value of earnings is required after the February month row.

3.4 The statement in the "Actual Earnings" section of the manual return of earnings form requests the following information:

a) Number of employees: The total number of employees (excluding directors of a company or members of a close corporation) who received earnings

(salaries, wages, or staff costs) during the specified period. (*NB: Directors, etc are addressed separately in the form)*

b) Amount of earnings: The total amount of earnings paid to all employees, subject to the maximum threshold principle:

- Earnings up to R484 200.00 per person are included in full, since the employer is required to submit the return once a year, the earnings threshold of R484 200.00 applies to the total earnings paid to each employee over the entire assessment year (1 March to 28/29 February).
- Earnings above R484 200.00 per person are excluded (or capped at R484 200.00).

Note that the earnings amount of R484 200.00 is the published maximum threshold amount for the 2020 year of assessment and is used here for illustrative purposes.

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