



Employer Frequently Asked Questions

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This document answers the most common employer questions about SmartCommute™ — the Staff Mobility Assistance & Recognition Tool — a structured workforce resilience intervention delivering Social Ex Gratia Payments to qualifying employees. For questions not covered here, contact Adv. Don Leffler: don@wemindfoundation.co.za | +27 72 7113 277.

R550–R600 Per participant per month (by salary Band)	Code 3601 SARS PAYE only	3 months Continuously available, per employer	s11(a) Primary tax treatment	Level 1 CDII B-BBEE status
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Q1. Is this a salary increase or wage supplement for my employees?

No. The Social Ex Gratia Payment is not remuneration and does not form part of any employee's salary or contract of employment. It is made ex gratia — voluntarily, without legal obligation — at the direction of CDII. No employee acquires any right or entitlement from the payment.

Q2. Does it create a recurring obligation? Will employees expect it next month or next year?

No, provided the programme architecture is correctly implemented. The payment arrives on a different date from salary, with a different bank reference, and is described on the payslip as 'Social Ex Gratia Payment — non-contractual, non-recurring'. The Employee Acceptance Form expressly records the employee's acknowledgement that no expectation is created. Each employer's participation also has a defined end: its fixed 3-month term ends automatically unless renewed in writing, and CDII may end it earlier by written notice (see Q10). This mirrors the legal treatment of 13th cheque payments, which courts consistently recognise as non-recurring if properly documented.

Q3. What PAYE code applies? Is it tax-free?

No — it is not tax-free. PAYE Code 3601 (Gross Remuneration — ex gratia) applies. PAYE is withheld at the employee's marginal rate.

Example (Band A, R600 gross): At 18% marginal rate — R108 PAYE withheld — R492 net to employee. At 26% marginal rate — R156 PAYE withheld — R444 net. Employees earning below R99,000 per annum pay nil PAYE (income falls below the annual tax threshold).

IRP5 Code 3601 and monthly EMP201 compliance are both required.

Q4. Why does it need to be a separate pay-run? Can we not just add it to the salary run?

The separate pay-run is the most important structural protection against both SARS recharacterisation and employee expectation. A payment that arrives on the same date as salary, via the same payroll cycle, is functionally indistinguishable from salary. Processing it separately — on a different date, with a different bank reference — creates a visible,

documented separation that courts, SARS, and trade unions recognise as meaningful. This is exactly how 13th cheque and merit bonus payments are handled.

Q5. What does the separate pay-run cost?

At a 27-employee scale, R600 per employee (Band A ceiling), 3 months (total gross R48,600):

- Internal payroll administration time (2–3 hours per month): R1,500–R3,150
- Payroll system cost for the additional run: approximately R810
- Total incremental cost: R2,310–R3,960 over 3 months

UIF and SDL do not apply to the Social Ex Gratia Payment — see Q15. These costs are the employer's responsibility and are not included in the CDII administration fee (7.5% of gross disbursements).

Q6. What are the B-BBEE benefits?

CDII is a B-BBEE Level 1 NPC. The answer depends on how you contribute:

- **Participation for your own employees** (the usual SmartCommute route): this does not earn Socio-Economic Development (SED) points. The B-BBEE Codes do not recognise contributions whose beneficiaries are the measured entity's own employees.
- **An unrestricted contribution to the Fund's pool**, which you do not direct to your own employees and for which CDII alone selects the beneficiaries: this may qualify as SED spend under Statement 500 (Generic Scorecard) or Statement 605 (QSE Scorecard), provided at least 75% of its value benefits black people and it supports income-generating activity. Where it qualifies, CDII provides an SED Verification Letter.

Your B-BBEE Verification Agency decides what it recognises. Please confirm with them before relying on SED points.

Q7. How is my contribution treated for tax? Does section 18A apply?

- **Participation for your own employees:** the contribution is generally deductible as staff welfare expenditure under section 11(a) of the Income Tax Act, subject to the usual requirements (it must be incurred in carrying on your trade, in the production of income, and not be of a capital nature). Because it benefits your own employees, it is not a donation, so section 18A does not apply.
- **Unrestricted contribution to the Fund's pool:** this may qualify as a donation under section 18A, and CDII will then issue a Section 18A Certificate, provided it is a bona fide donation with no benefit to you or anyone connected to you, and within the limit of 10% of your taxable income.

The same Rand can never be claimed under both section 18A and B-BBEE SED.

Your responsibility: each route has its own eligibility criteria, and the treatment depends on your circumstances. Please confirm it with your own tax adviser, B-BBEE Verification Agency and legal adviser before relying on it.

Q8. What about Donations Tax?

Donations Tax does not apply. Section 56(1)(h) of the Income Tax Act expressly exempts donations to approved PBOs from Donations Tax. CDII's PBO status (PBO 930 041 456) means no Donations Tax arises on contributions to the SmartCommute Commuter Resilience Fund.

Q9. What documentation do I need?

Three documents are required before the first payment:

- A signed Board Resolution authorising programme participation (7 substantive resolutions — CDII provides the template)
- A signed Programme Participation & Master Agreement (PP&MA v1.1) with CDII
- A signed Employee Acceptance Form (EAF v6.6) from each Qualifying Employee

Each month CDII provides a Disbursement Notice. For unrestricted pooled contributions only, CDII also provides either a Section 18A Certificate or an SED Verification Letter, as elected on the Benefit Election Form (Document N).

Q10. What happens if circumstances change? When does the programme end?

The programme is continuously available. Each Participating Employer's participation is a fixed 3-month term from its own start date, which ends on whichever of the following occurs first:

- **Close of the 3-month term:** automatic end unless renewed in writing at the Participating Employer's discretion.
- **CDII determination of material change:** written notice from CDII, acting as Programme Administrator, following its determination — based on evidence presented to it — of a material macroeconomic development or a material company-specific event substantiating that the circumstances for the programme have materially changed.

There is no petrol price trigger.

Q11. Can the programme be extended?

Yes — at the Participating Employer's discretion, the term may be extended or renewed by one, two, or three months, or for a further 3-month term, in writing under PP&MA Schedule 1. This discretion does not apply once CDII has issued a material-change notice.

Q12. Can we report our participation in company annual, financial and ESG reports?

Yes. Participation qualifies as a Social Pillar ESG activity under King V governance principles.

Suggested report wording: "During [period] the Company participated in the SmartCommute™ Commuter Resilience Partnership, administered by Community Development Initiatives International NPC (CDII), an independent B-BBEE Level 1 Public Benefit Organisation (PBO 930 041 456). The programme delivered structured Social Ex Gratia Payments to qualifying employees as a workforce resilience intervention in response to sustained cost-of-living pressure. Participation was authorised by Board Resolution, structured as staff welfare expenditure administered through an independent Public Benefit Organisation, and is consistent with the Company's King V ESG Social Pillar commitments."

Q13. Can an employee apply to SARS to reduce the PAYE withheld?

Yes — under paragraph 11 of the Fourth Schedule to the Income Tax Act, an employee may apply directly to SARS for a directive reducing or eliminating PAYE withheld on a specific payment, on grounds of hardship, using the IRP3(c) form. The directive is discretionary — SARS is not obliged to grant it. Once issued, the employer must apply the directed rate and has no discretion to override it.

Q14. Are learners and interns eligible for the programme?

Yes — via a two-track eligibility model:

- **Track 1 — Employer Payroll (Code 3601):** Permanent employees; employed learners registered under section 17 of the Skills Development Act; employed interns on fixed-term contracts. All processed through employer payroll under Code 3601.
- **Track 2 — CDII Direct Disbursement:** Unemployed learners in registered learnerships hosted by a Participating Employer; stipend-only interns without employment contracts. CDII disburses directly.

Q15. Do UIF, SDL and COIDA apply to the Social Ex Gratia Payment?

No. UIF, SDL and COIDA do not apply — each is excluded by statute or ministerial notice: UIF is not "remuneration in respect of services rendered"; SDL falls outside the Fourth Schedule remuneration definition; COIDA is expressly excluded by the Minister's Notice (April 2025) for voluntary ex gratia payments.

Payroll configuration note: some payroll systems automatically calculate UIF and SDL on any Code 3601 entry. Instruct your payroll provider to configure the exclusion before processing the first payment.

Contact CDII to participate

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