Third Party Appointment (AA88)

An employers’ guide to the Third Party Appointment (AA88) process
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Introduction

The Tax Administration Act empowers the Commissioner for the South African Revenue Service (SARS) to appoint a third party to withhold and pay over to SARS any amounts due by a taxpayer in terms of the relevant tax Act. Such a third party may be an employer of the taxpayer or any other person who has the management, custody or control of any income, monies or property of the taxpayer.

SARS will issue the Third Party Appointment (AA88) Notice in the following manner:
- Via the e@syFile™ Employer application
- Via the post using the employer’s postal address.

On receipt of the AA88 Notice, the employer must do the following:
- Review the list of impacted taxpayers (manage outcomes)
- Deduct the stipulated amount from the salary or wages of the respective employees, as indicated on the AA88
- Pay the amounts over to SARS by the due date, as indicated on the AA88 Notice.

Where the employer is unable to execute the request, the employer must provide feedback on reasons for his/her inability to execute the request using one of the following channels:
- Log on to e@syFile™ Employer to view the AA88 Notice and provide a response to SARS by selecting one of the outcomes from the drop-down list
- Contact the SARS Contact Centre or visit a SARS branch where an agent will assist the employer with capturing the outcomes in relation to the taxpayers listed on the AA88 Notice.

The following diagram aims to illustrate the process involved when SARS issues an employer with an AA88 and the course of action that needs to be followed once the AA88 has been issued to the employer.
The AA88 Notices to employers will be issued according to the following cycle as described in the diagram. An AA88 will only be issued to an employer if an overdue debt exists against a taxpayer. The taxpayer will not be penalised additionally if the employer stays in default from deducting the money as stated in the AA88 Notice. SARS might however hold the employer liable for the money if the employer stays in default.

Figure 1: AA88 Notice Issuing Cycle

Please also take note of the following:

- If a new debt is created on an employee’s taxpayer’s account where an AA88 Notice has previously been issued, an additional AA88 might be issued. This AA88 Notice does not supersede previously issued AA88s, it is additional to (on top off) previous deductions.
- Only when the employer requests more instalments (three or six month’s) in the place of a one or three month, a new AA88 will be created for all the previous AA88s over the requested instalment period. In this case the previous AA88 Notice transactions will be cancelled and clearly stated as such on the AA88 Notice.
- If an employer requests changes to an AA88 due to affordability, the new AA88 will be issued in real time if e@syFile™ Employer is used. Different due dates will apply based on the date of the request (requested before the 15th of the month, the due date would be the end of the same month. Requested on or after the 15th of the month, would be the end of the following month).

THIRD PARTY APPOINTMENT (AA88)

Who will receive a Third Party Appointment?

A taxpayer will be due for a Third Party Appointment if:

- A penalty amount is outstanding for two months after the issuing of the original penalty
- No dispute is in progress regarding the penalty (an AA88 will only be issued against finalised disputes or if the dispute was disallowed or partially allowed)
- A valid third party can be identified from the information at SARS’s disposal.
Who might be appointed as a third party?

Possible third parties who can be appointed for individual taxpayers include:

- Employers
- Any debtor who owes the taxpayer money
- Financial institutions, such as banks
- Attorneys
- Medical aid schemes (in case of members of the medical fraternity)
- Investment managers
- Insurance companies.

These third parties will only be appointed if they hold money on behalf of the taxpayer.

How will the employer receive the AA88 Notice?

SARS will issue the AA88 Notice in the following manner:

- Via the e@syFile™ Employer application
- Via the post using the employer’s postal address.

What will happen if the employer does not act on the AA88 Notice within the given time period?

In terms of the Income Tax Act No.58 of 1962, SARS will hold the employer personally liable for the outstanding administrative penalty or penalties, in the event that the employer does indeed hold money on behalf of the taxpayer.

How long does the employer have to pay over the money, in respect of the AA88, to SARS?

The payment due date will be reflected on the AA88 Notice that will be sent to relevant employers.

What will happen if the employer pays over the outstanding penalty amount but the taxpayer already made payment in respect thereof?

The overpayment will be refunded to the taxpayer.

What will happen where the employee left the services of the employer or the employee is deceased and the amount was incorrectly paid over to the SARS by the employer?

The employer must send a written request to SARS for rectification.

What will the AA88 Third Party Appointment Notice look like?
The PAYE reference number will be used to identify the employer in all engagements related to third party appointments.

The content explains the employer’s obligation to deduct the money owed to SARS in respect of outstanding administrative penalties, from the specific employees’ (taxpayer’s) salary or wages and pay it over to SARS.

It also explains how the employer can engage with SARS if the employer is unable to fulfill this obligation.

The next section of the notice will contain any combination of three separate tables:

- The Third Party Appointment Created table shows all the new issued AA88s against employees of the employer
- The Third Party Appointment Cancelled table contains all the cancelled AA88s as well as the applicable reasons for cancellation
- The Third Party Appointment Defaulted table shows all overdue AA88s and any payments in respect of the employee.

The Third Party Appointment Created table contains a listing of all employees in respect of which the employer has been appointed as a third party. Each employees name, tax reference, and ID number has been supplied for ease of identification.

The AA88 transaction number is the unique reference number which, together with the employer’s PAYE tax reference number, should be quoted when resolving any queries with SARS.

The monthly instalments (Monthly Deduction) and total amount (Amount due by taxpayer at issue date) are reflected. The employer is responsible for paying the monthly instalment by the due date stipulated. In instances of affordability (taxpayer not able to afford the total amount as one salary deduction), the total value will be broken into instalments, indicated by:

- The “Start Date” and “End Date” will be different. The start date is the date by which the first instalment should be paid whereas the end date is the date by which the last instalment must be paid, and
- The instalment value will be less than the total amount. The “Amount due by taxpayer at issue date” divided by the “Monthly Deduction” indicates the number of instalments.

Each AA88 contains the 19-digit Payment Reference Number (PRN) that must be used when making payment. It is essential that this number is correctly quoted so that the payment is correctly reflected and allocated to the taxpayer’s account.
• The **Third Party Appointment Cancelled** table contains a listing of all employees where the AA88 previously issued, has now been cancelled.

• The AA88 transaction number can be used to trace the cancellation back to the original appointment, reflected in the table, **Third Party Appointment Created**.

• The amount and date the AA88 was cancelled

• A cancellation reason is recorded against each transaction. Typically it would reflect the reason or outcome as communicated to SARS by the employer (for example, taxpayer no longer employed; taxpayer can’t afford deductions, etc).

• The **Third Party Appointment Defaulted** table contains a listing of all employees where the AA88 instalment is 30 days overdue.

• Each default transaction contains:
  ° Unique AA88 transaction number to which the default refers
  ° Original amount at the issue date of the AA88 Notice
  ° Payments received to date
  ° The default amount still outstanding.

• The 19-digit PRN that must be used when making payment is also provided. This reference must be used to ensure that the payment is correctly reflected and allocated to the taxpayer’s account.

On receipt of the AA88 Notice, the employer must do the following:

• Review the list of impacted employees

• Deduct the stipulated amount from the salary or wages of the respective employees, as indicated on the AA88 Notice

• Pay the amounts over to SARS by the due date, as indicated on the AA88 Notice.

Where the employer is unable to execute the request to withhold the stipulated amount against the salaries and wages of the employee as requested by SARS, the employer must provide feedback on reasons for his/her inability to execute the AA88 request via one of the following channels:

• Employer to log on to e@syFile™ Employer to view the AA88 Notice and provide a response to SARS by selecting one of the outcomes from the drop-down list

• Contact the SARS Contact Centre or visit a SARS branch where an agent will assist the employer with capturing of the responses in relation to the employees listed on the AA88 Notice.

What if the employee can’t afford the amount on the AA88 Notice issued?

Most of AA88 transactions will be issued for the full debt amount in a single deduction. If the employer identifies that the employee won’t be able to afford the full deduction, the employer can submit an “Affordability Requested” outcome for the employee on e@syFile™ Employer or request the same at a SARS branch.

Upon receipt of the request, SARS will calculate affordability terms based on the employee’s income related information. If the affordability terms provided by SARS are in the employee’s view too onerous, the employee is required to visit a SARS branch to make necessary arrangements and substantiate what is affordable in order to allow for the employee to pay for basic living expenses.
When the employee decides to apply for more lenient affordability terms at a SARS branch he/she will be required as a prerequisite to:

• Submit any outstanding Income Tax returns.
• Supply the last three month’s payslips and proof of expenses.

If more lenient terms are agreed to between the employee and SARS, the AA88 information will be updated on your e@syFile™ Employer during synchronisation. This agreement is subject to SARS approval.

Please note:

• Employers won’t be able to apply for affordability if the employer was appointed for Income Tax debt for that employee. These employees must visit a SARS branch if affordability terms are required.
• Based on the employee’s income related information, SARS might not issue instalment terms that are different from the original transaction

**PENALTY PAYMENTS TO SARS**

**Making the AA88 payments to SARS**

The following channels are available to employers for the payment of administrative penalty amounts to SARS:

• eFiling (with the Bulk Payment functionality)
• e@syFile™ Employer application
• Electronic transfer via Internet banking
• Over the counter at branches of the relevant banking institutions
• Debit order
• Over the counter at a SARS branch.

**Using eFiling to make your payment**

eFiling allows for bulk payments that are especially convenient for AA88s. eFiling is the free, secure electronic tax return and payment submission service offered by SARS to eliminate the risks and hassles associated with the submission of manual tax returns and payments.

SARS eFiling provides a far more convenient, reliable and accurate electronic payment facility. eFiling is supported by the following banking institutions, namely ABSA, Citi Bank FNB, Investec, Nedbank and Standard Bank.

To access eFiling, visit www.sarsefiling.co.za.

**Electronic transfer via Internet banking**

Payments can be made directly to SARS using the internet banking services offered by ABSA, Capitec Bank, FNB, HSBC, Investec, Mercantile Bank, Nedbank and Standard Bank. It is imperative that the correct payment reference information is provided in all instances to ensure that tax payments are easily identified and correctly allocated by SARS.

The following items are essential to ensure that payments are processed correctly:

1. SARS beneficiary account ID
2. A 19-digit bank PRN. This tells SARS exactly who the client is and enables the allocation of such payment to a specific tax/duty and period.

For the payment of administrative penalty amounts, the employer needs to use the unique 19-digit PRN as it appears on the relevant payment form. The beneficiary ID that is applicable to ABSA, FNB, Nedbank and Standard Bank payments in respect of administrative penalties is SARS-ITA.
Over the counter at branches of the relevant banking institutions

Any payment can be made at any ABSA, FNB, Nedbank or Standard Bank branch. These payments must comply with the same payment referencing requirements used for internet payments. Banks require the following information in order to accept and process SARS payments:

- SARS tax form/payment advice containing the 19-digit PRN and the tax type that the employer intends paying (administrative penalty)
- The amount due.

In order for SARS to process the clients payment in a timely and accurate manner, it is imperative that the correct information is supplied to the bank when making over the counter payments. The bank will reject all payments which do not conform to the payment reference criteria listed above. Please note that the SARS tax form/payment advice stipulates the information needed to initiate the deposit.

Cheque payments must be made out to South African Revenue Service (no abbreviation allowed), in any of the official languages.

Debit order

Debit orders made with SARS will not be activated in respect of eFiling. Once registered for eFiling, any debit order made with SARS will automatically be cancelled. The client must then initiate a new debit order arrangement with eFiling.

Over the counter at a SARS branch

Payment can be made during office hours (08:30-15:30) at any SARS branch. For ease of processing, employers should ensure that the tax form/payment advice indicating the taxpayer reference number, tax type and tax period is attached to all payments.

e@syFile™ Employer payments

For payments using e@syFile™ Employer, kindly refer to the e@syFile™ Employer User Guide available on the SARS website www.sars.gov.za.

THE THIRD PARTY APPOINTMENT RECONCILIATION STATEMENT (AA88R)

Once the employer has made the required payment for those confirmed employees, SARS will issue the employer with a Reconciliation Statement (AA88R) at the end of every month.

How will the employer receive the AA88R?

SARS will issue the AA88R in the following manner:

- Via the e@syFile™ Employer application
- Via the post using the employer’s postal address.

How will the AA88R look?

The AA88R cover page contains similar information to that of the AA88 Notice. The statement contains the AA88 movements for the employer during the previous calendar month.
The Statement From Date and Statement To Date states the calendar month for which the statement was generated.

The statement contains the employee's or employees' information.

The opening balance at the beginning of the month is stated.

New AA88s created, AA88s cancelled and payments received are indicated.

The closing balance at the end of the month is indicated.

Any amount in default is indicated.

What must the employer do with the AA88R?

Once the employer has received the AA88R and is satisfied with the correctness of its content, SARS advises that the AA88R be filed in the event of a dispute arising in the future.

CONTACT INFORMATION

If you need information on your AA88 you can contact the SARS Contact Centre on 0800 00 SARS (7277).

Disclaimer

What is contained in this leaflet is intended as a guide only and is not considered to be a legal reference nor is it a binding ruling. The information does not take the place of legislation and readers who are in doubt regarding any aspect of the information displayed in the leaflet should refer to the relevant legislation, or seek a formal opinion from a suitably qualified individual.

For more information about the contents of this publication you may

- Visit the SARS website at www.sars.gov.za
- Visit your nearest SARS branch
- If calling from within South Africa, contact the SARS Contact Centre on 0800 00 SARS (7277)
- If calling from outside South Africa, contact the SARS Contact Centre on +27 11 602 2093 (only between 8am and 4pm South African time).

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