



South African Payroll Association

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Why does a 13th cheque not give me double my usual take-home pay?

As the Christmas season approaches, some lucky employees will be looking forward to a bonus or a thirteenth cheque. Frequently, however, people express surprise that their thirteenth cheque doesn't translate into double their typical take-home pay. The reason for this, explains Cathie Webb, Director, South African Payroll Association, is that the double cheque may have placed them into a higher tax bracket, and thus a greater tax deduction.

"One source of confusion is that people often hear from friends in another company, or even their own company, that they in fact did receive a full double cheque," explains Ms Webb. "The reason for this is that some companies factor in the thirteenth cheque by deducting extra tax each month, so that the December take home pay is virtually double the normal one. Of course, that means that for the other 11 months, their monthly take-home pay will be less than someone who pays all the extra tax in the month the thirteenth cheque is paid. Different regimes may also apply within the same company for some reason."

Although companies tend to follow one approach to handling tax on thirteenth cheques in order to reduce administrative overheads, some companies are prepared to be flexible in order to suit employees' wishes. Whatever the case, employees should inform themselves about the policy implemented by their particular company, and how the deductions work. Ms Webb says that while a thirteenth cheque forms part of the total package offered to an individual, a bonus is a variable amount linked to the company's performance. A bonus is usually awarded only at the discretion of the company. As with a thirteenth cheque, the bonus might take an individual into a higher tax bracket, resulting in higher than usual deductions in the month it is granted.

"It bears mentioning that anyone who gets a thirteenth cheque in the current economic climate is very lucky indeed," she concludes. "If you are receiving thirteenth cheque or a bonus, make sure you understand how it has been calculated, and then take a resolution to spend it wisely as well."

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