



InformUS



FOR PSA MEMBERS: **SOUTH AFRICAN REVENUE SERVICE (SARS)**

24-02-2026

Update: SARS leave encashment dispute

The PSA has taken note of the communication issued by SARS regarding the Leave Encashment Labour Court dispute. For clarity, this matter stems from the 2020 decision to discontinue leave encashment. Although SARS obtained a CCMA ruling in 2022, the PSA referred the dispute to the Labour Court, with trial proceedings commencing on 19 January 2026. During the trial, both parties agreed to suspend litigation in good faith to explore a potential settlement as proposed by SARS. It is, however, important that the following aspects be clarified as the communication by SARS does not provide the full context to members and aims to mislead members into pressuring the PSA to sign a settlement agreement that, in the current form, will negatively affect members and the current dispute process.

SARS Settlement Proposal (19 January 2026)

SARS offered up to a maximum of six days for employees who had available leave credits to encash as of 31 December 2020, with payment at the rate of pay effective on that date. Additionally, an extra four leave days would be payable to all employees who had leave credits available to encash as of 31 December 2020. Payment would be made in two tranches: The first by 31 March 2026 and the second in the next financial year by 30 September 2026. However, it is important to note that only employees who had sufficient leave credits as of 31 December 2020 will qualify for these benefits. This settlement aims to resolve the leave encashment dispute entirely.

Why PSA did not accept the proposal or consider mandating PSA members

The PSA did not reject the idea of a settlement but rejected a revised draft agreement (26 January 2026) that significantly deviated from the earlier written offer and introduced provisions that adversely impact members. Key concerns include:

- Reduction in monetary benefit: The earlier written offer included **four additional leave days**. The draft agreement **reduced this to three days**, constituting a direct financial loss to members.
- The draft agreement extended finality beyond the dispute before the Labour Court to include "subsequent years", potentially extinguishing future rights.
- Termination of the 2006 Collective Agreement: A clause was inserted to record the termination of the 2006 leave encashment agreement, which was not part of the original offer.
- Reservation to extend the agreement to others: It must be noted that the PSA referred this case to the Labour Court to ensure that all PSA members benefit. A clause reserved SARS' right to extend the

settlement to Nehawu members and non-union employees, which was not part of the original written offer.

- Eligibility/scope narrowing: The earlier offer referred to active Bargaining Unit employees with leave credits as of 31 December 2020. The PSA has proposed that the agreement apply specifically to all PSA members currently in SARS service with qualifying leave credits.

Outstanding information preventing mandate

Importantly, the PSA cannot obtain a proper mandate from members because SARS has not provided the full schedules of qualifying employees. Despite the PSA's requests for the schedules of 2020 (received), 2021 (outstanding), and 2022 (outstanding), SARS has failed to comply. Without this information, the PSA cannot accurately assess the scope and financial impact on members. Additionally, the employer has not addressed the **Discounting of Annual Leave for 20- and 30-Years Service benefit**, further complicating the ability to reach a fair and comprehensive resolution.

On 11 February 2026, SARS engaged the PSA regarding the continuation of the process. The PSA requested that all matters be documented in writing. This has yet to be done. The PSA remains committed to resolving the matter fairly and expeditiously. However, any settlement must:

- Reflect the original written offer.
- Be limited strictly to the dispute before the Court.
- Protect members' future rights.
- Be supported by complete information to enable a proper mandate.

The PSA will not compromise members' rights for the sake of expediency.

Members will be updated as developments unfold.

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