SARS Employment Tax Incentive 2014

Why is there an Employment Tax Incentive?

Millions of young South Africans are currently unable to participate in economic activity, and as a result suffer disproportionately from unemployment, discouragement and economic marginalisation. High youth unemployment means young people are not gaining the skills or experience needed to drive the economy forward. This lack of skills can have long-term adverse effects on the economy.

In South Africa the current lack of skills and experience as well as perceptions regarding the restrictiveness of labour regulations make some prospective employers reluctant to hire the youth.

As a South African employer you now have a great opportunity to boost the employment of young work seekers.

What is it?

The **Employment Tax Incentive (ETI)** is an incentive mainly aimed at encouraging employers to hire young and less experienced work seekers. It will reduce the cost to employers of hiring young people through a cost-sharing mechanism with government.

This incentive will complement existing government programmes with similar objectives.

ETI was implemented with effect from 1 January 2014.

Who qualifies?

- The **employer** is eligible to receive the ETI if the employer–
  - Is registered for employees' tax (PAYE);
  - Is *not in the national, provincial or local sphere of government;*
  - *Is not a public entity listed in Schedule 2 or 3 of the Public Finance Management Act (other than those public entities designated by the Minister of Finance by Notice in the Gazette);*
  - *Is not a municipal entity;*
  - Is not disqualified by the Minister of Finance due to displacement of an employee or by not meeting such conditions as may be prescribed by the Minister by regulation.

- An individual is a **qualifying employee** if he or she–
  - has a valid South African ID;
  - is 18 to 29 years old *(please note that the age limit is not applicable if the employee renders services inside a special economic zone (SEZ) to an employer that is operating inside the SEZ, or if the employee is employed by an employer that operates in an industry designated by the Minister of Finance;*
  - is not a domestic worker;
  - is not a "connected person" to the employer;

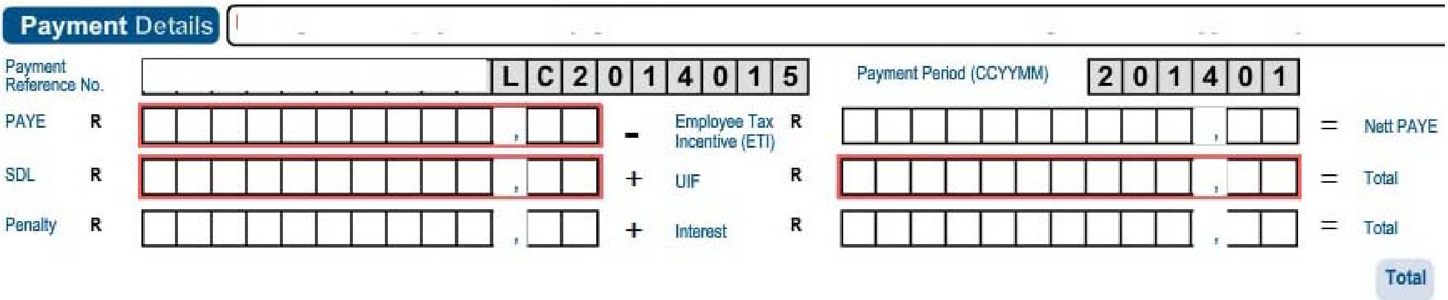
- was employed by the employer or an associated person to the employer on or after 1 October 2013; and
- is not an employee in respect of whom an employer is disqualified to receive the ETI *(i.e. the employee is paid below the minimum wage applicable to that employer or paid a wage below R2 000 per month if a minimum wage not applicable).*

Top tip: There is no limit to the number of qualifying employees that an employer can hire.

How does it work?

Employer will calculate and claim the incentive on a monthly basis. The employer must follow these **steps**:

- Identify all qualifying employees in respect of that month
- Determine the applicable employment period for each qualifying employee
- Determine each employee's "monthly remuneration"
- The EMP201 form was amended to include a field for claiming ETI, click here to see a prototype of the new form.


Payment Details

Payment Reference No.		L C 2 0 1 4 0 1 5		Payment Period (CCYYMM)	2 0 1 4 0 1	
PAYE	R	,	-	Employee Tax Incentive (ETI) R	,	= Nett PAYE
SDL	R	,	+	UIF R	,	= Total
Penalty	R	,	+	Interest R	,	= Total

Total

- Calculate the amount of the incentive per qualifying employee as per the table below.

Monthly Remuneration	***Employment Tax Incentive per month during the first 12 months of employment of the qualifying employee***	***Employment Tax Incentive per month during the next 12 months of employment of the qualifying employee***
R 0 - R2 000	50% of monthly Remuneration	25% of monthly Remuneration
R 2 001 – R4 000	R1 000	R500
R 4 001 - R6 000	*Formula:* *R1 000 – (0.5 x (Monthly Remuneration – R4 000))*	*Formula:* *R500 – (0.25 x (Monthly Remuneration – R4 000))*

In determining the first or the second 12-month period, ***only the months in which the employee was a qualifying employee are taken into account.*** For example, the employee may be a qualifying employee in the first three months but not a qualifying employee in the fourth and the fifth months. If the employee is a qualifying employee in the sixth month, the sixth month is month number four as far as the 12-month period is concerned.

Top tip: For the next biannual reconciliation submission process in 2014, the EMP501 and IRP5 will also be updated with the necessary fields.

How long will it be available?

The incentive is currently **scheduled to end on 31 December 2016** but its effectiveness will be reviewed to determine whether to continue with the incentive.

Need help? Call the SARS Contact Centre on 0800 00 SARS (7277), or visit your nearest SARS branch

http://www.sars.gov.za/TaxTypes/PAYE/Pages/Employment-Tax-Incentive.aspx

http://www.hrpulse.co.za/news/latest-news/230402-sars-employment-tax-incentive-comes-into-force-in-january-2014

http://www.thesait.org.za/news/146083/The-Employment-Tax-Incentive-Bill---Who-Stands-To-Gain-Here.htm

http://www.thesait.org.za/news/143500/Proposed-Employment-Tax-Incentive-for-Hiring-Young-Workers.htm