

# EMPLOYMENT TAX INCENTIVE BILL – Minister of Finance

## *Interpretation & Impact Assessment*

### **SUMMARY OF BILL PROVISIONS**

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The said Bill is currently at National Assembly and will thereafter go to the National Council of Provinces where after it should be signed into law. Some sources state that the Bill will apply retrospectively with effect October 2013. The Bill should also be seen in the context of the Youth Employment Accord signed in April this year.

#### **Employment Tax Incentive**

- An employer may reduce the employee tax payable to SARS in relation to eligibility with regard to qualifying employees

#### **Eligible Employers**

- Registered tax agent (withholding and payment of employee's tax)
- No public sector organisations or schedule 2 and 3 of PFMA
- Comply with preconditions (see below)

#### **Compliance with Determinations, Agreements and Minimum Remuneration**

- All minimum wage prescriptions MUST be complied with, AND
- If there is no prescribed minimum wage, the lowest remuneration must be R2000 pm
- There may be NO dismissals of existing staff to create an environment to receive the incentives in terms of this Act (findings of this nature can be made by the CCMA, other accredited dispute resolution institutions or a competent court) or else the penalty is 150% of the total amount of the employment tax incentive received during the 12 months preceding the finding

#### **Qualifying Employees (supported by ID card etc)**

- 19 to 29 years of age
- Is employed by an employer in a special economic zone OR
- Is employed by an employer in an industry designated by the Minister of Finance in a Gazette
- Is not a connected person as defined in s1 of the Income Tax Act
- Is not a domestic worker
- Was not an employee of the employer or an associated institution (same shareholding/ management control) prior to 1 October 2013
- Remuneration is between R2000 and R6000 pm

#### **Determining Amount of Employment Tax Incentive**

- Calculated per month of employment

- In the first 12 months:
  - If the remuneration is R2000 or less, incentive is 50% (25%) of the monthly remuneration
  - If the remuneration is more than R2000 but less than R4001, the incentive is R1000 (R500)
  - If the remuneration is more than R4000 but less than R6001, the incentive is determined by the formula:  $X = A - (B \times (C - D))$  where X is the monthly tax incentive; A represents R1000 (R500); B represents 0.5 (0.25); C represents monthly remuneration of the employee; D represents R4000 or NIL if the amount exceeds R6000.
  - **NOTE** – during each of the 12 months following the first 12 month period, the employment tax incentive is the amount in ( ) above

It appears this Bill will be reviewed in December 2016.

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