

Employment Tax Incentive



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February 2014

Agenda



1. Introduction
2. Eligible Employer
3. Qualifying Employee
4. Incentive Calculation
5. Roll Forward of Incentives
6. Penalties



The Concept of ETI



Promulgation 18 December 2013

Purpose – Incentivise and encourage employers to employ the youth

Cost sharing mechanism with government

Effective date 1 January 2014

Ends 31 December 2016

Deducted from the PAYE amount each month

Eligible Employer Section 3



- **Private Sector Employers that are registered for PAYE**
- **Is not a government employer**
- **Is not a municipal entity**
- **Is not a public entity listed in Schedule 2 or 3 to the Public Finance Management Act (unless otherwise specified in a Gazette)**
- **Not disqualified by the Minister of Finance**

Eligible Employer Section 3



Employers might be disqualified due to

- **Displacement of an employee**
- **Not meeting training conditions prescribed by MoL & MoF**
- **Not meeting conditions based on the classification of trade (SIC) prescribed by MoL & MoF**

Definition of an Employee Section 1



“**employee**” means a natural person—

- (a) who works directly for another person; and
- (b) who receives, or is entitled to receive remuneration, from that other person, but does not include an independent contractor;

Qualifying Employees Section 6



The employee qualifies if:



- Employed on or after 1 October 2013

AND



- Is 18 to 29 years of age at the end of the calendar month **OR**
- Works mainly in a SEZ where the employer has a fixed place of business **OR**
- Is employed by an employer in an industry specified by the MoF, MoL & MoTI

AND



- Is in the possession of a valid ID Document, **OR**
- Is in possession of an Asylum Seeker permit

Qualifying Employees Section 6



The employee does not qualify if:

- **He/she earns less than the minimum wage according to the specific bargaining council, collective agreement or sectoral determination or less than R2000 pm if there is no wage regulating measure**
- **Earns R6000 per month or more**
- **Is a domestic worker**
- **Is a connected person to the employer**




Qualifying Employees Include Section 6



- **Temporary Employees**
- **Casuals**
- **Seasonal Workers**
- **Learners who are employed**


Determining amount of the ETI Section 7



ETI Remuneration	First 12 Incentive Months	Next 12 Incentive Months
R 0 - R2 000	50% of ETI Remuneration	25% of ETI Remuneration
R 2 001 – R 4 000	R 1 000	R 500
R 4 001 – R 6 000	Formula: $R\ 1\ 000 - (0.5 \times (\text{ETI Remuneration} - R\ 4\ 000))$	Formula: $R\ 500 - (0.25 \times (\text{ETI Remuneration} - R\ 4\ 000))$

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Example:



If each of my eligible employees earn R2000 per month, then if I employ

- 10 employees = **R10 000** will be allowed (R1000 X 10 employees)
- 100 employees = **R100 000** will be allowed (R1000 X 100 employees)
- 1000 employees = **R1 000 000** will be allowed (R1000 X 1000 employees)

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Wage vs Remuneration



- **Wage** : “amount of money paid or payable to an employee in respect of ordinary hours of work”

Used for the “minimum wage test”

- **Remuneration**: Taxable remuneration according to the **Fourth Schedule to the Income Tax Act**

Used to calculate the incentive amount
Variables causing exclusion from ETI

Incentive Months Same Employer



The employee has been employed by the same employer for 15 months.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
①	②	③	④	⑤	⑥	⑦	⑧	⑨	⑩	⑪	⑫

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
⑬	⑭	⑮									

- For period 1 – 12 (January – December) of the first year, the first 12 month calculation should be done.
- For period 13 – 15 (January – March) of the second year, the next 12 month calculation should be done.
- If the employee is employed by a new employer, the 24 month period will start again and the “new” employer can claim the incentive for 24 months.

Incentive Months Same Employer



The employee has been employed by the company for 17 months of which the employee was not a qualifying employee for 3 months (March to May). In June the employee is a qualifying employee again.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
①	②				③	④	⑤	⑥	⑦	⑧	⑨
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
⑩	⑪	⑫	⑬	⑭							

- Up until period 12 (March of the second year), the first 12 month calculation will be done.
- From period 13 (April of the second year) the next 12 month calculation will be done.

Incentive Months Associated Person



The employee works at employer A for 3 months (January – March) and then starts to work at employer B in April. Employer B is an Associated Employer

Jan	Feb	Mar	Apr*	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
①	②	③	④	⑤	⑥	⑦	⑧	⑨	⑩	⑪	⑫
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
⑬	⑭	⑮									

- The period of employment for the purposes of the incentive in April is 4 and not 1 because the employee was employed by an Associated Employer.

Unavailability of Incentive Amounts



The employer is not allowed to claim the incentive:

- **Outstanding Tax Return**
- **Outstanding Tax Debt excluding –**
 - where an agreement has been concluded for a deferral payment;
 - where an agreement has been concluded for compromise of a tax debt;
 - where a tax debt has been suspended pending an objection or appeal; or
 - where the tax debt is less than R100.

Roll-Over of Incentive Amounts



The incentive amount can be rolled-over

- **PAYE < Incentive Amount**
- **Employer did not claim ETI**
- **Non-Compliance (outstanding tax return or tax debt)**

Incentive Amounts Rolled-over to the Next Month - Limits



	Incentive for the Month	Excess Carried Forward	Incentive Amount	Employee Tax	Excess
Month 1	R 100 000	N/A	R 100 000	R 80 000	R 20 000
Month 2	R 120 000	R 20 000	R 140 000	R 130 000	R 10 000
Month 3	R 90 000	R 10 000	R 100 000	R 90 000	R 10 000
Month 4	R 150 000	R 10 000	R 160 000	R 120 000	R 40 000
Month 5	R 110 000	R 40 000	R 150 000	R 120 000	R 30 000
Month 6	R 130 000	R 30 000	R 160 000	R 120 000	R 40 000
After 6 months, the excess must be capped at R 6000 per qualifying employee					
Month 7	R 100 000	R 36 000	R 136 000	R 120 000	R 16 000
Month 8	R 120 000	R 16 000	R 136 000	R 130 000	R 6000

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Employment Tax Incentive EMP201



Please submit the original return and retain a copy for your records.

SARS Monthly **Employer Declaration** EMP201 TAXPR01

Employer Details

Trading or Other Name: _____ PAYE Ref No: _____ SDL Ref No: _____ UIF Ref No: _____

Particulars of Declarant

First Name: _____ Surname: _____ Position held at Business: _____ Contact Email: _____ Blue Tel No: _____ Fax No: _____ Cell No: _____

Voluntary Disclosure Programme

Is this declaration made in respect of a VDP agreement with SARS? Y N VDP Application No: _____

Payment Details **Penalty of 10% is payable on late payments. Interest must be calculated on a daily basis at the applicable prescribed rate. To view the table of rates, go to www.sars.gov.za**

Payment Reference No: _____ Payment Period (CCYMM): _____

PAYE R _____ + Employment Tax Incentive (ETI) R _____ = Net PAYE R _____

SDL R _____ + UIF R _____ = Total R _____

Penalty R _____ + Interest R _____ = Total R _____

Tax Practitioner Details (if applicable)

Tax Practitioner Registration No: _____ Tax Practitioner's ID No: _____

Declaration

I declare that the information given on this form is complete and correct.

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Penalties Section 5



- The employer must pay a penalty of R30 000 to SARS if the employer is deemed to have displaced an employee
- If ETI is received despite not being eligible, a penalty of 100% of the ETI received must be paid to SARS

Tax Certificates



Employee Fields

- Code 3020 – Nature of Person M
- Code 3026 – Qualifying Employee
- Code 3263 – Employee SIC7 code
- Code 3264 – Employee SEZ code
- Code 4118 – Employee ETI amount

Employer Fields

- Code 2082 – Employer SIC code
- Code 2083 – Employer SEZ code

ETI CSV

ETI compliant payroll system



Thank You