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Budget Snapshots

Employment Tax Incentives

Audit / Tax / Advisory / Human Capital

The Employment Tax Incentive Act benefits initially covered the period from 1 January 2014 to 28 February 2019. This window period was extended by 10 years to 28 February 2029.

The incentive benefit as announced in the Budget is set out below.

- Employers are entitled to claim the incentive benefit for **each employee** by way of a reduction in tax if the following conditions apply:
 - The employer must be registered as an employer for PAYE purposes.
 - The employee must be not less than 18 years old and not more than 29 years old at the end of the relevant month of the claim (this restriction does not apply if the business is situated in a Special Economic Zone).
 - The employee must be a South African citizen or permanent resident in possession of a South African identity document and must not be a domestic worker.
 - The employee must not be a connected person in relation to the employer e.g. the son of the member of the employer Close Corporation.
 - The employee must not have been employed by the employer or an associated person prior to 1 October 2013.
 - The salary payable to the employee must be above the sector determined minimum wage (or R2 000 if there is no wage determination) and be less than R6 500 per month.

- The tax affairs of the employer must be up to date i.e. all tax returns in respect of all taxes have been filed and all payments due have been paid or appropriate arrangements made with SARS.
- With effect from 1 March 2022, the work done by the employee must be performed in terms of an employment contract that adheres to the record keeping provisions in accordance with the Basic Conditions of Employment Act.
- The monthly incentive benefit is based on the monthly remuneration of the employee (working for 160 hours per month) according to the following table. The benefit is for only 2 years and in the second year, the benefit is 50% of the amount in the first year. If employed for part of a month, the incentive is proportionately reduced for that month.

Monthly remuneration (MR) in first twelve months	Monthly incentive in first twelve months	Monthly incentive in the following twelve months
R2 000 or less	75% of remuneration (was 50%)	37,5% of remuneration (was 25%)
R2 001 to R4 500	R1 500 p.m. (was R1 000)	R750 p.m. (was R500)
R4 501 to R6 500	R1 500 p.m. less 50% of (MR-R4 500)	R750 p.m. less 25% of (MR-R4 500)



Example of calculations for the first year -

Monthly remuneration (MR)	R1 000	R2 500	R4 000	R4 500	R5 000	R6 000	R6 500
Monthly incentive	R750	R1 500	R1 500	R1 500	R1 250	R750	R Nil

- The incentive benefit for each month is collected from SARS by deducting the benefit amount for all the qualifying employees from the PAYE payment (in respect of all employees) due by the employer to SARS for that month. Benefits in excess of the monthly PAYE payment can be carried forward for set-off against future PAYE due. Not more than R6 000 per employee can be carried forward and amounts not claimed within 6 months will be forfeited. Direct refunds may be applied for where the incentive exceeds the PAYE payable.
- There will be substantial penalties if "old" employees are replaced with employees within the benefit age group. Penalties will also apply if the employer claims the benefit for an employee who does not qualify.
- The employee receives no benefit or reduction in PAYE. The benefit accrues only to the employer.

There is a deduction cap of R20 million per employer in respect of ETI in each tax year.



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