



May 2020

Employment Tax Incentive Relief

Draft Disaster Management Tax Relief and draft Disaster Management Tax Relief Administration Relief bills were issued by Treasury on 1 April 2020 and submissions were made to Treasury regarding proposed changes to these initial publications. The revised draft bills were issued by Treasury on 1 May 2020. In this alert, we summarise the employment proposals in respect of the Employment Tax Incentive (“ETI”).

The ETI is aimed at addressing youth unemployment. The additional short-term relief is aimed at minimising unemployment by assisting employers to support their low-income earning employees, including those employees over 29 years of age, during the period of economic distress.

The changes to the revised Draft Disaster Management Relief Bill, 2020 are noted below.

- The definition of a “qualifying employee” has been temporarily amended. The requirement that the qualifying employee be employed after 1 October 2013 will only apply to employees between the ages of 18 and 29 if the ETI had been claimed uninterrupted in respect of that employee prior to 1 April 2020. The relaxation of this requirement will allow not only employees between 30 and 65 years of age but also employees between 18 and 29 years of age who were employed prior to 1 October 2013 to qualify for the ETI. These amendments are deemed to have come into operation on 1 April 2020 and applies to any remuneration paid from that date until 31 July 2020.
- In addition, the definition of “monthly remuneration” has been temporarily amended to mean the amount paid or payable to the qualifying employee by the employer in respect of the month. The reference to the number of hours required to be worked by the employee (i.e. 160 hours per month) has been removed. The gross-up of remuneration where the employee worked for less than 160 hours per month will not be required. This amendment is only effective from 1 May 2020 to 31 July 2020.
- The minimum wage of R2 000 per month available in section 4 of the Employment Tax Incentive Act is no longer in place for categories of workers or companies that:
 - may be exempt from the national minimum wage, or
 - where section 3 of the National Minimum Wage Act does not apply, or
 - where the wage regulating measure does not apply.
- The gross up of remuneration for purposes of compliance with the wage regulating measure is also not required where the employee is employed and paid remuneration for less than 160 hours per month.
- The incentive has been increased from up to R500 to up to R750 per “qualifying employee” per month for the period 1 April 2020 to 31 July 2020. The amount of the ETI in respect of a qualifying employee will be calculated as follows:

Monthly remuneration	First 12 months	Second 12 months
R0 - R1 999	50% of Monthly Remuneration plus R750	25% of Monthly Remuneration plus R750
R2 000 - R 4 499	R1 750 per employee	R 1 250 per employee

R4 500 - R6 499	$R1\,750 - (0.875 \times (\text{Monthly Remuneration} - R4\,500))$	$R1\,250 - (0.625 \times (\text{Monthly Remuneration} - R4\,500))$
R6 500 or more	R0	R0

- Where the employer claimed the ETI for the first 24 months in respect of a qualifying employee or the employer employs a qualifying employee between 30 and 65 years of age, the amount of the ETI will be calculated as follows:

Monthly remuneration	Amount of the ETI
R0 - R 4 499	R750
R4 500 - R6 499	$R750 - (0.375 \times (\text{Monthly Remuneration} - R4\,500))$

Since the proposed increase of the amount of ETI to be claimed - from up to R500 to up to R750 - is made after the April payroll run, it may not be practically possible to claim the amounts as part of the April payroll run. In these instances it is proposed that the additional R250 not claimed as part of the April payroll run can be claimed during the May payroll run.

The employer must still report the ETI claimable and the ETI to be utilised as usual on the EMP201.

Conclusion

Should you have any queries in this regard, please contact us.

Contact us



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