



Tax and Legal News

#BudgetSpeech2022



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South Africa Budget 2022/2023: Expansion of Employment Tax Incentive (“ETI”)

On 23 February 2022, the Minister of Finance of South Africa announced the proposed expansion of the ETI which is a government-initiated incentive.

The ETI is seen as a critical mechanism to assist in reducing the high youth unemployment rate in South Africa. The ETI reduces the cost to the employer of hiring young and less experienced work seekers, as the employer is allowed to reduce the amount of employees’ tax (also known as “PAYE”) which it is required to pay to the South African Revenue Service (“SARS”) in respect of a qualifying employee’s remuneration.

If an eligible and tax compliant employer hires a qualifying employee (a person who is between the ages of 18 years and 29 years and 11 months), the employer can deduct the ETI amount from the total amount of employees’ tax payable to SARS.

In an attempt to increase its effectiveness (i.e. encourage employers to employ young people), it is proposed that the ETI benefit be increased by 50% with effect from **1 March 2022**, resulting in claims as follows:

- An ETI of up to R1 500 can be claimed per qualifying employee in the first 12 months (previously up to R1 000); and
- An ETI of up to R750 can be claimed per qualifying employee in the second 12 months (previously up to R500).

Other proposed changes include expanding the eligibility criteria for qualifying employees to improve the incentive for small businesses.

In addition to the above, due to the abuse of the ETI, Government has proposed that the Employment Tax Incentive Act No. 26 of 2013 be amended to impose understatement penalties on reimbursements that are improperly claimed by employers.

If you have any queries, or require any assistance with identifying ETI opportunities or ensuring that you correctly claim the expanded ETI, please contact us:

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