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EMPLOYMENT TAX INCENTIVE NOTES FEBRUARY 2014

The aim of this incentive is to encourage employers to hire young workers and give them work experience over the medium term. The wage of the employee will remain intact while the government shares the cost of the employment with the employer. Employees won't receive a monetary benefit but they will benefit from the higher chance of employment. The incentive will be in place from 1 January 2014 – 31 December 2016.

The incentive will be submitted monthly on the EMP201. There is no cap on the maximum level of incentive that can be claimed but it is limited to the PAYE liability for each period. If the incentive is more than the PAYE liability the excess will roll over to the next period. The roll over is limited to R6000 per employee. At the moment there are no reimbursements possible.

Requirements for the employer

- Must be registered for PAYE
- Good standing with SARS with all taxes

Eligibility of employees

- Newly employed after 1 October 2013
- Cannot earn more than R72 000 per annum (R6000 per month)
- ID Document: South African citizens, permanent residents and refugees
- Must be between the ages of 18 – 29 years old
- Private staff, for example domestic workers, are excluded
- Cannot be a relative or connected person
- Remain eligible for 24 monthly periods (does not have to be consecutive), the value of the incentive will be halved in the second year of employment

Employers can be disqualified if workers are displaced, and could be charged a penalty of up to R30 000 per employee. A penalty can also be charged if the employee receives less than the minimum wage.

Calculating the value - Steps

- Identify qualifying employees for the month
- Determine whether the qualifying employees are in the first 12 or second 12 months of eligibility
- Determine remuneration of qualifying employees (if the employees remuneration fluctuates then only the periods they are eligible for the incentive will be counted towards the maximum duration of 24 months per employee)
- Calculate the amount of the incentive per qualifying employee

Example:

5 employees employed after 1 October 2013

Employee 1 – R2000

Employee 2 – R3500

Employee 3 – R4500

Employee 4 – R5000

Employee 5 – R6500

Employee	Monthly Remuneration	First 12 Months		Next 12 Months	
		Calculation	Amount which may be claimed on EMP201 per month	Calculation	Amount which may be claimed on EMP201 per month
1	R2000	$R2000 \times 50\%$	R1000	$R2000 \times 25\%$	R500
2	R3500	Fixed deductible amount for remuneration from R2001 – R4000	R1000	Half fixed deductible amount for remuneration from R2001 – R4000	R500
3	R4500	$R1000 - [0.5 \times (R4500 - R4000)]$	R750	$R1000 - [0.25 \times (R4500 - R4000)]$	R375
4	R5000	$R1000 - [0.5 \times (R5000 - R4000)]$	R500	$R1000 - [0.25 \times (R5000 - R4000)]$	R250
5	R6500	DOES NOT QUALIFY			
Total	R21500		R3250		R1625

Disclaimer:

These notes do not replace the detailed legislation. ACS cannot be held responsible for any loss incurred by any party as a result of reliance placed on the above.