

## **ARE YOU APPLYING THE NEW EMPLOYMENT TAX INCENTIVE CORRECTLY?**

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Millions of young South Africans are excluded from participating in economic activity, and as a result suffer disproportionately from unemployment, discouragement and economic marginalisation. High youth unemployment means young people are not gaining the skills or experience needed to drive the economy forward. This lack of skills can have long-term adverse effects on the economy.

In South Africa the current lack of skills and experience as well as perceptions regarding the restrictiveness of labour regulations make some prospective employers reluctant to hire the youth.

Yet, since 1 January 2014, South African employers now have a great opportunity to boost the employment of young work seekers through The Employment Tax Incentive Act, 2013 (Act 26 of 2013) ("ETI"). According to the Bill the incentive will last for two years. Are you aware of the ETI and are you applying it correctly?

### **Who qualifies?**

The employer is eligible to claim the ETI if the employer–

- Is registered for Employees' Tax (PAYE)
- Is not in the national, provincial or local sphere of government
- Is not a public entity listed in Schedule 2 or 3 of the Public Finance Management Act (other than those public entities designated by the Minister of Finance by Notice in the Gazette)
- Is not a municipal entity
- Is not disqualified by the Minister of Finance due to the displacement of an employee or by not meeting the conditions as may be prescribed by the Minister by regulation.

### **How do I determine who is a qualifying employee?**

An individual is a qualifying employee if he or she–

- Has a valid South African ID
- Is 18 to 29 years old
- Is not a domestic worker
- Is not a "connected person" to the employer (A connected person or relative means your spouse or anybody related to you or your spouse by blood in the third degree (e.g. great great grandfather etc.), and any spouse of these persons.)

- Was employed by the employer or an associated person to the employer on or after 1 October 2013 and
- Is paid the minimum wage applicable to that employer or paid a wage not below R2 000 per month if a minimum wage is not applicable.

Note: There is no limit to the number of qualifying employees that an employer can hire.

### **Misinterpretation**

As a result of the publication and misinterpretation by some accounting firms and tax practitioners, not all requirements are correctly applied on the basis of employees between the age of 18 and 29 **within** a special economic zone. Special economic zones include Nelson Mandela Bay (Eastern Cape), Richards Bay, East London, Saldanha Bay, and Dube Trade Port (KwaZulu Natal).

All taxpaying companies are urged to enquire with their tax advisors or practitioners regarding the requirements and whether their company qualifies.

### **About FISA**

The Fiduciary Institute of Southern Africa (FISA) is a non-profit organisation that represents fiduciary practitioners and sets high minimum standards for the industry to protect the public's interests. FISA is the only professional body focusing solely on fiduciary practitioners in Southern Africa.

Membership is drawn from trust companies and banks, as well as the legal, accounting and financial planning professions.

Activities of FISA members include but are not restricted to estate planning, the drafting of wills, administration of trusts and estates, beneficiary funds, tax and financial advice and the management of client assets.

FISA has close to 750 individual members, who collectively manage in excess of R280 billion. They draft several thousand wills each year and administer around 50 percent of deceased estates reported to the Master's Office.

FISA helps to make processes smoother for members and the public, particularly through its good working relationship with the Master's Office and SARS.

