

EXTERNAL GUIDE

GUIDE FOR EMPLOYERS IN RESPECT OF EMPLOYMENT TAX INCENTIVE

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1 PURPOSE

- These guidelines have been compiled to assist employers in understanding the fundamentals of the Employment Tax Incentive Act, No. 26 of 2013 (the ETI Act) and must be read in conjunction with the Fourth Schedule to the Income Tax Act, No. 58 of 1962 (the Income Tax Act).

2 SCOPE

- This guide explains the legislative requirements applicable to employers in respect of the Employment Tax Incentive (ETI).
- In the event of this guide not providing a solution to any enquiry relating to the calculation and reimbursement of the ETI, the SARS National Contact Centre (0800 00 7277) or your local SARS branch should be approached for assistance.

3 THE PURPOSE OF THE EMPLOYMENT TAX INCENTIVE (ETI)

Reference to the Act Section 2 of the ETI Act.

What is Employment Tax Incentive

- The employment tax incentive is aimed at encouraging employers to hire young and less experienced work seekers. If an employer is eligible to receive the employment tax incentive in respect of a qualifying employee, the employer may reduce its employees' tax payable. The incentive came into effect on 1st January 2014 and ends on 28 February 2019.

4 HOW WILL THE ETI WORK?

Reference to the Act Section 2 of the ETI Act.

Meaning

- The ETI applies only to employers who are registered for employees' tax with SARS.
- Employers deduct or withhold the amount of employees' tax that is payable on remuneration paid or payable to an employee.
- If the eligible employer hires a qualifying employee, the employer can deduct the employment tax incentive amount from the total amount of the employees' tax owed to SARS.
- The ETI will operate by decreasing the amount of employees' tax that is payable by an employer through the Pay-As-You-Earn (PAYE) system.
- The amount of employees' tax that is owed by the employee will still be recorded as being paid (that is there will be no shortfall on assessment). The employer merely retains the cash value of the incentive.

5 EMPLOYERS WHO ARE ELIGIBLE

Reference to the Act Section 3 of the ETI Act
Paragraph 15 of the Fourth Schedule.

- Eligible criteria**
- The employer must meet the following criteria to qualify -
 - Be registered with SARS for employees' tax (PAYE) purposes (adhere to the legislative requirements as provided for in paragraph 15 of the Fourth Schedule to the Income Tax Act).
 - **Note:** Employers who are not registered for PAYE purposes will not be eligible to claim the employment tax incentive. The guides on registration can be accessed on the SARS website www.sars.gov.za.

6 EMPLOYERS WHO ARE NOT ELIGIBLE

Reference to the Act Sections (1)(a) and (1)(b), 3 of the ETI Act
Schedules 2 and 3 of the PMFA Act
Section 1 of the Local Government Act.

- Non-eligible criteria**
- The following entities cannot be an eligible employer:-
 - public entity as defined in Schedule 2 and 3 of the Public Finance Management Act No.1 of 1999 (PMFA Act) (other than those public entities designated by the Minister of Finance by Notice in the Gazette);
 - government as in the national, provincial or local sphere;
 - municipal entity as defined in section 1 of the Local Government Act No.27 of 2000; and
 - parastatal.
 - An employer can also be disqualified by the Minister of Finance due to:
 - the employer displacing an employee; or
 - by not meeting conditions prescribed by regulation, including –
 - conditions based on requirements in respect of training of employees; and
 - conditions as per the SIC7 - Standard Industrial Classification (SIC Coder v7, as defined on the Statistic SA Website: www.statssa.gov.za).
 - **Note:** An employer is deemed to have displaced an employee if:
 - the resolution of a dispute, whether by agreement, order of court or otherwise, reveals that the dismissal of that employee constitutes an automatically unfair dismissal in terms of section 187(1)(f) of the Labour Relations Act; and
 - the employer replaces that dismissed employee with a qualifying employee in respect of which the employer claims the employment tax incentive.

7 MONTHLY WAGE FOR QUALIFYING EMPLOYEES

Reference to the Act Section 4 of the ETI Act.

- Non-eligible (specific month)**
- An employer is not eligible to receive the employment tax incentive in respect of an employee in respect of a month, if the wage paid to that employee in respect of that month is less than:
 - an amount payable by a collective agreement; sectoral determination or binding bargaining council agreement;
 - if no prescribed wage regulating measure is in place, the wage must not be less than R2,000 (where the qualifying employee was employed and paid for at least 160 hours in a month);
 - Where the qualifying employee was employed and paid for less than 160 hours in a month, an amount that bears to the amount of R2,000 the same ratio as 160 hours bears to the number of hours that the employee was employed by that employer in a month. This amendment came into effect from 1 March 2017.
 - The impact of this amendment means that the 160 hours is linked to hours worked and the actual payment received. Unpaid leave will not form part of the 160 hours.
 - Pre 1 March 2017, where an employee was employed for more than 160 hours in a month but worked less than 160 hours as a result of, for example unpaid leave, that employee would still have been employed for more than 160 hours in that month.

8 CRITERIA FOR EMPLOYEES WHO QUALIFY

Reference to the Act Section 6 of the ETI Act
Section 30 of the Refugees Act.

- Qualifying employees**
- The following employees will qualify if the employee:
 - is 18 to 29 years old (please note that the age limit is not applicable if the employee renders services inside a special economic zone (SEZ) to an employer that is operating inside the SEZ, or if the employee is employed by an employer that operates in an industry designated by the Minister of Finance);
 - is in possession of a valid South African identity card, Asylum Seeker permit or identity document issued in terms of the Refugees Act;
 - has been employed by employer on or after 1 October 2013;
 - earns monthly remuneration of at least R 2 000 (where the qualifying employee was employed for at least 160 hours in a month) and not more than R5,999.
 - The following employees will NOT qualify, if the employee:
 - is a domestic worker; and
 - is a “connected person” to the employer;

Note: The age and monthly remuneration of the qualifying employee must be determined at the end of each month. Where the employee was employed for less than 160 hours in a month, the employment tax incentive must be calculated on a pro-rata basis.

9 QUALIFYING PERIODS

Meaning

- The following are the qualifying periods:
 - Any period from 01/01/2014,
 - A maximum period of 24 months per qualifying employee.
- **Note:** Where the qualifying employee was not employed for a full month, the ETI calculation in respect of that employee must be apportioned. The qualifying period is also applicable to any associated institution to the employer in respect of the qualifying employee. If an employer re-deploys the qualifying employee to an associated institution or another member of the same group of companies, the ETI amount will be deemed to be claimed by one and the same employer.

10 STEPS TO BE FOLLOWED BY THE EMPLOYER

Reference to the Act Subsections 7(2), (3), (5) and (9) of the ETI Act
Paragraph 14 of the Fourth Schedule

Meaning

- The employer must follow five (5) steps listed below:
 - Identify all qualifying employees in respect of that month;
 - Determine the applicable employment period for each qualifying employee;
 - Determine each employee's "monthly remuneration";
 - Calculate the employment tax incentive amount per qualifying employee; and
 - Aggregate the result as per the table below

11 CALCULATION OF THE MONTHLY ETI AMOUNT

- The ETI calculations are as follows:-

| Monthly Remuneration | ETI per month during the <u>first 12 months</u> of employment of the qualifying employee | ETI per month during the <u>second 12 months</u> of employment of the qualifying employee |
|----------------------|---|--|
| R 0 – R1 999 | 50% of monthly remuneration | 25% of monthly remuneration |
| R 2 000 – R3 999 | R1 000 | R500 |
| R 4 000 - R5 999 | Formula: $X = A - (B \times (C - D))$ A = represents an amount of R1000 B = represents 0.50 C = represents the employee's monthly remuneration D = represents the amount of R4000 | Formula: $X = A - (B \times (C - D))$ A = represents an amount of R500 B = represents 0.25 C = represents the employee's monthly remuneration D = represents the amount of R4000 |

Note:

- Where the employee was employed for only part of the month, the employment tax incentive must be calculated on a pro-rata basis (which is the same as you would do the monthly PAYE calculation). For example, if an employee starts to work on the 15 February 2014 and receives wage of R1 800, the grossed monthly remuneration = R3 600. The full calculated employment tax incentive value is therefore R1000 and the employer can claim R500 for this employee during the first 12 month period and R 250 during the second 12 month period.
- In determining the first or the second 12 month period, only the months in which the employee was a qualifying employee are taken into account. For example, the employee may be a qualifying employee in the first three months but not a qualifying employee in the fourth and the fifth months. If the employee is a qualifying employee in the sixth month, the sixth month is month number four as far as the 12 month period is concerned.
- **PAYE on the EMP201 monthly declaration may not result in a negative amount, if this does occur the employer must indicate the “Nett PAYE” amount as “0” on the monthly EMP201 declaration.**
- **Examples:**

| | PAYE Payable | ETI Brought Forward | ETI Calculated | ETI Utilised | Excess ETI Carry Forward | Nett PAYE |
|-------|---------------------|----------------------------|-----------------------|---------------------|---------------------------------|------------------|
| March | 80 | 0 | 100 | 80 | 20 | 0 |
| April | 130 | 20 | 120 | 130 | 10 | 0 |
| May | 90 | 10 | 90 | 90 | 10 | 0 |
| June | 120 | 10 | 150 | 120 | 40 | 0 |
| July | 120 | 40 | 110 | 120 | 30 | 0 |
| Aug | 120 | 30 | 130 | 120 | 40 | 0 |

- Where the employer employs a qualifying employee for less than 160 hours in a month, the amount of tax incentive to be received by the employer for that month in respect of that qualifying employee must be limited to the amount that bears to the amount of R2,000 the same ratio as 160 hours bears to the number of hours that the employee was employed by that employer in a month. This subsection came into effect from 1 March 2015.

12 ROLL-OVER AMOUNTS

Reference to the Act

Section 9 of the ETI Act;
Paragraph 14(3)(a) of the Fourth Schedule of the Income Tax Act.

Meaning

- Any excess employment tax incentive amount can be rolled over from month-to-month:
 - if the monthly calculated ETI amount claimed exceeds the gross employees' tax (before ETI) for a specific month, the excess ETI will be carried forward to the next month. The ETI amount will only be rolled-over to the extent that the "Nett PAYE" = 0.
 - This carried forward ETI amount from a previous month becomes the brought forward ETI amount for the next (current) month. This brought forward ETI should be added to current month's calculated ETI amount and the total should be claimed on the EMP201 declaration for that month.
 - Roll-over provisions are also applicable where the employer was not allowed to reduce the employees' tax as a result of non-compliance issues (i.e. non-submission of returns and the tax debt owing with certain exceptions), the incentive amount will be carried forward to the subsequent month.
 - Where the employer has omitted to claim for any qualifying employee, the employer has until the end of that respective reconciliation period to make such claim.

Example:

Period 1/3/2017 to 31 August 2017

- Employer had 10 qualifying employees however only claimed for 8 employees for the months of March, April, May, June, and July.
- This omission was discovered in August 2017.
- The ETI claim for these omitted employees can be claimed in the EMP201 for August 2017.
- If this omission was discovered during September 2017 and the EMP201 for August was already filed, the ETI claim for these employees will be forfeited.
- The limitation of an unclaimed ETI amount is effective from 1 March 2017.

13 WHEN IS ETI UNAVAILABLE FOR REDUCING EMPLOYEES' TAX?

Reference to the legislation

Section 8 of the ETI Act

Meaning

- An employer cannot reduce its employees' tax liability if on the last day of that month, the employer:
 - has failed to submit any return;
 - has any tax debt outstanding, excluding where:-
 - an agreement has been concluded for a deferral payment;
 - an agreement has been concluded for compromise of a tax debt;
 - a tax debt has been suspended pending an objection or appeal;
 - or
 - the tax debt is less than R100.

14 HOW WILL THE EMPLOYER OBTAIN REIMBURSEMENT?

Reference to the legislation

Section 10 of the ETI Act

Meaning

- How will the employer obtain a reimbursement?
 - If there is no employees' tax to set-off against the ETI amount, the employer is entitled to a reimbursement of the total ETI amount available as at the end of each PAYE reconciliation period. The tax reconciliation period is at the end of every six (6) month period (that is at the end of every August and February).
 - At the end of August and February, the excess ETI amount will be ring-fenced. This means the opening balances for 1 September and 1 March will always start at a zero.
 - The reimbursement will not be paid to the employer if the employer is tax non-compliant (i.e. non-submission of any returns and/or tax debt owing with certain exceptions).
 - The employer has further six (6) months to rectify its non-compliance status. This six month period ends at the end of the next reconciliation period.
 - Where the employer does not rectify its non-compliance within this six month period, the refund amount will be forfeited. This means the refund amount will be deemed to be a nil.
- The above process does not apply to the February 2014 reconciliation. In this instance, the excess ETI amount **was** rolled-over to 1 March 2014 and used by the employer in its subsequent ETI claims.
 - Example 1:

Employer submits its August 2015 reconciliation and qualifies for reimbursement of R10 000. However, the employer is non-compliant (income tax return for 2014 is outstanding). The employer rectifies this non-compliance on 12 January 2015 and notifies SARS that the non-compliance status is rectified. SARS must pay the refund amount immediately.
 - Example 2:

Employer submits its August 2015 reconciliation and qualifies for reimbursement of R10 000. However, the employer is non-compliant (income tax return for 2014 is outstanding). The employer does not rectify its non-compliance by 28 February 2015. The refund amount of R10 000 is forfeited (in other words, the refund amount is changed to a nil).
- SARS will not pay any refund due to the employer if the amount is less than R100 or any amount determined by the Commissioner in the Government Gazette. Such amount shall be carried forward to the following month of the next reconciliation period.
- ETI Errors –
 - ETI not claimed or under-claimed in a previous month (including January and February 2014)
 - Where an ETI amount was not claimed or a lower amount than the qualifying amount was claimed, the shortfall must be claimed in the month during which the error was realised.
 - The ETI information on the employees' tax certificates (IRP5/IT3(a)s) for that month must not be changed to include the ETI information of the previous month.
 - ETI over-claimed in a previous month (including January and February 2014)

- Where a higher ETI calculated amount was claimed than the qualifying amount, a revised EMP201 must be submitted for that period.
- If the error is realised, after the EMP501 has been submitted, the ETI information on the relevant IRP5/IT3(a)s must be corrected and resubmitted together with the revised EMP501.
 - Except for the March 2014 (201403), the ETI brought forward amount for March and September must always be zero.
 - Any ETI carried forward amount at the end of the reconciliation period (31 August and 28 February) will be refunded, only if the employer is tax compliant.

15 OBLIGATION OF EMPLOYER TO SUBMIT RECONCILIATION (EMP501)

Reference to the Act Paragraph 14(3) of the Fourth Schedule
Chapter 4 of the Tax Administration Act

- Meaning**
- Paragraph 14(3) of the Fourth Schedule which is also applicable to ETI, prescribes that the employer is obliged to furnish a reconciliation statement showing details of the total amount of employees' tax deducted or withheld as well as the details of employees' tax certificates issued during the tax year. The purpose of the reconciliation is to:
 - Reconcile the amount of employees' tax which was declared and paid over to SARS on the EMP201, with the tax reflected on the IRP5/IT3(a) issued for that tax year.
 - Justify all issued, cancelled, lost and destroyed IRP5/IT3(a)'s.
 - Every employer shall -
 - by such date or dates as prescribed by the Commissioner by notice in the Gazette; and
 - if the employer ceases to carry on any business or other undertaking in respect of which the employer has paid or becomes liable to pay remuneration to any employee or otherwise ceases to be an employer, within 14 days after the date on which the employer has so ceased to carry on that business or undertaking or to be an employer, as the case may be, or within such longer time as the Commissioner may approve, render to the Commissioner a return.
 - The monthly submissions and the reconciliation submissions (annual and interim) are aligned to allow the submission of the monthly ETI information.

16 ETI FILE CREATION

- Rules and standards for the creation of ETI files**
- All employers participating in the ETI benefit must keep records of the supporting data in a comma delimited CSV file of qualifying employees for whom ETI is claimed, as SARS will from time to time in a manner as prescribed by the Commissioner for the South African Revenue Service, request such supporting data to authenticate the eligibility of those employees.
 - Records must be kept for a period of five from the date of submission of the return in terms of the Tax Administration Act No. 28 of 2011.
- Example**
- The remuneration to be reported is defined in the Fourth Schedule to the Income Tax Act. The information to be submitted to SARS will be required

on an individual employee level (certificates with code 3026 marked with an “X”) in the following format:

- A comma delimited CSV file in the following structure:
 - Nature of Person;
 - Employee ID number;
 - Employee Passport number;
 - Period of Recon;
 - March, Monthly Remuneration, Monthly Minimum wage, Monthly Theoretical ETI;
 - April, Monthly Remuneration, Monthly Minimum wage, Monthly Theoretical ETI;
 - May, Monthly Remuneration, Monthly Minimum wage, Monthly Theoretical ETI;
 - June, Monthly Remuneration, Monthly Minimum wage, Monthly Theoretical ETI;
 - July, Monthly Remuneration, Monthly Minimum wage, Monthly Theoretical ETI;
 - August, Monthly Remuneration, Monthly Minimum wage, Monthly Theoretical ETI;
 - September, Monthly Remuneration, Monthly Minimum wage, Monthly Theoretical ETI;
 - October, Monthly Remuneration, Monthly Minimum wage, Monthly Theoretical ETI;
 - November, Monthly Remuneration, Monthly Minimum wage, Monthly Theoretical ETI;
 - December, Monthly Remuneration, Monthly Minimum wage, Monthly Theoretical ETI;,,
 - January, Monthly Remuneration, Monthly Minimum wage, Monthly Theoretical ETI;
 - February, Monthly Remuneration, Monthly Minimum wage, Monthly Theoretical ETI.
- A field that does not have a value must be included in the ETI supporting data CSV record. A zero must be used to represent the field that does not have a value.

17 CSV VALIDATION RULES

| Code | Field name | Validation rules |
|------|------------------|--|
| 7005 | Nature of person | <ul style="list-style-type: none"> • To indicate the nature of person. <p>Field layout:</p> <ul style="list-style-type: none"> ▫ A1: Alpha field with a field length of 1 character. <p>Validation rules:</p> <ul style="list-style-type: none"> ▫ Mandatory field. ▫ Valid options:- <ul style="list-style-type: none"> ○ A = Individual with an identity or passport number; ○ B = Individual without an identity or passport number; ○ C = Director of a private company/member of a CC; ○ D = Trust; ○ E = Company/CC; ○ F = Partnership ○ G = Corporation; ○ H = Personal Service Provider; ○ M = Asylum Seekers; ○ N = Retirement Fund Lump Sum; Recipient/Pensioner. ▫ May not be completed for nature of person N. |

| Code | Field name | Validation rules |
|------|--------------------------|---|
| 7000 | Identity number | <ul style="list-style-type: none"> To indicate the identity number. <p>Field layout:</p> <ul style="list-style-type: none"> N13: Numeric field with a field length of 13 characters. <p>Validation rules:</p> <ul style="list-style-type: none"> Mandatory field if nature of person is A/C and passport number is not completed; May not be completed for nature of person B/D/E/F/G/H/M/N; Must consist of 13 characters; Must be a valid ID-Number (other numbers must be reflected in the passport number field); Must correlate with the date of birth. |
| 7001 | Period of reconciliation | <ul style="list-style-type: none"> To indicate the period of reconciliation. <p>Field layout:</p> <ul style="list-style-type: none"> N6: Numeric field with a field length of 6 characters. <p>Validation rules:</p> <ul style="list-style-type: none"> Mandatory field if the transaction year is greater than 2013; Format CCYYMM (Century, Year, Month) e.g. <ul style="list-style-type: none"> Where the reconciliation must be submitted for period ending February 2014, the period must be completed 201402; and If the submission is for period August 2013, the period must be completed as 201308. This field must be a valid period in the transaction year specified; If the certificate is ITREG this field must not be completed. May not be completed for nature of person N. |
| 7002 | Monthly remuneration | <ul style="list-style-type: none"> The actual remuneration as defined in the ETI Act paid to the employee for a specified month (code 7006) <p>Field Layout:</p> <ul style="list-style-type: none"> Mandatory if Code 3026 is marked with an X Value can be 0,00 Decimal digits are mandatory even if the decimal value is zero Must be decimal point (comma invalid) Data for a full period of reconciliation must be submitted Only applicable from 2014 year of assessment. Must be repeated 6 or 12 times, that is for each of the 6 or 12 months in the period of reconciliation, irrespective of the period of employment. (Refer to PAYE–AE-06-G05 – Guide for Creation of CSV for IRP5 Tax Certificates 1999 – 2015 – External Guide). If the certificate type is ITREG this field must not be completed. |
| 7003 | Monthly minimum wage | <ul style="list-style-type: none"> To indicate the minimum wage per Industry <p>Field Layout:</p> <ul style="list-style-type: none"> Mandatory if Code 3026 is populated with a “Y” Value can be 0.00 Decimal digits are mandatory even if the decimal value is zero Must be decimal point (comma invalid) Only applicable for month 01 and 02 of the 2014 year of assessment and from 2015 year of assessment If the certificate type is ITREG this field must not be completed. |

| Code | Field name | Validation rules |
|------|------------------------|--|
| 7004 | Monthly Calculated ETI | <ul style="list-style-type: none"> • To indicate the the amount of employment tax incentive available to the employer for the employee. <p>Field Layout:</p> <ul style="list-style-type: none"> ▫ Conditional - if Code 3026 is populated with a “Y”. ▫ Value can be 0.00 ▫ Decimal digits are mandatory even if the decimal value is zero ▫ Must be decimal point (comma invalid) ▫ May not be completed for Nature of Person N ▫ Only applicable for month 01 and 02 of the 2014 year of assessment and from 2015 year of assessment ▫ If the certificate type is ITREG this field must not be completed. |
| 7006 | Month | <ul style="list-style-type: none"> • To indicate the month of the year <p>Field layout:</p> <ul style="list-style-type: none"> ▫ Mandatory if Code 3026 is populated with a “Y”. ▫ Value must in the range 01 to 12. ▫ The months of the year are represented by the following numeric values: <ul style="list-style-type: none"> ○ March = 03 ○ April = 04 ○ May = 05 ○ June = 06 ○ July = 07 ○ August = 08 ○ September = 09 ○ October = 10 ○ November = 11 ○ December = 12 ○ January = 01 ○ February = 02 ▫ Only numeric values allowed. ▫ Only applicable for month 01 and 02 of the 2014 year of assessment and from 2015 year of assessment ▫ If the certificate type is ITREG this field must not be completed. |
| 7007 | ETI Hours | <ul style="list-style-type: none"> • To indicate the actual number of hours used to calculate the Monthlt Calculated ETI <p>Validation rules:</p> <ul style="list-style-type: none"> ▫ Mandatory field if field 3026 is populated ▫ The value can be 0.00 and decimal digits are mandatory even if the decimal value is zero ▫ Must be a decimal point ▫ Data for a full reconciliation period must be submitte ▫ Only applicable from 2017 year of assessment ▫ If the certificate type is ITREG, then this field must not be completed. |

18 PENALTIES

Reference to the Act Sections 4 and 5 of the ETI Act

- Meaning**
- A 100% penalty is imposed for each month that:
 - An employer receives the ETI in respect of a specific employee that was paid less than the wage regulating measure applicable to that employer or if the employer is not subject to any wage regulating measure, less than R2,000 per month.
 - in addition, the ETI amount claimed must be reversed which will result in interest and penalties on the under payment of PAYE amount.
 - A R30 000 penalty is imposed when:
 - an employer is deemed to have displaced an employee and may be disqualified from receiving ETI by the Minister of Finance after taking into account:
 - the number of employees that have been displaced; and
 - the effect that the disqualification may directly or indirectly have on the employees or employer.
 - **Note:** An employer is deemed to have displaced an employee if:
 - the resolution of a dispute, whether by agreement, order of court or otherwise, reveals that the dismissal of that employee constitutes an automatically unfair dismissal in terms of section 187(1)(f) of the Labour Relations Act; and
 - the employer replaces that dismissed employee with an employee in respect of which the employer is eligible to receive the ETI.

19 RECORD KEEPING

Reference to the Act Paragraph 14(1) of the Fourth Schedule to the IT Act which is also applicable to the ETI Act;
Chapter 4 of the Tax Administration Act.

- Meaning**
- Records relating to all returns submitted must be kept / maintained.
 - These records must be kept for a period of 5 years from the date of the last entry and must be available for inspection purposes by SARS.

20 APPLICABILITY TO PROVISIONS OF THE INCOME TAX ACT

Meaning

- The provisions of the IT Act apply equally to the ETI Act in the following aspects:
 - The administration thereof;
 - Returns, the production of information, relevant material or things; enquiries, searches and seizure;
 - Evidence under oath;
 - Assessments, objections and appeals;
 - The payment, recovery or refund of any levy, interest and penalty;
 - Representative taxpayers and representative employers;
 - Reporting of unprofessional conduct;
 - Transactions, operations or schemes for avoiding or postponing the liability;
 - The jurisdiction of Courts.

21 CROSS REFERENCES

| DOCUMENT # | DOCUMENT TITLE |
|---------------------|---|
| PAYE-GEN-01-G01 | Guide for employers i.r.o Employees' Tax deduction tables |
| PAYE-GEN-01-G01-A01 | Weekly tax deduction tables |
| PAYE-GEN-01-G01-A02 | Fortnightly tax deduction tables |
| PAYE-GEN-01-G01-A03 | Monthly tax deduction tables |
| PAYE-GEN-01-G01-A04 | Annual tax deduction tables |
| PAYE-GEN-01-G12 | Guide for employer in respect of Employees' Tax 2018 |
| PAYE-GEN-01-G05-A01 | SIC7 Codes in respect of Employment Tax Incentive - External Annexure |

22 DEFINITIONS AND ACRONYMS

| | |
|--|---|
| Fourth Schedule | <ul style="list-style-type: none"> The Fourth Schedule to the Income Tax Act No. 58 of 1962 |
| Seventh Schedule | <ul style="list-style-type: none"> The Seventh Schedule to the Income Tax Act No. 58 of 1962 |
| Associated person (in relation to employer) | <ul style="list-style-type: none"> Where the employer is a company, the associated person (in relation to the employer) means any other company which is associated with the employer -because both companies are managed or controlled directly or indirectly by the same persons; or Where the employer is not a company, the associated person (in relation to the employer) means any company which is managed or controlled directly or indirectly by the employer or by any partnership of which the employer is a member; or Where the employer is a natural person, the associated person (in relation to the employer) means any relative of that employer. Note: Relative in relation to any person, means the spouse of that person or anybody related to him or her or to his or her spouse within the third degree of consanguinity, or any spouse of anybody so related. |
| Certificate type | <ul style="list-style-type: none"> Type of a certificate for which tax is to be levied. Types of certificates include: <ul style="list-style-type: none"> IRP5 IT3(a) <p>Note: Additional certificate types may be added at a later stage.</p> |
| Connected person | <ul style="list-style-type: none"> In relation to a natural person: <ul style="list-style-type: none"> Any relative; and Any trust (other than a portfolio of a collective investment scheme in securities) of which such a natural person or such relative is a beneficiary |
| Commissioner | <ul style="list-style-type: none"> The Commissioner for the South African Revenue Service (SARS) |
| CSV file | <ul style="list-style-type: none"> Comma Separated Value file |
| e@syFile™ Employer | <ul style="list-style-type: none"> Software package supplied by SARS which has the functionality to create reconciliation documents in the prescribed formats and produce an electronic file in ZipCentralFile format for submission purposes |
| Efiling | <ul style="list-style-type: none"> Is a free, convenient and secure electronic channel for submission of tax returns and payments to SARS |
| EMP201 | <ul style="list-style-type: none"> Monthly Employer Declaration |
| EMP501 | <ul style="list-style-type: none"> Employer Reconciliation Declaration |
| Employee (for the purposes of ETI) | <ul style="list-style-type: none"> Means a natural person: <ul style="list-style-type: none"> who works directly for another person; and who receives, or is entitled to receive remuneration from that person but does not include an independent contractor; |
| Employees' tax | <ul style="list-style-type: none"> Means the amount deducted or withheld and such amount must be paid over the Commissioner for South African Revenue Service by virtue of paragraph 2(1) of the Fourth Schedule to the Income Tax Act |
| Employer | <ul style="list-style-type: none"> In terms of paragraph 1 of the Fourth Schedule and section 1 of the Skills Development Levies Act, employer is any person who pays or is liable to pay any person an amount by way of remuneration including a person responsible for the payment of an amount by way of remuneration to any person under the provisions of a law or out of public funds or out of funds voted by parliament or Provincial Council. This definition excludes any person not acting as a principal but includes any person acting in a fiduciary capacity or in his/her capacity as trustee in an insolvent estate, an executor or an administrator of a benefit fund, pension fund, pension preservation fund, provident fund, provident preservation fund, retirement annuity fund or any other fund. |
| ETI | <ul style="list-style-type: none"> Employment Tax Incentive |

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| ETI Act | <ul style="list-style-type: none"> • Employment Tax Incentive Act No. 26 of 2013 |
| IRP5/IT3(a) | <ul style="list-style-type: none"> • Employees' Tax Certificate |
| IT Act | <ul style="list-style-type: none"> • The Income Tax Act No.58 of 1962 |
| Monthly remuneration (for purposes of ETI) | <ul style="list-style-type: none"> • Where an employer employs the qualifying employee for a month, means the amount paid or payable in respect of that month; or • Where an employer employs the qualifying employee for part of a month, means the amount that would have been payable in respect of that month had that employer employed that employee for the entire month; |
| PAYE | <ul style="list-style-type: none"> • Pay-As-You-Earn (employees' tax) - see definition of employees' tax above |
| Qualifying employee | <ul style="list-style-type: none"> • An employee as contemplated in section 6 of the ETI Act |
| Reconciliation declaration | <ul style="list-style-type: none"> • The reconciliation declaration is the EMP501 document on which an employer's PAYE, SDL and UIF liabilities are declared with associated payments, certificate values and the resulting net effect of setting off payments against liabilities |
| Reconciliation submission process | <ul style="list-style-type: none"> • This is the process through which an employer submits all required PAYE, SDL and UIF documentation to SARS for processing i.e. IRP5/IT3(a), EMP501, EMP601 and an EMP701 if applicable. • Use EMP701 with the EMP601 with 8 digit certificate numbers to adjust reconciliation submissions for 1999 – 2008 transaction years. • The EMP701 is not applicable for transaction years 2009 onwards. |
| Refugees Act | <ul style="list-style-type: none"> • The Refugees Act No. 130 of 1998 |
| Representative employer | <ul style="list-style-type: none"> • A representative employer is: <ul style="list-style-type: none"> ▫ For a company: Any public officer, liquidator, judicial manager, ▫ For a municipality: Manager, secretary, officer, or other person, ▫ For a person under legal disability: Guardian, curator, administrator or other person ▫ For a non-resident employer: An agent having authority to pay remuneration. |
| SARS | <ul style="list-style-type: none"> • The South African Revenue Service |
| SEZ | <ul style="list-style-type: none"> • Special Economic Zone designated by the Minister of Trade and Industry pursuant to an Act of Parliament (currently the Special Economic Zones Bill, B3 of 2013), will be designated areas that promote targeted economic activities, supported through special arrangements and support systems including incentives, business support services, streamlined approval processes and infrastructure. The tax incentives for these zones will be authorised by the Minister of Finance, after consultation with the Minister of Trade and Industry |
| SIC7 | <ul style="list-style-type: none"> • Standard Industrial Classification (SIC Coder v7, as defined on the Statistic SA Website: www.statssa.gov.za) |
| Year of assessment | <ul style="list-style-type: none"> • The year of assessment in which the remuneration paid or payable to the employee accrued |
| Wage regulating measure (for purposes of ETI only) | <p>Means -</p> <ul style="list-style-type: none"> • a collective agreement as contemplated in section 23 of the Labour Relations Act; • a sectoral determination as contemplated in section 51 of the Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997); or • a binding bargaining council agreement as contemplated in section 31 of the Labour Relations Act, including where such agreement is extended by reason of a determination of the Minister of Labour in terms of section 32 of that Act. |