MEDIA STATEMENT

MINISTER SEEKS PUBLIC COMMENT ON PROPOSED TEMPORARY REDUCTION OF UIF CONTRIBUTIONS

The Minister of Finance is seeking public comment on a proposal for a temporary reduction in employers and employees’ contributions to the Unemployment Insurance Fund (UIF), while keeping benefits unchanged.

In the 2015 Budget Speech, the Minister proposed to reduce the remuneration threshold against which the contributions are calculated from the current monthly amount of R14 872 to R1 000.

Given the challenging economic environment that has led to downward revisions in economic growth, a reduction in unemployment insurance contributions will provide significant support to households and employers.

The reduction is proposed to take effect on 1 April 2015, and would be reconsidered for the next fiscal year, shortly before 1 April 2016. If implemented, both employers and employees will be required to pay a maximum of R10 each per month, down from the current maximum of R148.72.

The Minister invites public comments to be submitted by 20 March 2015. The Minister will also consult social partners within NEDLAC. All comments received, including any proposals from the consultation process within NEDLAC, will be considered before a decision is made.

The Minister’s proposal would provide much-needed support to the economy, putting about R15 billion back into the pockets of workers and employers. The contributions reduction would draw down on the UIF’s accumulated surplus which currently stands at more than R72 billion. Because this intervention will draw down on the accumulated surplus, it will stimulate the economy without requiring national government to issue additional debt.

The Unemployment Insurance Contributions Act of 2002 enables the Minister of Finance to adjust the contributions made by employers and employees, while the Unemployment Insurance Act of 2001 enables the Minister of Labour to adjust benefits.
Comments should be submitted to:
• email: uif@treasury.gov.za
• fax: 086 741 8648; or
• hand: c/o the Chief Directorate: Legislation
  National Treasury
  Old Reserve Bank Building
  Room HB-02.03
  Church Square
  City of Tshwane

Issued on behalf of the Ministry of Finance
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