

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 2625 [NW3041E]

DATE OF PUBLICATION: 09 SEPTEMBER 2011

Dr D T George (DA) to ask the Minister of Finance:

- (1) Whether, with reference to the envisaged implementation of the Youth Wage Subsidy on 1 April 2012, any implementation plans have been developed; if not, why not; if so, what are the relevant details;
- (2) whether this function was outsourced to external service providers; if so, (a) what are the names of the service providers and (b) what total amount was paid to each service provider?

NW3041E

REPLY:

- (1) The youth employment subsidy discussion paper, entitled "Confronting youth unemployment: policy options for South Africa", was released on Budget day.

The discussion paper proposed that the youth employment subsidy be implemented from 1. April 2012 following a process of consultation that included:

- Discussions within the Economic Sectors and Employment Cluster of the youth employment subsidy as part of the multi-pronged strategy to tackle youth unemployment
- Initiation of discussions on the youth employment subsidy and other proposals through the Nedlac process to gather further inputs from social partners
- Final proposals made to Cabinet

Discussions have taken place within the Economic Sectors and Employment Cluster and consultation with social partners began at Nedlac on 10. May 2011. These discussions are on-going and alongside the public comments received on the discussion paper will inform a revised document.

Initial proposals regarding implementation are included in the discussion paper. These outline that the proposed incentive be administered using the existing Pay As You Earn platform operated by the South African Revenue Service (SARS). The SARS PAYE system will grant employers three options for claiming the youth employment subsidy:

- Employers pay the net balance of PAYE tax and subsidies every six months.
- Employers pay the net balance of PAYE tax and subsidies on a monthly basis and reconcile every six months.
- Collect PAYE tax as per usual, cash flow every six months and allow for a tax credit or rebate for the value of subsidies.

The discussion paper also includes an assessment of design issues such as employee and employer eligibility, subsidy duration, value and profile, and conditions of employment. These form an important part of the discussions that have taken place during the consultation process.

(2.) This function has not been outsourced to external providers.