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## **MEDIA STATEMENT**

### **PRESIDENT JACOB ZUMA SIGNS THE EMPLOYMENT TAX INCENTIVE BILL INTO LAW**

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President Jacob Zuma yesterday signed the Employment Tax Incentive Act No 26 of 2013, making into law an initiative that will complement government's measures (as listed in the Youth Employment Accord) to create jobs for young workers and those in special economic zones.

Published yesterday as Gazette No. 37185, the Act will take effect on 1 January 2014.

The Act will encourage private employers to employ young workers by providing a tax incentive to employers, with government sharing the costs of such employment for a maximum of two years under certain conditions. This tax incentive can also be used to provide jobs to the many matriculants and other school leavers who will be entering the labour market. Soon after the Special Economic Zones Bill is enacted, the incentive will also support employers in such zones, if the zone is designated as eligible by the Minister of Finance. Though not applicable initially, the Minister of Finance may also consider extending the incentive to cover workers in certain approved industries.

The employment tax incentive aims to share the costs of employment between government and employers. The incentive will function by decreasing the amount of pay-as-you-earn (PAYE) tax that is payable to the South African Revenue Service (SARS) for every qualifying employee that is hired by the employer. There will be no change in the wages that the employee receives but the effective cost of hiring the employee will be lower, making it more attractive for firms to increase employment. Government recognises that no one tool or incentive will be a panacea to solve our unemployment problem; however, the tax incentive has the potential to make a real contribution towards the creation of new and additional jobs. The Act contains checks and balances that are designed to prevent abuse and ensure that employers do not discriminate against older workers in order to merely access the incentive. Very importantly, this incentive will allow many unemployed young people to gain work experience and develop their skills, thereby improving their prospects for better employment opportunities.

The incentive is available to all private sector employers in all sectors of the economy who are registered with SARS for PAYE. Employers can claim the incentive on a sliding scale for any employee between the ages of 18 and 29 who has been hired on or after 1 October 2013, who possesses a South African ID and is receiving a monthly salary that is above the relevant minimum wage and less than R6 000 per month. If there is no legal minimum wage applicable in a particular sector, the monthly salary must be greater than R2 000. Domestic workers and employees connected or related to the employer are not eligible.

During the first year the value of the incentive will be 50 per cent of the monthly wage up to a monthly wage of R2 000. For wages between R2 000 and R4 000 the value of the incentive will be R1 000 and for wages between R4 000 and R6 000 the incentive value will decrease linearly from R1 000 to zero. For example, an employer who hires a qualifying employee with a monthly salary of R3 500 may decrease the amount of PAYE they need to pay SARS by R1 000, while for a qualifying employee who earns R5 000 the employer may decrease the amount of PAYE they need to pay to SARS by R500. The value of the incentive will decrease by half during the second year. An employer may only claim the incentive for a two year period for each qualifying employee.

Early in 2014, SARS will publish on its website [www.sars.gov.za](http://www.sars.gov.za) documentation that will provide further details to assist employers in both understanding how the employment tax incentive will work and how they can claim the incentive in practice.

National Treasury would like to encourage employers to use the incentive to increase the number of youth with limited work experience that they employ. The school leavers for 2013, who are likely entering the job market for the first time, are also good candidates for employers as potential qualifying employees. On-the-job experience is crucial for attaining the appropriate skills and for future employment prospects. Government is committed to work with the private sector to enhance employment opportunities and skills development for all workers, but especially for the youth with limited work experience. The existing learnership allowance provided for in the Income Tax Act and this employment tax incentive is but two of initiatives that Government encourage employers to access to increase the levels of employment and skills development.

**Issued by National Treasury**

**Date: 19 December 2013**