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GOVERNMENT NOTICE

NATIONAL TREASURY

No. 187

6 March 2015

INVITATION FOR PUBLIC COMMENT ON PROPOSED REDUCTION OF UNEMPLOYMENT INSURANCE CONTRIBUTIONS: SECTION 6 OF UNEMPLOYMENT INSURANCE CONTRIBUTIONS ACT, 2002

1. The Minister of Finance proposed in the 2015 National Budget a temporary reduction in contributions by employers and employees to the Unemployment Insurance Fund ("the UIF"), while keeping benefits unchanged. It is proposed that the remuneration threshold, against which the contributions are calculated, be reduced from the current monthly amount of R14 872 to R1 000.¹ The reduction is proposed to take effect on 1 April 2015 and a revision thereof will be considered before 1 April 2016. If implemented, both employers and employees will be required to pay a maximum of R10 each per month. Currently, the maximum contribution stands at R148.72 each per month. Section 6(2) of the Unemployment Insurance Contributions Act, 2002, enables the Minister of Finance to adjust the remuneration threshold by notice in the *Gazette*, after consultation with the Minister of Labour and the UIF Commissioner.² A copy of the draft notice is in the Annexure hereto.
2. The proposed reduction aims to provide temporary support to households and employers, in a fiscally sustainable manner. Growth has been revised down to 1.4 per cent in the current fiscal year. Government has raised personal income tax and the fuel levies as part of its efforts to reduce the budget deficit. By reducing unemployment insurance contributions for a limited period, government will partially off-set the impact of higher taxes and slow growth on employees and employers.
3. The accumulated surplus of the UIF stood at approximately R72 billion in March 2014, and projected cash surpluses amount to R57 billion over the next three years. The proposed reduction in the remuneration threshold will reduce the contributions by about R15 billion in 2015/16. Because this intervention will draw down on the accumulated surplus, it will stimulate the economy without requiring national government to issue additional debt.
4. The proposed contributions reduction would not reduce the unemployment insurance benefits payable to beneficiaries. A reduction of these benefits may only take place through changing the current amounts determined by the Minister of Labour in terms of another Act, namely the Unemployment Insurance Act, 2001.³ Any change to benefits also requires the concurrence of the Minister of Finance.

¹ See Government Notice 783 of 26 September 2012 for the current amount regarding remuneration threshold.

² According to section 6(1) of the Unemployment Insurance Contributions Act, 2002 (Act No. 4 of 2002), the monthly contribution payable by every employee and every employer to the UIF is one per cent each of the remuneration paid or payable to the employee. Section 6(2) of the Contributions Act provides that this provision does not apply to so much of the remuneration paid or payable by an employer to an employee during any month as exceeds an amount determined from time to time (i.e. the remuneration threshold) by the Minister of Finance by notice in the *Gazette*, after consultation with the Minister of Labour and the Unemployment Insurance Commissioner.

³ Section 12(3)(a) of the Unemployment Insurance Act, 2001 (Act No. 63 of 2001). See Government Notice No. 588 of 3 August 2012 for the current amounts regarding benefits.

5. In considering this proposal, government took into account the intended improvement in unemployment insurance benefits as supported by social partners at NEDLAC. The implementation of these improvements requires Parliament to pass an Amendment Bill, with the President's assent. If implemented during the 2015/16 financial year, the UIF has sufficient resources to sustainably fund these improved benefits.
6. Should the temporary reduction in UIF contributions be implemented in 2015/16 fiscal year, the Minister of Finance will reconsider the contribution remuneration threshold before the next 2016/17 fiscal year. As before, any change will take the long-term sustainability of the fund into consideration.
7. The Minister of Finance invites public comment on the proposed reduction of the remuneration threshold for contributions to the UIF, as indicated in paragraph 1. Comments received by 20 March 2015 will be considered before a decision is made on whether to reduce the remuneration threshold in terms of section 6(2) of the Unemployment Insurance Contributions Act. Comments may be submitted to—
 - ✓ email: uif@treasury.gov.za; or
 - ✓ 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

ANNEXURE

DRAFT GOVERNMENT NOTICE

No. R.

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NATIONAL TREASURY

UNEMPLOYMENT INSURANCE CONTRIBUTIONS ACT, 2002: DETERMINATION OF LIMIT ON AMOUNT OF REMUNERATION FOR PURPOSES OF DETERMINATION OF CONTRIBUTION IN TERMS OF SECTION 6

In terms of section 6(2) of the Unemployment Insurance Contributions Act, 2002 (Act No. 4 of 2002), I, Nhlanhla Musa Nene, Minister of Finance hereby, after consultation with the Minister of Labour and the Unemployment Insurance Commissioner, determine that, with effect from 1 April 2015, section 6(1) of that Act does not apply to so much of the remuneration paid or payable by an employer to an employee during any month, as exceeds R1 000.

N M NENE
MINISTER OF FINANCE

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