

EXTERNAL GUIDE

GUIDE FOR EMPLOYERS
IN RESPECT OF
EMPLOYMENT TAX INCENTIVE

TABLE OF CONTENTS

1	PURPOSE	3
2	SCOPE	3
3	THE PURPOSE OF THE EMPLOYMENT TAX INCENTIVE (ETI)	3
4	HOW WILL THE ETI WORK?	3
5	EMPLOYERS WHO ARE ELIGIBLE	4
6	EMPLOYERS WHO ARE NOT ELIGIBLE	4
7	MONTHLY WAGE FOR QUALIFYING EMPLOYEES	5
8	CRITERIA FOR EMPLOYEES WHO QUALIFY	5
9	QUALIFYING PERIODS	6
10	STEPS TO BE FOLLOWED BY THE EMPLOYER	6
11	CALCULATION OF THE MONTHLY ETI AMOUNT	6
12	ROLL-OVER AMOUNTS	7
13	WHEN IS ETI UNAVAILABLE FOR REDUCING EMPLOYEES' TAX?	8
14	HOW WILL THE EMPLOYER OBTAIN REIMBURSEMENT?	8
15	ETI PAYMENT ALLOCATION	10
16	OBLIGATION OF EMPLOYER TO SUBMIT RECONCILIATION (EMP501)	10
17	ETI FILE	11
18	CSV VALIDATION RULES	11
19	PENALTIES	13
20	RECORD KEEPING	13
21	APPLICABILITY TO PROVISIONS OF THE INCOME TAX ACT	13
22	CROSS REFERENCES	14
23	DEFINITIONS AND ACRONYMS	14

1 PURPOSE

- This guide in its design, development, implementation and review phases is guided and underpinned by the SARS values, code of conduct and the applicable legislation. Should any aspect of this guide conflict with the applicable legislation the applicable legislation will take precedence.
- 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
 - 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 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.
 - Impact of this amendment means that 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

- Employee will qualify, if the employee:
 - Is 18 to 29 years old (please note that age limit is not applicable if the employee renders services inside a special economic zone (SEZ) to an employer that is operating inside SEZ, or if employee is employed by an employer that operates in an industry designated by Minister of Finance). **Minister of Finance has not yet activated a SEZ for ETI purposes, meaning even if an employer is operating in a SEZ, he/she can ONLY claim for employees who are 18 to 29 years old;**
 - 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 wage 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 remuneration.
- Employee 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 applicable employment period for each qualifying employee;
 - Determine each employee's "monthly remuneration";
 - Calculate 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	R 500
R 4 000 - R5 999	Formula: $X = A - (B \times (C - D))$ A = represents an amount of R1 000 B = represents 0.50 C = represents the employee's monthly remuneration D = represents the amount of R4 000	Formula: $X = A - (B \times (C - D))$ A = represents an amount of R 500 B = represents 0.25 C = represents the employee's monthly remuneration D = represents the amount of R4 000

Note:

- Where employee was employed for only part of the month, employment tax incentive must be calculated on a pro-rata basis (which is same as you would do the monthly PAYE calculation). For example, if employee starts to work on 15 February 2014 and receives wage of R1 800, the grossed monthly remuneration = R3 600. Full calculated employment tax incentive value is therefore R1 000 and the employer can claim R 500 for this employee during the first 12 month period and R 250 during the second 12 month period.
- In determining the first or second 12 month period, only the months in which employee was a qualifying employee are taken into account. For example, employee may be a qualifying employee in first three months but not qualifying employee in fourth and fifth months. If employee is qualifying employee in sixth month, the sixth month is month number four as far as 12 month period is concerned.
- **PAYE on EMP201 monthly declaration may not result in a negative amount, if this does occur the employer must indicate “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 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.
 - ETI claim for these omitted employees can be claimed on 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 Act 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;
 - 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;
 - Tax debt has been suspended pending an objection or appeal; or
 - Tax debt is less than R1,000 for total debt across all taxes.

14 HOW WILL THE EMPLOYER OBTAIN REIMBURSEMENT?

Reference to the Act 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 until the end of the next reconciliation period to rectify its non-compliance.
 - Where the employer does not rectify its non-compliance within this 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.

15 ETI PAYMENT ALLOCATION

Meaning

- The ETI account will never be in debit unless in exceptional circumstances where SARS has reversed the ETI refund due to an audit or imposed a penalty
- The following payment rules must be applied -
 - PAYE tax value (in the following sequence – penalty, interest, tax, additional tax/USP)
 - UIF contribution value (in the following sequence – penalty, interest, tax, additional tax/USP)
 - SDL value (in the following sequence – penalty, interest, tax, additional tax/USP)
 - PAYE remainder of the balance (in the following sequence – penalty, interest, tax additional tax/USP)
 - UIF contribution remainder of the balance (in the following sequence, penalty, interest, tax, additional tax/USP)
 - SDL contribution remainder of the balance (in the following sequence, penalty, interest, tax, additional tax/USP)
 - ETI debt
 - Should there still be a credit left over, it must be placed in the unallocated account.
- **Note:** The employer must use the PAYE PRN to make the payment.

16 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.

17 ETI FILE

Meaning

- All employers participating in ETI benefit must keep records of 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 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 years from the date of submission of the return in terms of the Tax Administration Act No. 28 of 2011

18 CSV VALIDATION RULES

Code	Field name	Validation rules
7002	Remuneration paid	<ul style="list-style-type: none"> • Actual remuneration as defined in the Fourth Schedule and referred to by 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, is for each of the 6 or 12 months in period of reconciliation, irrespective of period of employment. ▫ If the certificate type is ITREG this field must not be completed.
7003	Minimum wage	<ul style="list-style-type: none"> • To indicate minimum wage as specified by a wage regulating measure • Note: If there is no wage regulating measure, this field must be zero. The same minimum wage rate (hourly, weekly or monthly) that is used for code 7003 must be used for 7008 <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
7004	Monthly Calculated ETI	<ul style="list-style-type: none"> • To indicate amount of ETI available to employer for the employee. <p>Field Layout:</p> <ul style="list-style-type: none"> ▫ Mandatory if Code 3026 is populated with a “Y”. ▫ Value can be 0.00 (zero) ▫ Decimal digits are mandatory even if the decimal value is zero ▫ Must be decimal point (comma invalid) ▫ If ETI qualifying 12 month period indicator (code 7005) is 0, this field must be zero (0.00); ▫ If employee’s age for specified month is less than 18 or greater than and or equal to 30, then this field must be zero (0.00) ▫ 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

7005	ETI qualifying 12 month period indicator	<ul style="list-style-type: none"> • This indicates 12 month period for which employee qualifies for ETI. <p>Field layout:</p> <ul style="list-style-type: none"> ▫ Mandatory field if 3026 is populated with “Y” ▫ Value can only be 0,1 or 2 <ul style="list-style-type: none"> ○ 0 – if employee does not qualify for ETI for specified month; ○ 1 – if employee qualifies for ETI for specified month and the specified month is in the first 12 month period ○ 2 – if employee qualifies for ETI for specified month and the specified month is in the second 12 month period. ▫ Applicable from 2018 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. <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 for which the employee was employed and paid remuneration. Only report to a maximum of 160 hours <p>Field layout:</p> <ul style="list-style-type: none"> ▫ Mandatory field if field 3026 is populated with Y. ▫ The value can be 0.00 (zero) ▫ Must be a decimal point ▫ Data for a full reconciliation period must be submitted ▫ Only applicable from 2017 year of assessment ▫ If the certificate type is ITREG, then this field must not be completed.
7008	Wage paid	<ul style="list-style-type: none"> • The actual wage that is paid for the specified month. The same rate at which the wage is paid (hourly, weekly or monthly) that is used for code 7003 must be used for code 7008). <p>Field layout:</p> <ul style="list-style-type: none"> ▫ Mandatory if Code 3026 is populated with a “Y”, ▫ Value can be zero (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 2018 year of assessment. ▫ If the certificate type is ITREG this field must not be completed

19 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, 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

20 RECORD KEEPING

Reference to the Act

Paragraph 14(1) of 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 date of last entry and must be available for inspection purposes by SARS

21 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, production of information, relevant material; 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 liability;
 - The jurisdiction of Courts

22 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

23 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. <p>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.</p>
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 who: <ul style="list-style-type: none"> Works directly for another person; and 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
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, for a: <ul style="list-style-type: none"> Company: Any public officer, liquidator, judicial manager, Municipality: Manager, secretary, officer, or other person, Person under legal disability: Guardian, curator, administrator or other person Non-resident employer: 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 Act, 2014 (Act No.16 of 2014) 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. Note that the Minister of Finance has not as yet designated any SEZ for purposes of ETI. This means that the employers who are currently operating in a SEZ can only claim for employees who are 18 to 29 years

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

DISCLAIMER

The information contained in this guide is intended as guidance only and is not considered to be a legal reference, nor is it a binding ruling. The information does not take the place of legislation and readers who are in doubt regarding any aspect of the information displayed in the guide should refer to the relevant legislation, or seek a formal opinion from a suitably qualified individual.

For more information about the contents of this publication you may:

Visit the SARS website at www.sars.gov.za

Visit your nearest SARS branch

Contact your own tax advisor/tax practitioner

If calling from within South Africa, contact the SARS Contact Centre on 0800 00 SARS (7277)

If calling from outside South Africa, contact the SARS Contact Centre on +27 11 602 2093 (only between 8am and 4pm South African time).